Britannia Industries Ltd
Take a bite of this growth story

Summary
- We maintain a Buy on Britannia Industries with a revised price target of Rs. 4,740. Stock trades at 43.5x/37.6x its FY2023/24E EPS, at a discount to larger peers.
- Negative working capital and higher profitability helped generate operating cash flows of Rs. 5,740 crore over FY18-21. Britannia has steadily expanded capacity (at a capex of Rs. 240-400 crore p.a.) and rewarded shareholders with high dividend pay-out over the last two years.
- Inter-corporate deposits to group companies (key overhangs for the stock) stood at Rs. 790 crore in FY2021, which reduced to Rs. 470 crore in Q1FY2022.
- Sustained innovation, investing in the front-end and back-end for growth of key categories, a product portfolio that straddles the pyramid and distribution expansion remain key growth levers. Driving efficiencies through supply chain management and higher in-house products would lead to sustained margin expansion.

Britannia Industries’ (Britannia’s) FY2021 annual report gives a glimpse of growth strategies and balance sheet strengths supporting its growth avenues over the medium to long term. The company is well-placed to achieve sustainable revenue growth led by strong strategies such as expanding base in the hinterland, market share gains in the core biscuit category through sustained innovation, widening of distribution network and scaling up of adjacent categories (including dairy/bakery). Premiumisation and cost-efficient programmes would support profitability. This along with strong cash flows and strengthening of balance sheet with a reduction in inter-corporate deposits makes it a good investment treat.

- Strategies in place to drive sustainable earnings growth: Britannia has its medium to long term growth strategies in place with growing the core biscuit portfolio by gaining market share through sustained innovation and distribution expansion (especially in the Hindi speaking belt) while growing the adjacencies such as dairy/bakery by investing across the value chain (setting up facilities for dairy, innovations and higher marketing spend). This along with improved supply chain management and operating efficiencies would help to post better margins in the coming years (barring FY22 which is affected by higher input prices).
- Strong cash flows; dividend pay-out remained high in last two years: With negative working capital, Britannia’s cumulative operating cash flows stood at Rs. 5,740 crore over FY18-21 (stood at Rs. 1,851 crore in FY2021). On back of its strong cash flows, it made sustained investment in the range of Rs. 250-400 crore p.a. to augment its capacities as part of core growth strategy. It has robust capex plan of Rs. 800 crore over the next four years to expand capacities in core and adjacencies. Further it also rewarded its shareholders with highest dividend pay-out of 189% and 130% in FY2020 and FY2021 respectively (including special dividends for two consecutive years).
- Risk of inter-corporate deposits receding: Inter-Corporate deposits to the group companies have always remained a red-flag for Britannia. In FY2021 the inter-corporate deposits to group entities (part of loans receivable) has gone up by ~32% to Rs. 790 crore. However, the same reduced to Rs. 470 crore in Q1FY2022. The management does not intend to increase it substantially from the current levels.

Our Call
View: Retain Buy with a revised price target of Rs. 4,740 – With sustained market share growth, new product launches and higher traction on new channels (including e-commerce), we expect Britannia’s core biscuit category to grow ahead of industry growth in the medium term. This along with scale-up in revenues of adjacent categories and efficiencies would help Britannia to achieve double digit earning growth over FY2021-24E (barring FY2022). The stock is trading at 43.5x/37.6x its FY2023/24E EPS, which is at discount to its large peers. Strong growth prospects across key categories, higher cash generation ability, discounted valuations and receding risk of inter-corporate deposits makes it a good investment pick in the FMCG space. We maintain our Buy recommendation on the stock with a revised price target of Rs. 4,740.

Key Risks
Any slowdown in sales of key categories or significant increase in key input prices from the current level would act as a key risk our earnings estimates in the near term.

Valuation (Consolidated) (Rs cr)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FY21</th>
<th>FY22E</th>
<th>FY23E</th>
<th>FY24E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13,136</td>
<td>14,689</td>
<td>16,569</td>
<td>18,512</td>
</tr>
<tr>
<td>OPM (%)</td>
<td>19.1</td>
<td>17.3</td>
<td>18.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Adjusted PAT</td>
<td>1,850</td>
<td>1,890</td>
<td>2,253</td>
<td>2,608</td>
</tr>
<tr>
<td>% YoY growth</td>
<td>31.2</td>
<td>2.1</td>
<td>19.2</td>
<td>15.7</td>
</tr>
<tr>
<td>Adjusted EPS (Rs.)</td>
<td>76.8</td>
<td>78.4</td>
<td>93.5</td>
<td>108.2</td>
</tr>
<tr>
<td>P/E (x)</td>
<td>52.9</td>
<td>51.8</td>
<td>43.5</td>
<td>37.6</td>
</tr>
<tr>
<td>P/B (x)</td>
<td>27.6</td>
<td>23.1</td>
<td>18.5</td>
<td>14.6</td>
</tr>
<tr>
<td>EV/EBIDTA (x)</td>
<td>39.9</td>
<td>38.6</td>
<td>32.7</td>
<td>28.3</td>
</tr>
<tr>
<td>RoNW (%)</td>
<td>46.5</td>
<td>48.6</td>
<td>47.4</td>
<td>43.6</td>
</tr>
<tr>
<td>RoCE (%)</td>
<td>31.3</td>
<td>32.8</td>
<td>36.0</td>
<td>34.9</td>
</tr>
</tbody>
</table>

Source: Company; Sharekhan estimates

September 21, 2021
Differentiated strategies for each product to aid growth

1. Biscuit – winning many India’s, strengthening core with innovation remains key growth driver

- **Create a Strategy to Win in “Many Indias”**: Britannia launched Britannia Milk Bikis with 100% Atta in the Hindi speaking states of the country. This new offering brings the benefits of “Doodh Roti”, which most consumers have grown up with in these states. The company is evaluating similar plans for every part of India given the variations in consumer needs, tastes and food choices between states. The company’s large brands such as Good Day and Marie Gold are also looking at localized strategies.

- **Milk bikis: 100% Atta product launch**

(Source: Annual report)

- **Renovate to strengthen the core**: In a category where little differentiation exists, Britannia is constantly refreshing and re-launching its brands, with focus on visual uniqueness, product superiority and newness for achieving a superior brand identity.

- **Lead the market with an edge in distribution**: Britannia is actively working to increase the distribution footprint across all channels through use of technology. The scale and width of distribution has been one of the critical differentiators which enabled the company’s growth in recent years and especially during the Covid-19 pandemic. The strategy is to increase both depth and quality of distribution by harnessing existing and modern channels to ensure strong growth in future. In addition, strategies are being developed to tap into the organised retail channels which is growing exponentially in the wake of the pandemic.

- **Engineer upgrades and tap into consumers moving up the economic ladder**: The biscuit category has a reasonable skew towards the value segment even in normal times and this has increased significantly during the pandemic on account of diminishing purchasing power and value maximization by consumers. In view of this, Britannia adapted its plans to address the requirements during the pandemic while continuing to nourish its long term strategy of driving upgrades through right products, packs and insightful communication for gaining market share.

- **Lead with new-to-market concepts and innovations**: Britannia strives to lead the segments it operates in with new-to-market innovations as per changing consumer needs and preferences. The pillars of the company’s innovation strategy include deriving inspiration from adjacent categories (like choco bakery, cheese bakery, cracker and snacking etc.), reimagining health, exploring newer flavours and leveraging current and new technologies.

2. Dairy business: Britannia’s strategy in the dairy business is to strengthen its consumer franchise in Cheese and Milk-based drinks through front-end investments while innovating aggressively in emerging value-added categories like Drinks & Yogurts. The company plans to significantly invest on scaling up its back
end capability through the creation of a milk collection and manufacturing infrastructure. The company’s milk procurement in Maharashtra has been scaled-up to 36,500 litres/day from 1,450 farmers in and around Ranjangaon.

3. Adjacencies remain one of key growth drivers in long run

Britannia is looking to strengthen its portfolio of adjacencies by adding variations to existing products and launching new ones. From cakes, rusk and breads, the adjacencies category has now been extended to include croissants, cream wafers and ‘salty’ snacks. The company is looking to further extend its portfolio in the coming days.

- **Cakes:** Here, Britannia’s immediate strategic priorities are to premiumise the base cakes segment by improving upon the taste experience and launch products in new-to-market formats at affordable prices.

- **Rusks:** Britannia’s strategy to grow in rusks is to invest in technology, renovate existing portfolio and expand the category with new varieties offering superior taste and quality to consumers at affordable price points. These measures would help Britannia attain leadership in the segment by understanding consumer preferences and meeting their expectations.

- **Breads:** With intensified competition and signs of consolidation in this space, Britannia has renewed its focus on further diversifying the portfolio, strengthening manufacturing capabilities, foraying into new markets and e-Commerce as well as brand building by launching refreshed packaging and relevant products.

- **Cream Wafers:** The positive consumer response to Britannia Treat Crème Wafers has enabled Britannia to become a significant player in this category in a short time. By focusing on distribution leadership, innovation in products and enhancement of manufacturing capabilities, the company intends to grow substantially in this category.

- **Center-Filled Croissants:** Britannia launched Center-filled Croissants under the ‘Treat’ brand in select geographies & trade channels. Despite the effects of COVID-19, consumers response to the product has been encouraging. The company’s strategy is to build awareness of this category among consumers through brand building before its national launch. A state-of-the-art manufacturing facility for croissants in Ranjangaon, Maharashtra, supports effective implementation of the company’s strategy to lead this category.

- **Salted Snacks:** Britannia intends to leverage the “Time Pass” brand and achieve a strong position in this category by innovating differentiated products at competitive prices.

**International business to expand from current levels**

Britannia’s international business is largely based around the Middle East, America, Africa, Asia Pacific and SAARC. The products of the company are exported to over 79 countries across the world. Revenue from international business grew by 16.6% y-o-y to Rs. 749 crore in FY2021. International business contributed 5.7% to the total revenues of the company during the year. Britannia aims to achieve growth and improve market share in international business by:

- Increasing business presence among Indian diaspora across markets;
- Developing new products to recruit local ethnic clusters; and
- Establishing local operations in fast-growing emerging markets by careful evaluation of available opportunities, like contract manufacturing, acquisitions, joint ventures, etc. for speeding up growth.

Export markets in the Americas, Asia and Africa show promising growth potential and Britannia is focused on mainstreaming channel expansion. Britannia expects to grow faster in the international business by gaining share from competition and being more efficient in managing end-to-end supply chain costs. Britannia is addressing the volatility in commodity prices by efficient procurement plans & robust review mechanisms. The company is in the process of exploring opportunities of local manufacturing in several emerging markets like Egypt and Uganda. Further, the company is evaluating inorganic growth opportunities in large biscuit markets where it would have advantages over local players.

**Robust supply chain management supported growth during pandemic**

Supply chain operations played a crucial role in ensuring continued supply of food products to consumers during the COVID-19 pandemic. The company’s Business Continuity Plan (BCP) enabled availability of material, manpower and manufacturing capacity across factories, daily monitoring of stock and partnering with government and local communities to ensure uninterrupted supply of products. During the year, the
company commissioned three Biscuit Lines, one snack line and expanded its depot at the Integrated Food Park, Ranjangaon, Maharashtra. Britannia has a robust supply chain management process to ensure safety across the chain and delivery of safe and quality products to the consumers.

Technology continues to change the ways of life and business. As part of technology advancement initiatives, Britannia undertook a major digital revamp and implemented three transformational projects during FY2021:

1. **S4 HANA**: This project involves Core ERP Upgradation Process. The project will integrate all business processes and implement best-in-class practices across the value chain. This project engages in material resource management, warehouse management systems, profitability analysis, plant maintenance and project systems. This has been implemented at 80+ factories and 60+ depots.

2. **Arteria**: This project involves taking the Dealer Management System onto Cloud. The project will provide real-time data exchange, integrated scheme management, simplified claim settlement and price and promotion controls. Over 3,500 distributors and 2.4 million outlets are already connected through the project.

3. **Ariba**: This project involves Vendor Management for better sourcing & procurement. It will lead to end-to-end integration of vendor processes. The project includes sourcing, digital contract, catalogue buying and life cycle management. Currently, over 500 vendors are a part of the project.

With all the core systems getting upgraded and integrated, the company would be in a better position to leverage the large data available to build relevant business analytics and intelligence.

**Marketing strategies and interventions helped Britannia stay consumers’ preferred choice**

Spends on advertisement and sales promotion have come down in the last two years impacted by the pandemic. The company spent Rs. 451 crore on advertising and sales promotion in FY2021 which is a y-o-y decline of 5%. As a percentage of sales, the expense has come down from 4.5% in FY2019 to 3.4% in FY2021. However, spends are expected to remain high in the coming years considering that the company is undertaking various thematic and innovative campaigns to attract and engage customers. Keeping in mind consumers’ need for exciting new product innovations, Britannia brought to the market several new innovations during the year such as Pure Magic Chocolush Hazelnut, Layerz Cake 5, Winkin Cow Lassi (in Classic and Mango flavours) and Diced Cheese. The company made apt use of digital media and e-Commerce channels to further strengthen its presence.
R&D to be among key backbones of growth

Britannia established a world-class research & development (R&D) centre in 2016 and built up capabilities towards its goal of transforming into a ‘Total Foods Company’. R&D continued to focus on consumer centric and high quality products and developed ‘Choco-Hazelnut crème’ filled biscuit variant under ‘Pure Magic’ brand, ‘Milk Bikis Atta’ product, ‘Masala Mania’ variant under the ‘Timepass’ brand, ‘Layerz Cake’ of 5, ‘Lassi’ with two variants - ‘Rose Classic’ and ‘Mango’ under the ‘Winkin Cow’ brand. The company’s R&D team is consistently working to increase positive nutrients and reduce negative nutrients in its product portfolio. Britannia is committed to reducing Sodium and Sugar by 3% in selected products during FY2021-22. In addition, the R&D team has successfully built capabilities to use alternate cereals, whole grains and millets in its product portfolio, thereby overcoming significant taste barrier due to use of these ingredients.

Sustainability strategy aiming at responsible goodness

Britannia formalised a sustainability strategy in financial year 2020-21. The strategic framework for Sustainability Vision rests on four core pillars: Growth (Economic), Governance, Resources (Environment), People (Social). The pillars in turn are supported by eight levers which split into 26 programs. Each of these 26 programs is assigned annual targets and key performance indicators (KPIs) to evaluate the company’s progress as the strategy are put into action.

Britannia’s sustainability framework

As a part of sustainability initiatives, Britannia has taken a targeted approach to addressing malnutrition, reducing the amount of sugar, salt and fats, enhancing the share of renewable energy in the energy mix, as well as reduced the packaging footprint.

Few of the sustainability initiatives undertaken by the company include:

- Using solar energy in factories for Energy Conservation
- Enhancing Community Nutrition by improving nutritional status of children, adolescents and women
- Better Sourcing by collecting milk from Ranjangaon’s farmers
- Plastic Waste Management through Extended Producer Responsibility (EPR)
- Emphasis on Inclusion and Diversity by engaging women workers on shop floors
- Building a Healthy Product Portfolio by reducing sugar by 13% in Milk Bikis
Revenue clocked 9.8% CAGR, gross margins rose 367 bps during FY2017-2021

Britannia clocked revenue from operations of Rs. 13,136 crore in FY2021, registering a y-o-y growth of 13.2%. Revenue in FY2017 stood at Rs. 9,054 crore, which grew at a CAGR of 9.8% between FY2017-21. Gross margins also improved during the period from 38.3% in FY2017 to 41.9% in FY2021, rising by 367 bps.

**Focus on steadily cutting cost leading to increase in OPM**

The company has resorted to various cost reduction measures like extraction of supply chain efficiencies, reduction in wastages and fixed cost leverage. Britannia’s spends on carriage, freight and distribution stood at Rs. 656 crore in FY2021 rising by 9.3% y-o-y. As a percentage of sales, the company has managed to keep the cost stable at ~5% in the last five years. The company spent Rs. 569 crore on conversion charges in FY2021 which is a y-o-y increase of 11.9%. As a percentage of sales, the expense has come down from 4.9% in FY2017 to 4.3% in FY2021. All these efforts have led to significant cost savings for the company which has resulted in expansion of OPM over the years. Britannia’s OPM has increased from 14.1% in FY2017 to 19.1% in FY2021. With advertisement spends expected to inch up in the coming years, the company targets OPM to remain at 17-18% in the medium term.
Inter-corporate deposits increased by ~32% in FY2021; same has reduced to half in Q1FY2022

Inter-corporate deposits to the group companies have always remained red-flagged for Britannia. In FY2021, inter-corporate deposits to group entities (part of loans receivables) has risen by ~32% to Rs. 790 crore. Though exposure to Go Airlines has been reduced to zero, it has been increased to another group entity Bombay Burmah Trading Company to Rs. 500 crore. However, according to Q1FY2022 conference call, the inter-corporate deposits have reduced to Rs. 470 crore.

<table>
<thead>
<tr>
<th>Inter-corporate deposits to group companies</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bombay Dyeing Manufacturing</td>
<td>350</td>
<td>350</td>
<td>290</td>
</tr>
<tr>
<td>Bombay Burmah Trading Co.</td>
<td>0</td>
<td>0</td>
<td>500</td>
</tr>
<tr>
<td>Go Airlines (India)</td>
<td>335</td>
<td>250</td>
<td>0</td>
</tr>
<tr>
<td>ICDs to group companies</td>
<td>685</td>
<td>600</td>
<td>790</td>
</tr>
<tr>
<td>Overall ICDs</td>
<td>1199.2</td>
<td>1288.4</td>
<td>999.5</td>
</tr>
</tbody>
</table>

Source: Company annual report

Capex of Rs. 800 crore planned over next four years

Britannia has a consistent history of investments in plant, property and investments each year, which is in the range of Rs. 200-400 crore towards setting up of new facilities in new regions or for augmenting existing capacities. Capex spends for FY20219, FY2020 and FY2021 stood at Rs. 399 crore, Rs. 243 crore and Rs. 240 crore, respectively. Britannia has planned for capex of Rs. 130-140 crore in FY2022 (Capex for the next four years is planned at Rs. 800 crore). The capex would be largely in expanding capacities in some of the existing plants (including newly-commissioned Ranjangaon facility). Further, the company is also planning to come up with two new facilities in Tamil Nadu and Uttar Pradesh to cater to rising demand for its products. Further it is planning to invest Rs. 94 crore for the expansion of its manufacturing plant in Odisha’s Khurda district to cater to the growing demand for its products across multiple categories. The capacity will increase from current 35,000 metric tonne to 65,000 metric tonne. Overall, the company has planned for capex of Rs. 800 crore over the next four years. Capacity expansion is planned to cater to demand from multiple categories across regions and also for increasing contribution from in-house capacities, which aids in cost efficiency. The planned capex of Rs. 800 crore will largely be funded through internal accruals.

Working capital remains stable; sustained improvement in the operating cashflows

Britannia’s working capital days stood negative at 7-8 days over the past 3-4 years. This along with a strong improvement in the profitability led to consistent improvement in the operating cash flows. Cash flow from operations has consistently improved from Rs. 1,249 crore in FY2018 to Rs. 1,851 crore in FY2021. Cumulative operating cash flows over FY2018 to FY2021 stood at Rs. 5,740 crore (cumulative free cash flow stood at Rs. 4539 crore over the same period). We expect operating cash flows to consistently improve in the medium to long run.

Strong dividend payout in FY2021; dividend yield of 3.6%

Britannia has been consistently paying high dividends for the last two years. In FY2021, the total dividend payout was Rs. 3,491 crore (including special dividend payout of Rs. 1,998 crore), which was higher than Rs. 1,563 crore paid in FY2020. The company paid a special dividend of Rs. 83 per share in August 2020 and final dividend of Rs. 62 per share in April,2021. Dividend payout (excluding the special dividend) stood at 81%. Dividend yield stood at 3.6%.

Dividend payout stood high in last two years (incl. Special dividend)

Source: Company; Sharekhan Research
Major subsidiaries continue to perform well

**Britannia Dairy Pvt Ltd (BPDL):** Britannia’s dairy business comprises cheese, butter, ghee, milk and dahi. Britannia plans to expand the dairy business by making significant investments in infrastructure and distribution. Revenues of BPDL increased by 20.6% y-o-y in FY2021 to Rs. 352 crore. PBT/PAT came in at Rs. 93 crore and Rs. 66 crore, respectively with margins at 26.4%/18.7% respectively.

**BPDL - Three-year performance**

![BPDL Performance Chart]

**Source:** Company; Sharekhan Research

**Strategic Food International Company (SFIC):** SFIC is a fully-owned subsidiary of Britannia and is a leading player in the bakery space since 1994, operating in the MENA region and exporting to over 70 countries worldwide. Revenue of SFIC increased by 14.9% y-o-y in FY2021 to Rs. 414 crore. PAT came in at Rs. 31.6 crore with PAT margin at 7.6%.

**SFIC - Three-year performance**

![SFIC Performance Chart]

**Source:** Company; Sharekhan Research

**Britannia & Associates, Mauritius:** This is a wholly-owned subsidiary of Britannia based in Mauritius. Revenue of the company declined by 63.8% y-o-y in FY2021 to Rs. 1.2 crore, mainly affected by the COVID-19 pandemic. The company incurred a net loss of Rs. 4 lakh during the year.

**Britannia & Associates, Mauritius - Three-year performance**

![Britannia & Associates, Mauritius Performance Chart]

**Source:** Company; Sharekhan Research
Financials in charts

Revenue and PAT to grow at CAGR of ~12%

Source: Company, Sharekhan Research

Trend in margins

Source: Company, Sharekhan Research

Return ratios to remain stable

Source: Company, Sharekhan Research

Steady working capital days

Source: Company, Sharekhan Research

Strong cash flows generated over the years

Source: Company, Sharekhan Research

Improvement in dividend per share

Source: Company, Sharekhan Research
Outlook and Valuation

■ Sector view - Demand remains resilient; Margins to improve sequentially

Most consumer goods companies indicated a strong recovery in sales from June-July 2021 with easing of lockdown restrictions in most parts of India. Demand, which started recovering from Q3FY2021, remained resilient in Q1FY2022. With a normal monsoon expected for the third consecutive year, agricultural production is predicted to be better in the Kharif season 2021. This will give a further boost to rural demand in the coming quarters. We believe the shift in demand for branded products, rural demand staying ahead of urban demand, gradual recovery in out-of-home categories and product launches remain key catalysts for revenue growth in the near to medium term. On the other hand, prices of key raw materials (including palm oil, copra, and raw tea) have started correcting from their highs. Sustenance of this trend and calibrated price hikes would enable consumer goods companies to post better OPM q-o-q. Profitability is likely to be better off in H2FY2022. Improving revenue mix and better operational efficiencies remain key margin drivers in the medium term.

■ Company outlook - Eyeing almost low double-digit volume growth in the medium term

Britannia is focusing on achieving an 8-10% volume growth in the medium term. This will be done through market share gains, distribution expansion, improved penetration in the Hindi-speaking belt, and new product launches. The company has a strong pipeline of new products and will launch relevant new products in the backdrop of a normal demand environment. New launches will be largely in the health and wellness and premium categories. Raw-material inflation is 9-10% (including fuel inflation). The company is focusing on mitigating it through cost efficiencies (leading to saving of 200-300 bps) and calibrated price hikes. Further, with a focus on gaining more efficiencies in the coming years, the company has launched three new digital programmes – S4 HANA (core ERP programme), Arteria (dealer management), and vendor management. The company is targeting an OPM of 16-17% in FY2022, which will continue to improve in the subsequent years.

■ Valuation - Retain Buy with a revised price target of Rs. 4,740

With sustained market share gains, new launches and higher traction on new channels (including e-Commerce), we expect Britannia’s core biscuit category to grow ahead of industry growth in the medium term. This along with scaling up of revenues of adjacent categories and efficiencies would help Britannia to achieve double digit earning growth over FY2021-24E (barring FY2022). The stock is trading at 43.5x/37.6x its FY2023/24E EPS, which is at a discount to its large peers. Strong growth prospects across key categories, higher cash generation ability, discounted valuations and receding risk of inter-corporate deposits makes it a good investment pick in the FMCG space. We maintain our Buy recommendation on the stock with a revised price target of Rs. 4,740.

One-year forward P/E (x) band

![One-year forward P/E (x) band](image)

Source: Sharekhan Research

Peer Comparison

<table>
<thead>
<tr>
<th>Particulars</th>
<th>P/E (x)</th>
<th>EV/EBIDTA (x)</th>
<th>RoCE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY21</td>
<td>FY22E</td>
<td>FY23E</td>
</tr>
<tr>
<td>Hindustan Unilever</td>
<td>81.2</td>
<td>69.0</td>
<td>57.5</td>
</tr>
<tr>
<td>Nestle India</td>
<td>93.3</td>
<td>77.3</td>
<td>66.3</td>
</tr>
<tr>
<td>Britannia</td>
<td>52.9</td>
<td>51.8</td>
<td>43.5</td>
</tr>
</tbody>
</table>

Source: Company, Sharekhan estimates; *Values for Nestle India are for CY2020, CY2021E and CY2022E
About company
Britannia is one of India's leading packaged food companies with a 100-year legacy and annual revenue in excess of Rs. 13,000 crore. The company is among the most trusted food brands and manufactures well-known brands such as Good Day, Tiger, NutriChoice, Milk Bikis and Marie Gold, which are household names in India. Britannia's product portfolio includes biscuits, bread, cakes, rusk and dairy products, including cheese, beverages, milk and yoghurt. The company is the market leader in the biscuits category, with close to 34% market share in the domestic market. The dairy business contributes 5% of overall revenue.

Investment theme
Britannia is a strong brand. Sustained new launches and entry into healthier and premium variants helped it gain market share and beat category growth. The company is also focusing on growing its adjacent categories such as dairy and bakery. Revenue performance in FY2022 will be boosted by market share gains, distribution expansion, improved penetration in the Hindi speaking belt, and new product launches. Operating efficiencies and stable raw material prices would help OPM expansion to sustain, which is expected to reach ~18% by FY2024 from 16% in FY2020.

Key Risks
- Regular lockdown in some of the key domestic markets would act as an obstacle to the strong growth momentum and will consequently have an impact on earnings growth.
- Dismal performance by some of the new ventures would affect the company’s overall performance in the near to medium term.

Additional Data
Key management personnel

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nusli N Wadia</td>
<td>Chairman</td>
</tr>
<tr>
<td>Varun Berry</td>
<td>Managing Director</td>
</tr>
<tr>
<td>N Venkataraman</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>T V Thulsidass</td>
<td>Company Secretary</td>
</tr>
</tbody>
</table>

Source: Company

Top 10 shareholders

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Holder Name</th>
<th>Holding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Life Insurance Corp of India</td>
<td>5.94</td>
</tr>
<tr>
<td>2</td>
<td>JP Morgan Chase &amp; Co</td>
<td>2.22</td>
</tr>
<tr>
<td>3</td>
<td>General Insurance Corp of India</td>
<td>1.8</td>
</tr>
<tr>
<td>4</td>
<td>Dowbiggin Enterprises pte Ltd</td>
<td>1.73</td>
</tr>
<tr>
<td>5</td>
<td>NACUPA Enterprises pte Ltd</td>
<td>1.73</td>
</tr>
<tr>
<td>6</td>
<td>Volletort Enterprises pte Ltd</td>
<td>1.73</td>
</tr>
<tr>
<td>7</td>
<td>Spargo Enterprises Pte Ltd</td>
<td>1.73</td>
</tr>
<tr>
<td>8</td>
<td>Bannatyne Enterprises Pte Ltd</td>
<td>1.73</td>
</tr>
<tr>
<td>9</td>
<td>Vanguard Group Inc</td>
<td>1.67</td>
</tr>
<tr>
<td>10</td>
<td>Airsaig Partners Asia Pte Ltd</td>
<td>1.51</td>
</tr>
</tbody>
</table>

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.