

RESULT UPDATE

MID CAP

Share Data

Reuters code	BRTA.BO
Bloomberg code	BRIT IN
Market cap. (US\$ mn)	850
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	24
Target price (Rs)	1,618

Performance (%)	1M	3M	12M
Absolute	9	(8)	48
Relative	14	(13)	(17)

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	94	101.1
+/- (%)	11.7	7.6
PER (x)	17.9	16.6
PBV (x)	9.6	7.6
Dividend/Yield (%)	2.7	3
EV/Sales (x)	1.1	1
EV/EBITDA (x)	14.3	13.0

Major shareholders (%)

Promoters	51
FII's	8
MF's	12
BFSI's	11
Public & Others	18

Financial highlights (Standalone)

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY10E	YoY (%)
Net Sales	8,385	8,585	2.4	15,318	15,898	3.8	31,122	33,696	8.3	37,822	12.2
EBITDA	671	737	9.9	1,247	1,337	7.2	2,584	2,796	8.2	3,007	7.6
EBITDA margin (%)	8.0	8.6		8.1	8.4		8.3	8.3		8.0	
Other Income	167	126	(24.4)	246	279	13.4	399	414	3.8	451	8.9
Interest	(44)	(9)	(80.1)	(79)	(17)	(78.5)	(117)	(39)	(66.8)	(390)	903.2
Depreciation	(82)	(94)	14.6	(161)	(185)	15.0	(335)	(360)	7.7	(39)	(89.2)
PBT & extraordinary	712	762	6.9	1,253	1,414	12.9	2,531	2,811	11.0	3,030	7.8
Extraordinary items	(64)	(70)		(119)	(140)		(206)	(70)		0	
PBT	649	692	6.7	1,135	1,275	12.3	2,325	2,741	17.9	3,030	10.5
Tax	(116)	(101)	(12.5)	(199)	(210)	5.9	(521)	(566)	8.6	(615)	8.7
PAT	533	591	10.8	936	1,064	13.7	1,804	2,175	20.6	2,414	11.0
Adjusted PAT	597	660	10.7	1,055	1,204	14.2	2,010	2,245	11.7	2,414	7.6
EPS (Rs)	25.0	27.6	10.7	44.1	50.4	14.2	84.1	94.0	11.7	101.1	7.6

Britannia Industries Downgrade to Underperformer

Price: Rs 1,680

BSE Index: 16,053

29 October 2009

2QFY10 Result – Weak performance continues

Britannia reported a weak net sales growth of 2.4% at Rs 8.6 bn and a PAT growth of 11% at Rs 591 mn. The gross margins, improved by 140 bps as a result of softening in raw material prices. EBITDA margins also increased by 60 bps despite higher A&P spends (8.3% against 6.7% of sales) due to control over other expenses. The other income declined by 24% due to increased interest expense on account of the bonus debenture issue.

Britannia continues to disappoint with a weak topline growth. Increasing competition from its nearest competitor, Parle, has resulted in Britannia losing market share in biscuits over the last few quarters. Though the company is currently benefiting from low raw material prices, the steep increase in sugar prices (50%+ YoY) and firm wheat prices will result in margin pressures in the coming quarters. Besides increasing competitive intensity is likely to result in higher ad spends affecting the margins further. We have revised our estimates downwards by 5% for FY10E and 15% for FY11E. With the weakest performance in the domestic consumer space Britannia remains less attractive to its consumer peers and we hence downgrade the stock to Underperformer with a revised target price of Rs 1620, based on 16x FY11E estimates.

At the current levels, the stock trades at 18x and 17x our revised FY10E and FY11E estimates. A strong turnaround in the dairy and bread businesses could provide likely upsides in the future.

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net sales	25,840	31,122	33,696	37,822
<i>Growth (%)</i>	17.5	20.4	8.3	12.2
Operating expenses	(23,646)	(28,538)	(30,900)	(34,815)
Operating profit	2,194	2,584	2,796	3,007
EBITDA	2,194	2,584	2,796	3,007
<i>Growth (%)</i>	75.1	17.8	8.2	7.6
Depreciation	(291)	(335)	(360)	(390)
Other income	322	399	414	451
EBIT	2,225	2,648	2,850	3,069
Interest paid	(64)	(117)	(39)	(39)
Pre-tax profit	2,161	2,531	2,811	3,030
(before non-recurring items)				
Non-recurring items	78	(206)	(70)	0
Pre-tax profit	2,239	2,325	2,741	3,030
(after non-recurring items)				
Tax (current + deferred)	(413)	(521)	(566)	(615)
Net profit	1,826	1,804	2,175	2,414
Adjusted net profit	1,749	2,010	2,245	2,414
<i>Growth (%)</i>	51.7	15.0	11.7	7.6
Reported PAT	1,826	1,804	2,175	2,414

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Cash & marketable securities	3,821	4,165	4,122	5,019
Current assets	8,908	9,151	9,419	10,862
Investments	425	473	470	470
Net fixed assets	2,507	2,839	2,998	3,108
Other non-current assets	248	143	111	122
Total assets	12,088	12,606	12,998	14,562
Current liabilities	3,477	4,133	4,534	5,109
Total debt	1,061	252	4,085	4,085
Other non-current liabilities	225	243	183	113
Total liabilities	4,762	4,627	8,802	9,307
Share capital	239	239	239	239
Reserves & surplus	7,319	8,007	4,170	5,187
Less: Misc. expenditure	(232)	(266)	(213)	(170)
Shareholders' funds	7,326	7,979	4,196	5,255
Total equity & liabilities	12,088	12,606	12,998	14,562
Capital employed	8,611	8,473	8,463	9,453

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	2,239	2,325	2,741	3,030
Depreciation	184	215	330	390
Chg in working capital	(1,513)	758	90	29
Total tax paid	(424)	(398)	(594)	(696)
Cash flow from oper. (a)	486	2,900	2,568	2,752
Capital expenditure	(547)	(547)	(490)	(500)
Chg in investments	(608)	(423)	379	(507)
Other investing activities	3	1	0	0
Cash flow from inv. (b) (1,153)	(968)	(111)	(1,007)	(1,007)
Free cash flow (a+b)	(666)	1,932	2,457	1,745
Equity raised/(repaid)	23	(34)	53	43
Debt raised/(repaid)	1,013	(809)	3,833	0
Dividend (incl. tax)	(503)	(1,118)	(1,258)	(1,398)
Other financing activities	84	0	(4,754)	0
Cash flow from fin. (c)	617	(1,961)	(2,125)	(1,355)
Net chg in cash (a+b+c)	(49)	(30)	332	390

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
EPS (Rs)	73.2	84.1	94.0	101.1
EPS growth	51.7	15.0	11.7	7.6
Book NAV/share (Rs)	306.6	334.0	175.6	220.0
Dividend/ share (Rs)	18.0	40.0	45.0	50.0
Dividend payout ratio	28.8	55.6	56.0	57.9
Tax rate	18.4	22.4	20.6	20.3
EBITDA margin	8.5	8.3	8.3	8.0
EBIT margin	8.6	8.5	8.5	8.1
RoCE	30.2	31.0	33.7	34.3
Net debt/Equity	(37.7)	(49.0)	(0.9)	(17.8)

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	23.0	20.0	17.9	16.6
PCE	19.7	17.1	15.4	14.3
Price/Book	5.5	5.0	9.6	7.6
Yield (%)	1.1	2.4	2.7	3.0
EV/Net sales	1.4	1.2	1.2	1.0
EV/EBITDA	17.0	14.0	14.3	13.0

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	6.8	6.5	6.7	6.4
Asset turnover	2.4	2.5	2.6	2.7
Leverage factor	1.6	1.6	2.1	2.9
Return on equity (%)	26.5	26.3	36.9	51.1

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