

Britannia Industries Ltd.

Rs 476

Healthy Volume growth, improved mix to drive margins

HOLD

Britannia Industries Ltd. reported robust topline growth of 21.4% y-o-y to Rs 1106.3 crores on account of volume growth (12-13%) & price growth of (6-8%).

EBITDA grew 23.8% y-o-y to Rs 50.6 crores. Despite price hikes, margin expansion was limited at 9 bps y-o-y on account of high raw material prices.

Net profit grew by 27.3% y-o-y to Rs 41.8 crores on the back of strong operational performance & higher other income, partially impacted by higher effective tax rate.

**Strong topline growth driven by volumes & price hikes:** Britannia Industries Net sales improved by 21.4% y-o-y to Rs 1106.3 crores on account of healthy mix of volume(12-13%) & price growth(7-8%). Consolidated revenues increased by 21% y-o-y. The non biscuit segment with a size of 900 crores has shown robust growth & has more than doubled in last 5 years. We expect Britannia's revenue to grow at a healthy CAGR of 17% over FY11-13E on account of double digit volume growth, continuous innovations, increased penetration & judicious price hikes.

**Margin expansion minimal despite price hikes:** Britannia's EBITDA grew by 23.8% y-o-y to Rs 50.6 crores. The company took price hikes of 6-8%; however the significant increase in raw material costs curtailed the gross margin expansion to 11 bps y-o-y. Out of its key raw materials, wheat & Sugar have remained stable in Q1 but SMP, refined palm oil & Cashew have increased significantly by 24%, 35% & 74% respectively.

**Net Profit improved by 27.3% y-o-y to Rs 41.8 crores** on account of strong operational performance & 31% y-o-y increase in other income (includes profit on sale of property).

**Valuations & Views -** Britannia industries continues to report healthy topline growth driven by product mix, healthy volumes & judicious price hike. With improvement in product mix(led by innovations & decrease in proportion of *Glucose* in the overall biscuit segment),stepping up of cost cutting initiatives across the value chain, leveraging the synergies across segments & judicious price hikes we expect margins to improve going forward. We expect Britannia's Revenue & EPS to grow at healthy CAGR of 17% and 39% respectively over FY11-13E. At CMP of Rs 476, the stock is trading at 26x FY12E EPS of Rs 18.3 & 20.3x FY13E EPS of Rs 23.4. We recommend a HOLD on the stock with a target of Rs 515, based on 22x FY13E EPS of Rs 23.4, giving an upside potential of 8%.

## Key Financials

Rs Crore

Particulars (Rs Cr)	FY10	FY11	FY12E	FY13E
Sales	3403.5	4213.7	4942.7	5740.7
EBITDA	162.3	224.0	315.1	398.4
PAT	116.5	145.3	218.6	279.3
EPS	9.8	12.2	18.3	23.4
OPM	4.8%	5.3%	6.4%	6.9%
NPM	3.4%	3.4%	4.4%	4.9%
PE	47.8	38.3	25.5	19.9

Source: Company Data, KRChoksey Estimates



Target Price (Rs): 515

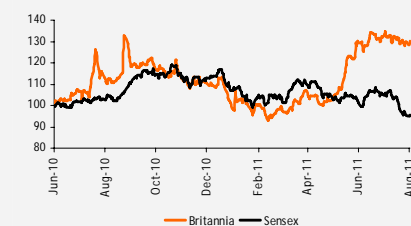
Potential Upside : 8%

Market Data	Sep 08, 2011
Shares outs (Cr)	11.9
Equity Cap (Rs. Cr)	23.9
Mkt Cap (Rs. Cr)	5697
52 Wk H/L (Rs)	534/324
Face Value (Rs)	2
Bloomberg Code	BRIT IN

## Market Info:

SENSEX	17,165
NIFTY	5,135

## Price Performance



## Share holding Pattern (%)

Particulars	Jun-11	Mar-11	%
Promoters	50.96	50.96	0.0
DII	16.59	16.65	-0.06
FII	10.62	10.33	0.29
Public	21.83	22.06	-0.23
Total	100	100	

Source: BSE