

Britannia Industries

We had recommended a BUY on Britannia in [Q1 FY15 Result Update](#) released on August 14, 2014, with a target price of Rs1,308. We extended our target to Rs1,440 in a call update released on [August 19, 2014](#), then to Rs1,591 in a call update released on [September 15, 2014](#), then to Rs1,754 in a call update released on [November 13, 2014](#) and revised it to Rs1,870 in Q2 FY15 Result Update released on [November 17, 2014](#). 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 Rs2,059.

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

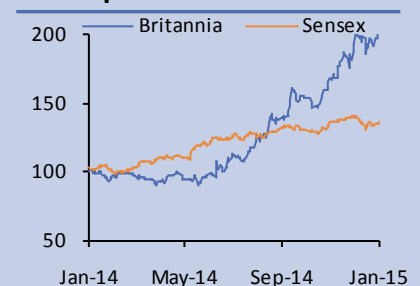
| | |
|-----------------------|-----------------|
| Sector: | FMCG |
| Sector view: | Positive |
| Sensex: | 27,888 |
| 52 Week h/l (Rs): | 1,912 / 812 |
| Market cap (Rscr) : | 22,917 |
| 6m Avg vol ('000Nos): | 132 |
| Bloomberg code: | BRIT IB |
| BSE code: | 500825 |
| NSE code: | BRITANNIA |
| FV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

Price as on January 02, 2015

Company rating grid

| | Low | 1 | 2 | 3 | 4 | 5 | High |
|------------------|-----|---|---|---|---|---|------|
| 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@indiafoline.com

January 05, 2015

Change in ☒ Estimates ☐ Rating ☒ Target

Q2 FY15

Britannia Industries



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 |

Research Analyst:
 Vanmala Nagwekar
research@indiafoline.com

November 17, 2014

Result Update

- ✦ 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)

Result table (Consolidated)

| (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.

This report is published by IIFL 'India Private Clients' research desk. IIFL has other business units with independent research teams separated by 'Chinese walls' catering to different sets of customers having varying objectives, risk profiles, investment horizon, etc. The views and opinions expressed in this document may at times be contrary in terms of rating, target prices, estimates and views on sectors and markets.

'Best Broker of the Year' – by Zee Business for contribution to broking

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.

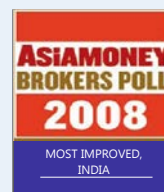
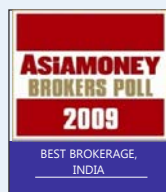
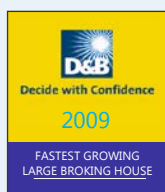
'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

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

India Infoline Group (hereinafter referred as IIFL) is engaged in diversified financial services business including equity broking, DP services, merchant banking, portfolio management services, distribution of Mutual Fund, insurance products and other investment products and also loans and finance business. India Infoline Ltd ("hereinafter referred as IIL") is a part of the IIFL and is a member of the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE"). IIL is also a Depository Participant registered with NSDL & CDSL, a SEBI registered merchant banker and a SEBI registered portfolio manager. IIL is a large broking house catering to retail, HNI and institutional clients. It operates through its branches and authorised persons and sub-brokers spread across the country and the clients are provided online trading through internet and offline trading through branches and Customer Care.

Terms & Conditions and Other Disclosures:-

- This research report ("Report") is for the personal information of the authorised recipient(s) and is not for public distribution and should not be reproduced or redistributed to any other person or in any form without IIL's prior permission. The information provided in the Report is from publicly available data, which we believe, are reliable. While reasonable endeavors have been made to present reliable data in the Report so far as it relates to current and historical information, but IIL does not guarantee the accuracy or completeness of the data in the Report. Accordingly, IIL or any of its connected persons including its directors or subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication.
- Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by IIFL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.
- The Report also includes analysis and views of our research team. The Report is purely for information purposes and does not construe to be investment recommendation/advice or an offer or solicitation of an offer to buy/sell any securities. The opinions expressed in the Report are our current opinions as of the date of the Report and may be subject to change from time to time without notice. IIL or any persons connected with it do not accept any liability arising from the use of this document.
- Investors should not solely rely on the information contained in this Report and must make investment decisions based on their own investment objectives, judgment, risk profile and financial position. The recipients of this Report may take professional advice before acting on this information.

- e) IIL has other business segments / divisions with independent research teams separated by 'chinese walls' catering to different sets of customers having varying objectives, risk profiles, investment horizon, etc and therefore, may at times have, different and contrary views on stocks, sectors and markets.
- f) This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to local law, regulation or which would subject IIL and its affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this Report may come are required to inform themselves of and to observe such restrictions.
- g) As IIL along with its associates, are engaged in various financial services business and so might have financial, business or other interests in other entities including the subject company/ies mentioned in this Report. However, IIL encourages independence in preparation of research report and strives to minimize conflict in preparation of research report. IIL and its associates did not receive any compensation or other benefits from the subject company/ies mentioned in the Report or from a third party in connection with preparation of the Report. Accordingly, IIL and its associates do not have any material conflict of interest at the time of publication of this Report.
- h) As IIL and its associates are engaged in various financial services business, it might have:-
 - (a) received any compensation (except in connection with the preparation of this Report) from the subject company in the past twelve months; (b) managed or co-managed public offering of securities for the subject company in the past twelve months; (c) received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) engaged in market making activity for the subject company.
- i) IIL and its associates collectively do not own 1% or more of the equity securities of the subject company/ies mentioned in the report as of the last day of the month preceding the publication of the research report.
- j) The Research Analyst/s engaged in preparation of this Report or his/her relative
 - (a) does not have any financial interests in the subject company/ies mentioned in this report; (b) does not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) does not have any other material conflict of interest at the time of publication of the research report.
- k) The Research Analyst/s engaged in preparation of this Report:-
 - (a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

We submit that no material disciplinary action has been taken on IIL by any regulatory authority impacting Equity Research Analysis.

A graph of daily closing prices of securities is available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp>, www.bseindia.com and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" period in the price chart).

Published in 2015. © India Infoline Ltd 2015

India Infoline Limited (Formerly "India Infoline Distribution Company Limited"), CIN No.: U99999MH1996PLC132983, Corporate Office – IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 Tel: (91-22) 4249 9000 .Fax: (91-22) 40609049, Regd. Office – IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400604 Tel: (91-22) 25806650. Fax: (91-22) 25806654 E-mail: mail@indiainfoline.com Website: www.indiainfoline.com, Refer www.indiainfoline.com for detail of Associates.

National Stock Exchange of India Ltd. SEBI Regn. No. : INB231097537/ INF231097537/ INE231097537, Bombay Stock Exchange Ltd. SEBI Regn. No.:INB011097533/ INF011097533/ BSE-Currency, MCX Stock Exchange Ltd. SEBI Regn. No.: INB261097530/ INF261097530/ INE261097537, United Stock Exchange Ltd. SEBI Regn. No.: INE271097532, PMS SEBI Regn. No. INP000002213, IA SEBI Regn. No. INA000000623, SEBI RA Regn.- Applied for

For Research related queries, write to: Amar Ambani, Head of Research at research@indiainfoline.com

For Sales and Account related information, write to customer care: cs@indiainfoline.com or call on 91-22 4007 1000