

RESULT UPDATE

MID CAP

Share Data

Reuters code	BRTA.BO
Bloomberg code	BRIT IN
Market cap. (US\$ mn)	844
6M avg. daily turnover (US\$ mn)	0.3
Issued shares (mn)	24
Target price (Rs)	1,405

Performance (%)	1M	3M	12M
Absolute	2	0	(4)
Relative	8	(1)	(19)

Valuation Ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	80.3	101.6
+/- (%)	13.4	26.5
PER (x)	20.8	16.5
PBV (x)	9.5	7.7
Dividend/Yield (%)	2.6	3.1
EV/Sales (x)	1.1	0.9
EV/EBITDA (x)	15.8	13.2

Major shareholders (%)

Promoters	51
FII's	9
MF's	10
BFST's	9
Public & Others	22

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	FY12E	YoY (%)
Net sales	7,621	9,303	22.1	31,122	34,014	9.3	37,866	43,085	13.8
EBITDA	686	(116)	-	2,584	1,601	(38.1)	2,578	3,103	20.4
EBITDA margin (%)	9.0	(1.2)	-	8.3	4.7	-	6.8	7.2	-
Other income	75	161	115.9	399	553	38.7	612	737	20.5
Interest	(8)	(17)	120.5	(117)	(42)	(64.3)	(372)	(366)	(1.6)
Depreciation	(88)	(96)	8.9	(335)	(376)	12.5	(391)	(428)	9.4
PBT & extraordinary	664	(67)	-	2,531	1,736	(31.4)	2,426	3,045	25.5
Extraordinary items	(23)	(319)	-	(206)	(529)	-	-	-	-
PBT	641	(387)	-	2,325	1,207	(48.1)	2,426	3,045	25.5
Tax	(235)	196	-	(521)	(43)	(91.8)	(507)	(618)	22.0
PAT	406	(190)	-	1,804	1,164	(35.5)	1,919	2,427	26.5
Adjusted PAT	430	129	(70.0)	2,010	1,693	(15.8)	1,919	2,427	26.5
EPS (Rs)	18.0	5.4	(70.0)	84.1	70.9	(15.8)	80.3	101.6	26.5

Britannia Industries

Maintain Underperformer

Price: Rs 1,672

BSE Index: 16,666

28 May 2010

4QFY10 Result – Peak input inflation impact

Britannia results were above expectations on the topline with growth of 22% at Rs 9.3 bn. However steep input inflation during the quarter led to a lower than expected bottomline with the company reporting a loss of Rs 67 mn before extraordinary items and taxes. Extraordinary items of Rs 319 mn and a tax write back of Rs 196 mn led to a net loss of Rs 190 mn. Peak input inflation in wheat and sugar led to 850 bps decline in gross margins and a EBITDA loss of Rs 116 mn.

For the year, net sales increased by 9.3% to Rs 34 bn, EBITDA declined by 38% to Rs 1.6 bn and PBT (before extraordinary and tax write-back) declined by 31% to Rs 1.7 bn. On a consolidated level, net sales increased by 10.2% to Rs 37.7 bn, indicating a 9% decline in sales of other divisions for the quarter.

Topline growth has shown a recovery after four quarters of subdued growth, but this has come off a low base 4QFY09 and partial impact of price hikes. With prices being increased across portfolio and low base FY09, we expect the improvement in topline growth to continue. The quarter has witnessed peak input inflation in wheat and sugar resulting in the steep decline in margins and profitability. Inflation has come off in wheat and sugar (down by ~15-20% from highs) which will help improve margins in coming quarters. However, sugar prices, post correction, are still higher by 25% to least year levels, which we believe will restrict margin recovery to 1HFY09 levels.

While Britannia remains an attractive play in the packaged foods space, innovation and new product pipeline has been limited. With near term pressures on margins and low visibility of growth in other divisions we maintain our Underperformer rating on the stock. Increasing competition from Parle and ITC and entry of Kraft in the domestic biscuits market, post its acquisition of Cadbury, could provide further downside risks.

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Net sales	31,122	34,014	37,866	43,085
<i>Growth (%)</i>	<i>20.4</i>	<i>9.3</i>	<i>11.3</i>	<i>13.8</i>
Operating expenses	(28,538)	(32,414)	(35,289)	(39,982)
Operating profit	2,584	1,601	2,578	3,103
EBITDA	2,584	1,601	2,578	3,103
<i>Growth (%)</i>	<i>13.5</i>	<i>(38.1)</i>	<i>61.0</i>	<i>20.4</i>
Depreciation	(335)	(376)	(391)	(428)
Other income	399	553	612	737
EBIT	2,648	1,777	2,798	3,412
Interest paid	(117)	(42)	(372)	(366)
Pre-tax profit (before non-recurring)	2,531	1,736	2,426	3,045
Non-recurring items	(206)	(529)	0	0
Pre-tax profit (after non-recurring)	2,325	1,207	2,426	3,045
Tax (current + deferred)	(521)	(43)	(507)	(618)
Net profit (before Minority Interest, Pref. Dividend, etc.)	1,804	1,164	1,919	2,427
Reported PAT	1,804	1,164	1,919	2,427
Adjusted net profit	2,010	1,693	1,919	2,427
<i>Growth (%)</i>	<i>9.8</i>	<i>(15.8)</i>	<i>13.4</i>	<i>26.5</i>

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash & marketable securities	4,165	3,202	3,427	4,310
Other current assets	4,985	5,397	6,056	6,824
Investments	473	470	470	470
Net fixed assets	2,839	3,182	3,491	3,512
Other non-current assets	143	111	122	132
Total assets	12,606	12,361	13,565	15,248
Current liabilities	4,133	4,530	5,033	5,732
Total debt	252	4,085	4,085	4,085
Other non-current liabilities	243	243	173	103
Total liabilities	4,627	8,857	9,290	9,920
Share capital	239	239	239	239
Reserves & surplus	8,007	3,298	3,987	4,961
Less: Misc. expenditure	(266)	0	0	0
Shareholders' funds	7,979	3,537	4,226	5,200
Total equity & liabilities	12,606	12,394	13,517	15,120
Capital employed	8,473	7,832	8,532	9,516

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Pre-tax profit	2,325	1,207	2,426	3,045
Depreciation	335	376	391	428
Change in working capital	758	(14)	(156)	(69)
Total tax paid	(398)	(10)	(588)	(698)
Cash flow from oper. (a)	3,019	1,559	2,074	2,707
Capital expenditure	(547)	(690)	(700)	(450)
Change in investments	(423)	379	(338)	(372)
Others	(154)	236	0	0
Cash flow from inv. (b)	(1,122)	(74)	(1,038)	(822)
Free cash flow (a+b)	1,898	1,484	1,035	1,885
Debt raised/(repaid)	(809)	3,833	0	0
Dividend (incl. tax)	(1,118)	(1,118)	(1,230)	(1,453)
Others	0	(4,760)	0	0
Cash flow from fin. (c)	(1,927)	(2,045)	(1,230)	(1,453)
Net chg in cash (a+b+c)	(30)	(560)	(194)	431

Key Ratios

Yr end 31 Mar (%)	FY09	FY10E	FY11E	FY12E
Adjusted EPS (Rs)	84.1	70.9	80.3	101.6
Growth	9.8	(15.8)	13.4	26.5
Book NAV/share (Rs)	334.0	148.1	176.9	217.7
Dividend/share (Rs)	40.0	40.0	44.0	52.0
Dividend payout ratio	55.6	66.0	64.1	59.9
Tax	22.4	3.5	20.9	20.3
EBITDA margin	8.3	4.7	6.8	7.2
EBIT margin	8.5	5.2	7.4	7.9
RoCE	31.0	21.8	34.2	38.2
Net debt/Equity	(49.0)	25.0	15.6	(4.3)

Valuations

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
PER	19.9	23.6	20.8	16.5
PCE	17.0	19.3	17.3	14.0
Price/Book	5.0	11.3	9.5	7.7
Yield (%)	2.4	2.4	2.6	3.1
EV/Net sales	1.3	1.2	1.1	0.9
EV/EBITDA	15.8	25.5	15.8	13.2

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09	FY10E	FY11E	FY12E
Net margin (%)	6.5	5.0	5.1	5.6
Asset turnover	2.5	2.7	2.9	3.0
Leverage factor	1.6	2.2	3.3	3.1
Return on equity (%)	26.3	29.4	49.4	51.5

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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