

# Britannia Industries

We had extended our target on Britannia to Rs1,754 in a call update released on **November 13, 2014**, then revised it to Rs1,870 in Q2 FY15 Result Update released on **November 17, 2014**, then extended it to Rs2,059 in a call update released on **January 05, 2015** and revised it to Rs2,141 in Q3 FY15 Result Update released on **February 05, 2015**. The stock surpassed the target in today's trading session. We remain positive on the growth prospects of the company and advise investors to continue to hold the investment for a revised target of Rs2,357.

|                        |         |
|------------------------|---------|
| Previous reco price:   | Rs1,870 |
| Previous target price: | Rs2,141 |
| Return achieved:       | 14.5%   |
| New target price:      | Rs2,357 |
| Expected return:       | 10.1%   |

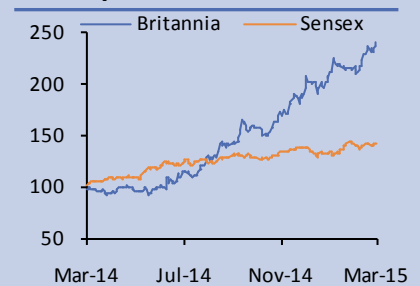
|                       |                 |
|-----------------------|-----------------|
| <b>Sector:</b>        | <b>FMCG</b>     |
| <b>Sector view:</b>   | <b>Positive</b> |
| Sensex:               | 29,501          |
| 52 Week h/l (Rs):     | 2,180 / 812     |
| Market cap (Rscr) :   | 26,047          |
| 6m Avg vol ('000Nos): | 159             |
| Bloomberg code:       | BRIT IB         |
| BSE code:             | 500825          |
| NSE code:             | BRITANNIA       |
| FV (Rs):              | 2               |

Price as on March 03, 2015

## Company rating grid

|                  |            |   |   |   |   |
|------------------|------------|---|---|---|---|
|                  | Low → High |   |   |   |   |
|                  | 1          | 2 | 3 | 4 | 5 |
| Earnings Growth  |            |   |   |   |   |
| Cash Flow        |            |   |   |   |   |
| B/S Strength     |            |   |   |   |   |
| Valuation appeal |            |   |   |   |   |
| Risk             |            |   |   |   |   |

## Share price trend



## Share holding pattern

| (%)          | Jun-14 | Sep-14 | Dec-14 |
|--------------|--------|--------|--------|
| Promoters    | 50.8   | 50.8   | 50.8   |
| Institutions | 29.0   | 29.3   | 28.7   |
| Others       | 20.3   | 19.9   | 20.5   |

Call Success & Update

## Britannia Industries



|                        |         |
|------------------------|---------|
| Previous reco price:   | Rs1,591 |
| Previous target price: | Rs1,870 |
| Return achieved:       | 17.5%   |
| New target price:      | Rs2,059 |
| Expected return:       | 10.1%   |

|                       |                 |
|-----------------------|-----------------|
| <b>Sector:</b>        | <b>FMCG</b>     |
| <b>Sector view:</b>   | <b>Positive</b> |
| Sensex:               | 27,888          |
| 52 Week h/l (Rs):     | 1,912 / 812     |
| Market cap (Rscr) :   | 22,917          |
| 6m Avg vol ('000Nos): | 132             |
| Bloomberg code:       | BRIT IB         |
| BSE code:             | 500825          |
| NSE code:             | BRITANNIA       |
| FV (Rs):              | 2               |

Price as on January 02, 2015

## Company rating grid

|                  |            |   |   |   |   |
|------------------|------------|---|---|---|---|
|                  | Low → High |   |   |   |   |
|                  | 1          | 2 | 3 | 4 | 5 |
| Earnings Growth  |            |   |   |   |   |
| Cash Flow        |            |   |   |   |   |
| B/S Strength     |            |   |   |   |   |
| Valuation appeal |            |   |   |   |   |
| Risk             |            |   |   |   |   |

## Share price trend



## Share holding pattern

| (%)          | Mar-14 | Jun-14 | Sep-14 |
|--------------|--------|--------|--------|
| Promoters    | 50.8   | 50.8   | 50.8   |
| Institutions | 28.5   | 29.0   | 29.3   |
| Others       | 20.7   | 20.3   | 19.9   |

**Research Analyst:**  
Vanmala Nagwekar  
research@indiafoli.com

January 05, 2015

Change in  Estimates  Rating  Target Q2 FY15

### Britannia Industries

- Britannia matched our expectations by recording 12.4% yoy revenue growth at Rs19.6bn led by healthy mix of volume and price
- Operating margins expanded sharply by 200bps to 11.3% fuelled by ~90bps/160bps drop in raw material and advertising cost
- Net profit registered ~13% yoy increase at Rs1.1bn led by healthy improved operating efficiency and higher other income. Britannia reported one-off profit of Rs1.6bn on account of sale of land and building in Chennai. Adjusted PAT (post-tax) increased by 50% yoy to Rs1.5bn
- We expect Britannia to witness a revenue/PAT CAGR of ~14%/30% respectively over FY14-16. Maintain Buy rating with a 9-mth revised price target of Rs1,870 (earlier Rs1,754)

| (Rs m)                     | Q2 FY15  | Q2 FY14 | % yoy   | Q1 FY15 | % qoq    |
|----------------------------|----------|---------|---------|---------|----------|
| Net sales                  | 19,555   | 17,405  | 12.4    | 17,726  | 10.3     |
| Operating income           | 190      | 153     | 24.6    | 144     | 32.5     |
| Total income               | 19,745   | 17,558  | 12.5    | 17,870  | 10.5     |
| Material cost              | (10,209) | (9,248) | 10.4    | (9,512) | 7.3      |
| Purchase of FG             | (1,707)  | (1,262) | 35.2    | (1,418) | 20.4     |
| Personnel cost             | (673)    | (660)   | 2.0     | (669)   | 0.6      |
| Advertising cost           | (1,435)  | (1,551) | (7.5)   | (1,384) | 3.6      |
| Other overheads            | (3,521)  | (3,229) | 9.1     | (3,192) | 10.3     |
| Operating profit           | 2,201    | 1,609   | 36.8    | 1,696   | 29.8     |
| OPM (%)                    | 11.3     | 9.2     | 201 bps | 9.6     | 169 bps  |
| Depreciation               | (308)    | (211)   | 46.2    | (318)   | (3.2)    |
| Interest                   | (11)     | (10)    | 4.8     | (10)    | 12.4     |
| Other income               | 184      | 41      | 350.4   | 216     | (14.7)   |
| PBT                        | 2,067    | 1,429   | 44.7    | 1,584   | 30.4     |
| Tax                        | (964)    | (451)   | 113.6   | (447)   | 115.6    |
| Effective tax rate (%)     | 46.6     | 31.6    | 28.2    | -       | -        |
| Other prov. / minority etc | 3        | (1)     | -       | (1)     | -        |
| Adjusted PAT               | 1,105    | 976     | 13.2    | 1,137   | (2.7)    |
| Adj. PAT margin (%)        | 5.7      | 5.6     | 4 bps   | 6.4     | (76) bps |
| Extra ordinary items       | 1,599    | -       | -       | -       | -        |
| Reported PAT               | 2,705    | 976     | 177.0   | 1,137   | 138.0    |
| Ann. EPS (Rs)              | 36.9     | 32.6    | 13.1    | 37.9    | (2.7)    |
| Adjusted PAT (Post tax)    | 1,464    | 976     | 50.0    | 1,137   | 28.8     |

Source: Company, India Infoline Research

**Revenue growth in line with expectations**  
Britannia reported healthy 12.4% yoy growth in consolidated revenues at Rs19.6bn driven by healthy mix of volume (expected to be ~8%) and price. The growth could have been even better but for sluggish 5.6% yoy growth reported by subsidiaries (International business + Dairy). All the four sub categories of Britannia - Cookies, Milk Bikis, Nutrichoice and Marie recorded healthy growth during the quarter. Britannia enjoys ~11% market share in the Glucose segment and plans to increase the same to ~13-14% in 2-3 years. It has a very strong product pipeline and the management plans to launch several premium and mid segment products (recently launched NutriChoice Heavens at the top end of the market). Britannia targets to build a strong creams portfolio and increase market share in this segment.

**Research Analyst:**  
Vanmala Nagwekar  
research@indiafoli.com

November 17, 2014

**Result Update**

**Rating:** BUY

Target: Rs1,870  
CMP: Rs1,625  
Upside: 15.0%

**Sector:** FMCG  
**Sector view:** Positive

Sensex: 28,047  
52 Week h/l (Rs): 1,668/812  
Market cap (Rscr) : 19,412  
6m Avg vol ('000Nos): 140  
Bloomberg code: BRIT IN  
BSE code: 500825  
NSE code: BRITANNIA  
FV (Rs): 2

Price as on November 14, 2014

**Share price trend**

**Share holding pattern**

| (%)          | Mar-14 | Jun-14 | Sep-14 |
|--------------|--------|--------|--------|
| Promoters    | 50.8   | 50.8   | 50.8   |
| Institutions | 28.5   | 29.0   | 29.3   |
| Others       | 20.7   | 20.3   | 19.9   |

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**Research Analyst:**  
Vanmala Nagwekar  
research@indiafoli.com

March 03, 2015

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Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

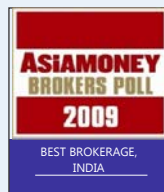
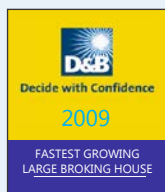
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## Other awards



### Recommendation parameters for fundamental reports:

**Buy** – Absolute return of over +15%

**Accumulate** – Absolute return between 0% to +15%

**Reduce** – Absolute return between 0% to -10%

**Sell** – Absolute return below -10%

**Call Failure** - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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