

BRITANNIA

Research Report , FEB 2022

STATUS : **BUY**

Britannia Industries is one of India's leading food companies with a 100 year legacy. Britannia having a market capitalization of 82,000 crore , is among the most trusted food brands. Britannia is the leading biscuit manufacturer. Its primary business is bakery consisting of biscuits, bread and cakes. It manufactures India's favourite brands like Good Day, Tiger, NutriChoice, Milk Bikis and Marie Gold which are household names in India. Britannia is a brand which many generations of Indians have grown up with. Britannia products are available across the country in close to 5 million retail outlets and reach over 50% of Indian homes.

According to their own estimates, Britannia has removed over 8500 tons of Trans Fats from their own products, becoming India's first Zero Trans Fat Company ever! Staying true to its credo, '**Eat Healthy, Think Better**'.

INDUSTRY : Fast-moving consumer goods (FMCG)

With a growth rate of 14.7 percent, the FMCG sector has been projected to grow to a market size of almost US\$ 220 billion by 2025. With the growth in Indian GDP, the disposable income of people increases. This results in rise in demands of nutritious and tasty food products. People demands brands that provide the required health and hygiene hence the consumption of Britannia products will also rise.

The industry that the Company operates in is competitive and becoming increasingly populous with the entry of newer players. Britannia is among the most recognizable and trusted names in the Indian Food Industry with a range of popular brands covering Biscuit, Bread, Cake, Rusk, Dairy and Adjacencies.



PRODUCT PORTFOLIO



BISCUITS

- GOOD DAY
- CRACKERS
- NUTRICHoice
- MARIE GOLD
- TIGER
- MILK BIKIS
- JIM JAM + TREAT
- BOURBON
- LITTLE HEARTS
- PURE MAGIC
- NICE TIME



BREADS

- WHOLE WHEAT BREADS
- WHITE SANDWICH BREADS
- BREAD ASSORTMENT
- DAILY BREADS



DAIRY

- CHEESE
- MILK BASED BEVERAGES
- FRESH DAIRY
- EVERYDAY GOODNESS



CAKES

- GOBBLES
- TIFFIN FUN
- NUT & RAISIN
- MUFFILLS
- LAYERZ
- ROLLYO
- FUDGEIT



RUSK

- TOASTEAS



CREME WAFERS

- TREAT CREME WAFER



CROISSANT

- TREAT CROISSANT

Management

Nusli Wadia (Chairman of Britannia Ltd.) is an Indian billionaire businessman and entrepreneur and the chairman of the Wadia Group, an Indian conglomerate involved in the FMCG, textiles and real estate industries among others.

Varun Berry was appointed **Managing Director** of Britannia Industries on 1st April 2014. Varun joined Britannia in January 2013 and was made Executive Director in November 2013. He joined Britannia from PepsiCo and came with over 27 years of work experience with premier companies like Hindustan Unilever and PepsiCo, both in India and overseas and a successful track record of leading start ups, turnarounds, joint ventures and growth businesses.

Britannia has presence in more than 60 countries across the globe. Its international footprint includes presence in Middle East through local manufacturing in UAE and Oman. It is No. 2 biscuit player in UAE with a strong contention to leadership and have a similarly strong market position in the other GCC countries. It is also the market leaders in Nepal and are in the process of investing a manufacturing facility in the country.

“Our strategic expansion plan is based on the principle of ‘One new market a year’. We plan to expand through local operations in Africa and South East Asia in the coming years.”

GROWTH HISTORY

1892: Britannia was established in **Kolkata** with an investment of Rs. 295.

1910: With the advent of electricity, operations were mechanised.

1918: The Company was incorporated on March 21, as a Public Limited Company under the Indian Companies Act, VII of 1913. The company manufactured bakery and soyabean products and exported cashew kernels and sea food products.

1939-45: A large part of the Company's production was diverted to war effort on account of **World War II** and at times as much as 95% of the total capacity was booked for the production of Service Biscuit.

1954: Development of high quality sliced and wrapped bread in India was pioneered by the company.

1955: Britannia Launched **Bourbon** Biscuits.

1963: Britannia **cakes** hit the markets.

1975: Britannia takes over biscuit distribution from Parry's

1979: With effect from October 3, the name of the Company was changed from the **Britannia Biscuit Company Limited**, to **Britannia Industries Limited**.

1980: The Company signed a 10 year technical collaboration agreement with Nebico Private Limited, Nepal, for the supply of know-how relating to manufacturing, packaging and marketing of biscuits and selection of plant and machinery.

1983: Sales cross Rs. **100 crore**.

1986: **Good Day**, a new biscuit launched during the year met with good response.

1987: In (16 months), the total sales turnover increased on an annualised basis by 38.7% over the previous year. Increase in sales of bakery and soya products divisions and higher cashew exports helped to realise higher sales.

1993: The **Wadia Group** acquires a claim in the company and becomes an equal partner with Group Danone. Britannia also launches Little Hearts and 50-50 biscuits.

1994: Annual volume produced crosses 1 lakh tonne of biscuits. This year Britannia launches Baker's Choice and Thinlite - aimed at the health conscious consumer.

1995: Britannia identifies a new mission - to make every 3rd Indian a Britannia consumer. It also changes its Corporate identity to '**Eat Healthy, Think Better**'

1996: Britannia **Marie Gold and Milk Bikis** Milk Cream perform exceptionally well in the market and the company's profits improve despite the slow down in the economy.

1999: Britannia launches its brand of flavoured milk and the famous Britannia Encyclopaedias.

2000: Britannia Industries launches the hugely successful campaign `Britannia Khao, Cricketer Ban Jao". It also launches the product Vita Mariegold in this year. Britannia also launches Milkman Lassi and Mlikman Cold Coffee. Britannia was voted in Top 300 small companies by Forbes Global.

2001: Britannia Industries launches Britannia Milkman Milk in Delhi. Britannia is acknowledged as **No.1 food brand of India** by **Economic Times Brand Equity** survey.

2002: Britannia Industries Limited announced on March 26, 2002 that it has entered into a **joint venture with the Fonterra Cooperative Group, New Zealand's biggest company** and one of the leading dairy co-operative groups in the world.

2004: Britannia was accorded the status of being a "Superbrand". Volumes crosses 3,00,000 tonnes of biscuits. Good Day adds Choconut to its range.

2005: Relaunches the brand Tiger, with the highly successful slogan - "Swasth Khao, Tiger Ban Jao" and also launches 50-50 Pepper Chakkar.

2007: Britannia industries formed a joint venture with the Khimji Ramdas Group and acquired a 70 percent beneficial state in the Dubai-based Strategic Foods International Co. LLC and 65.4% in the Oman-based Al Sallan Food Industries Co. SAOG. Britannia **launches NutriChoice - the first of its kind of biscuits in India - with no added sugar.**

2009: Britannia takes full control of Daily Bread. Britannia New Zealand Food (BNZF) became a BIL subsidiary after BIL bought out New Zealand's Fonterra from the existing joint venture. BNZF was renamed Britannia Dairy Private Limited (BDPL). Britannia became the first Bakery brand in India to remove trans-fats from 99.9% of its products. **Wadia Group became the largest shareholder in BIL after acquiring stake holdings from Group Danone.**

2011: Bourbon received the Most Popular Confectionery Product Preferred By Youth (Biscuit) Award.

2012: Britannia was awarded the Global Performance Excellence Award (GPEA) by Asia Pacific Quality Organization (APQO).

2014: Chunkies Tie-up with Amazon. An exclusive **tie-up with Amazon** for the launch of its latest product Good Day Chunkies, a super-premium chocolate chip cookie.

2015: Britannia Bourbon turns 60. Britannia Bourbon, India's first premium chocolate biscuit completes 60 glorious years.

2016: Britannia launches Cake Biscotti, India's first ever classic "Bridge" product combining the best of the world of a cake and that of a cookie.

2017: Britannia-Chipita JV. Entered into a joint venture agreement with Chipita S.A., a Greek company, for the manufacture and sale of ready to-eat delicious croissants.

2018: Britannia launches first exports-only facility in Gujarat.

2018: Britannia opens manufacturing units in new geographies as part of global expansion plan.

2020: Britannia Industries launches WhatsApp-based Store Locator service.

2020: Britannia Industries teams up with Dunzo on home delivery of food essentials.

COMPETITIVE ADVANTAGE

- 1) Large years of market presence: Britannia success due to their deeper understanding of the Indian consumer market and its psyche.
- 2) Distribution Network : Britannia products are available everywhere across the country, mostly through 5 million outlets that they retail in, and according to their own website estimations, they reach over 50% of Indian homes in some form or the other!
- 3) Brand leadership: Their range of products include the likes of Marie Gold, Little Hearts, Nice Time, Tiger biscuits, and of course, Good Day- which is Britannia's most successful line of biscuits need no introduction. People's taste and preferences have now been stuck to the brand. In pandemic times, people are looking for quality, healthy and nutritious so they are preferring trusted brand. is amongst the most trusted food and biscuit brands in the country.

Strong marketing in both physical and digital space

1A. Marketing activities during the quarter

50-50 Potazos National scale-up (Thematic)



Milk Bikis Atta – Rest of India



Layer cake – Thematic on Air



NC Snacker Cracker



Tiger Krunch Thematic



Pure Magic Chocolush



MarieGold – My startup 3.0



Key Promotions



Christmas Cake



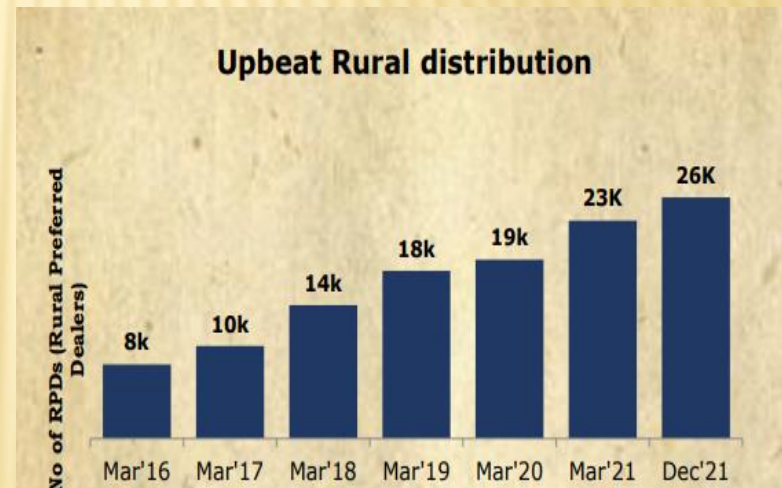
Scalability

The Union Budget for fiscal 2022-23 is certainly a well-balanced and progressive budget that is focussed on creating jobs and employability, boosting manufacturing and help agri-economy.

Government's focus on investment in creating infrastructures such as roads, ports, infrastructure, and airports among others. This will improve logistics, connect cities and states and in turn help in good manufacturing, easy access for goods and services within India. This will further enhance the growth of manufacturing sectors such as FMCG.

While most companies have reported a demand slowdown in villages, Britannia said it has bucked the trend. "We have seen no slowdown as far as rural is concerned," MD said. "We continue to build on our distribution in FMCG. And, in fact, market share growth in rural is two times what it is in urban. So we continue to make progress."

Biscuits comprise of around 33% of the Indian bakery industry production- thus, signifying the reach and the infrastructure created by biscuit manufacturing companies all across India.



OPPORTUNITIES

BAKERY BUSINESS

Biscuit

Biscuit is the largest category in the food business in India. It is present in the consumption basket of virtually every Indian Family as an essential product. It is one of the most deeply penetrated categories in the country, reaching over 90% of the households. However, the per capita consumption of biscuits in India is relatively low at 2 kgs versus 10 kgs in certain developed countries. The low per capita consumption and high levels of penetration continue to provide excellent opportunities to increase consumption through proactive interventions and strategies.

Cake

Cake is a category which is witnessing the launch of newer product formats and variants at competitive prices over the last few years. The category growth has slowed down due to sluggish economic conditions and there has been significant increase in the competitive activity in this segment.

Food products, being essential commodities, are expected to be in demand and provide good Opportunities for growth.

Rusk

Although a traditional category with a fair number of unorganized players, Rusk has now become more competitive. The category has multiple value added product offerings in other countries but has not witnessed any significant technology changes or product innovation in India. The introduction of value added offerings would open up enormous opportunities in this category.

Bread

Bread is considered as a staple food in many parts of our country. This category is witnessing discernible consumer preference for healthy & value added products which provides significant opportunities for established players and new entrants.



There are significant opportunities for growth through Portfolio Diversification into Healthy and Value Added products.

DAIRY BUSINESS

India continues to be the largest producer and consumer of dairy products in the world accounting for ~22% of the global production. The organized sector contributes to just 20% of the category while 80% is still unorganized.

Of the total milk distributed jointly by the organized and unorganized segment, about 50% is consumed in milk form and the balance is converted into various milk products like milk powder, ghee, butter, cheese, yogurt etc.

As the dairy industry in the country matures, there is a discernible shift in consumption from plain milk to value added dairy products. The trends that help forecast a robust future for the category are the demographic advantage of a young dairy consuming population, rapid urbanization, rising income levels, rise in the number of nuclear families, growth of dual income households and increasing health awareness.

ADJACENT BUSINESS

Cream Wafers

Wafers is a 700 Crore category which is showing good growth and the Company is the first brand with a national presence to enter this category. Since the segment is highly fragmented and unorganized, it has significant potential for growth. There are opportunities to leverage and rapidly grow in this segment.

Center Filled Croissants

Croissant continues to be a nascent category in India. However, it is a significant category in many developing countries across the world. As consumers in India are getting exposed to an increasing consumption of global food, this category has enormous potential for acceptance in the domestic market. This presents an opportunity for the Company to pioneer and actively drive the growth in this category.

Salted Snacks

Snacking is an important category of the Company's adjacent business. Consumption of snacks is a fundamental element of the Indian food culture and traditionally involves a wide variety of sensorial experiences in terms of flavour, taste, shape, texture, ingredients, appearance & accompaniments. Although the category is very large, competition is equally intense with more than 2000 players, both unorganized and organized, competing for a bigger market share in the category. It is expected that consumer migration from unorganized or local to branded products will continue to drive growth for national players like Britannia.

Threats

Raw material cost Surge:

The cost of products can be significantly affected by the cost of the underlying commodities and materials from which they are made. Fluctuations in these costs may negatively impact business.

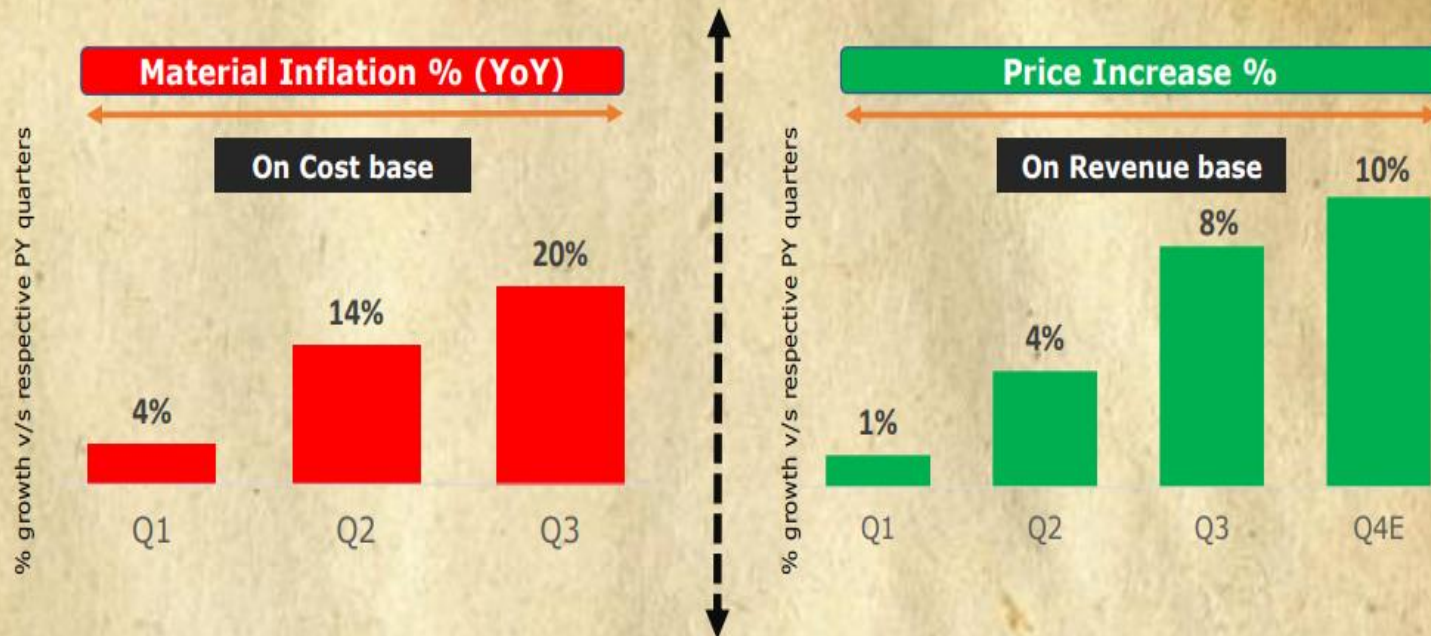
FMCG companies are grappling with the rise in prices of several key commodities such as milk, sugar, flour for several quarters now. Despite taking price hikes of several rounds, the companies have been unable to pass on the increased costs to consumers given the quantum of inflation and fearing an impact on demand. This in turn has dented their margins.

Britannia has already increased its price tags by 8% or reduced pack sizes of its various products in the third quarter of FY21, but prices of key commodities such as sugar, milk and flour shot up beyond its expectations in the quarter.

“The maker of Good Day and Nutri Choice biscuits said commodities account for about 60% of its total cost.”

The overall packaged consumer product sales volumes fell 1.8% in the December quarter, the second consecutive decline, as companies increased price tags to offset rising input costs.

Price increase vs Material inflation...



- Price increases actioned along with cost efficiencies have addressed inflation impact till Q2'22.
- Consistent sequential inflation being witnessed & we are evaluating actions to address this.

On a year-on-year basis, industrial fuel prices increased 57% in the December quarter while diesel saw a 24% cost hike. Packaging materials such as corrugated box and laminates saw 39% and 21% price increases, respectively, year on year. Price increase as percentage of its revenue in the Q3 was 8% and is expected to be 10% in Q4.

Increased Competition

Variety is the name of the game right now!

Consumer habits for all products around the world right now- be it chocolates, ice cream bars, or even biscuits suggest that people want and need more diversity and assortment in their choices in order for it to be successful.

Following this trend, major biscuit companies are trying to segment their biscuits into different times of the day; so that customers have a variety of biscuit products to choose from.

This has created a competitiveness among brands to make biscuits taste better than their counterparts and therefore is the main reason behind the generation of new ideas and procedures in biscuit-making.

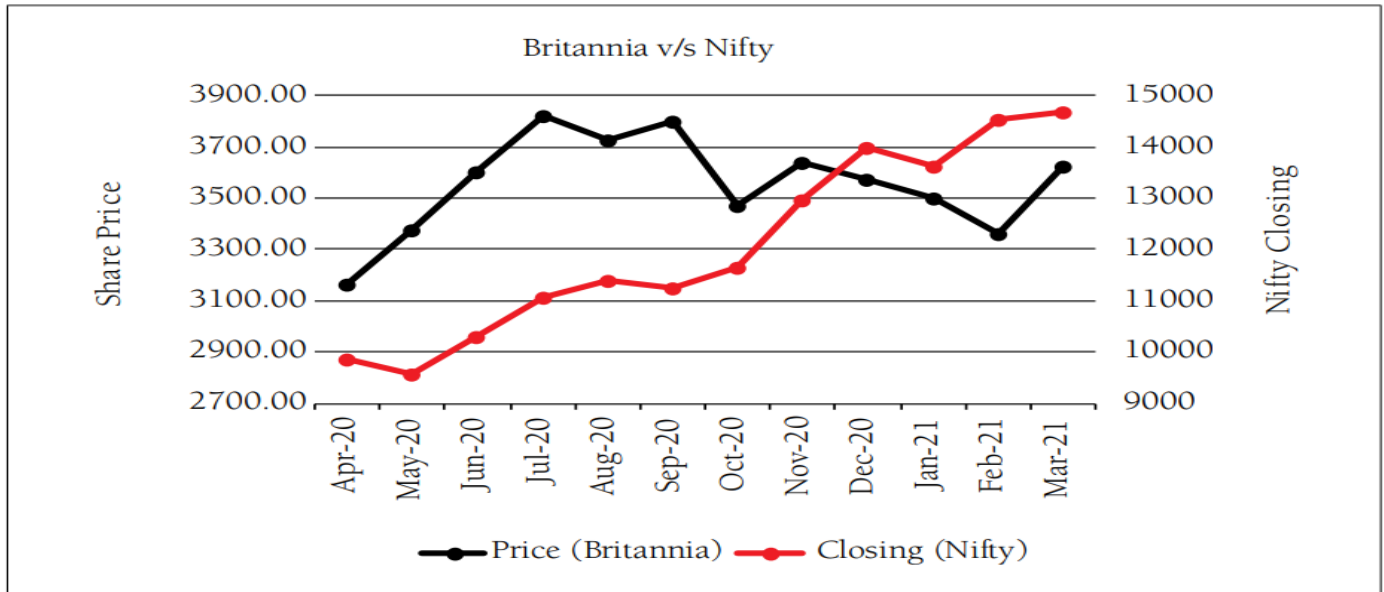
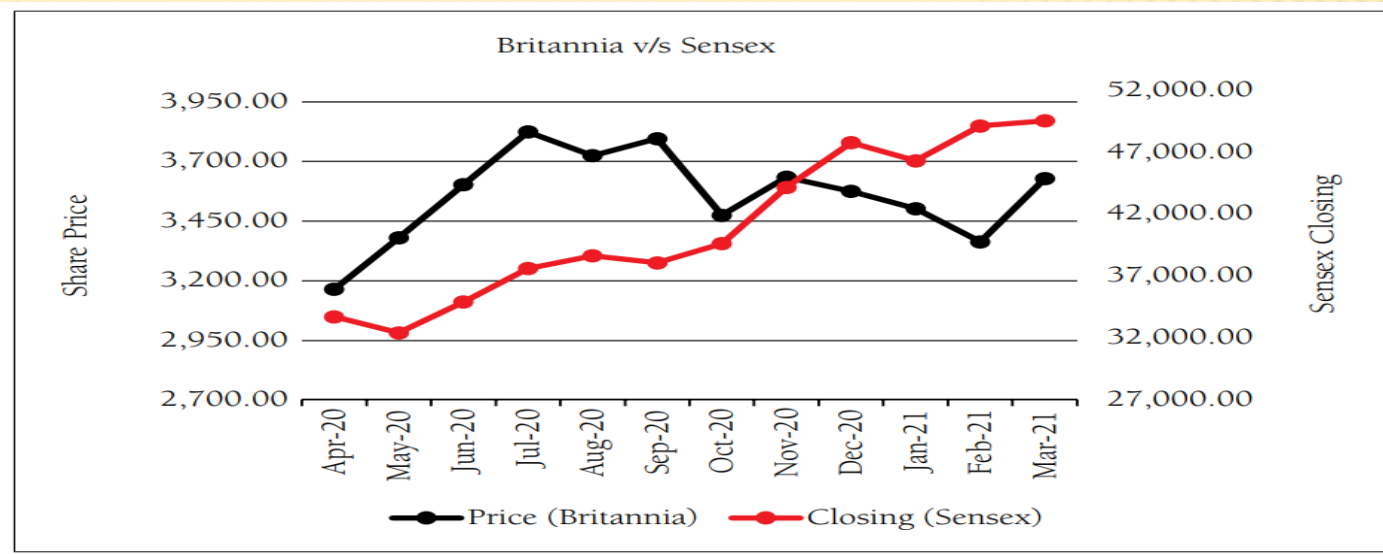
Rural Demand Slowdown

Company's growth is linked to the overall growth in the economy and any adverse impact on economic growth could also pose significant risks to the Company's performance. In addition, changes in consumer spending due to lower purchasing power and diversification to lower value products could negatively impact the Company.

Supply Chain

Britannia supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents, labour unrest, trade restrictions or disruptions at a key supplier, which could impact the ability to deliver orders to customers. Covid-19 has challenged and continues to challenge the resilience and continuity of supply chain.

Company sees quality milk procurement and infrastructure improvement, including cold chain, as the primary growth challenges. To address these challenges, Company has been continuously investing in farmer connect programs, scaling up milk procurement capabilities, ensuring consistency in quality of raw material and strengthening cold chain distribution.



BUSINESS STRATEGY

Create a Strategy to Win in “Many Indias”:

As part of this strategy, Company has just launched Britannia Milk Bikis with 100% Atta in the Hindi speaking states of the Country. This new offering has the shakti of “Doodh Roti”, which most consumers have grown up with in these states. Company is evaluating similar plans for every part of India given the variations in consumer needs, tastes and food choices between states. Company’s large brands such as Good Day and Mariegold are also looking at localized strategies.

Renovate to Strengthen the Core:

In a category where little differentiation exists, the Company continues to stay ahead with its strategy of “continuous differentiation” centered on ensuring visual and taste superiority. Towards that end, the Company 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:

Company 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 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.

Lead with new-to-market concepts and innovations:

Company strives to lead the segments it operates in with new-to-market innovations as per changing consumer needs and preferences. The pillars of 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.

Company's strategy in the dairy business is to strengthen its consumer franchise in Cheese and Milk Drinks through front end investments while innovating aggressively in emerging value added categories like Drinks & Yogurts.

International Business



Nepal continues to grow handsomely with healthy margins

The Export markets in Americas, Asia and Africa that were developed in previous years shows promising growth potential and the Company is focused on mainstream channel expansion and opening more white space markets, in these geographies.

Your Company's strategy to achieve growth and market share in International Business is to:

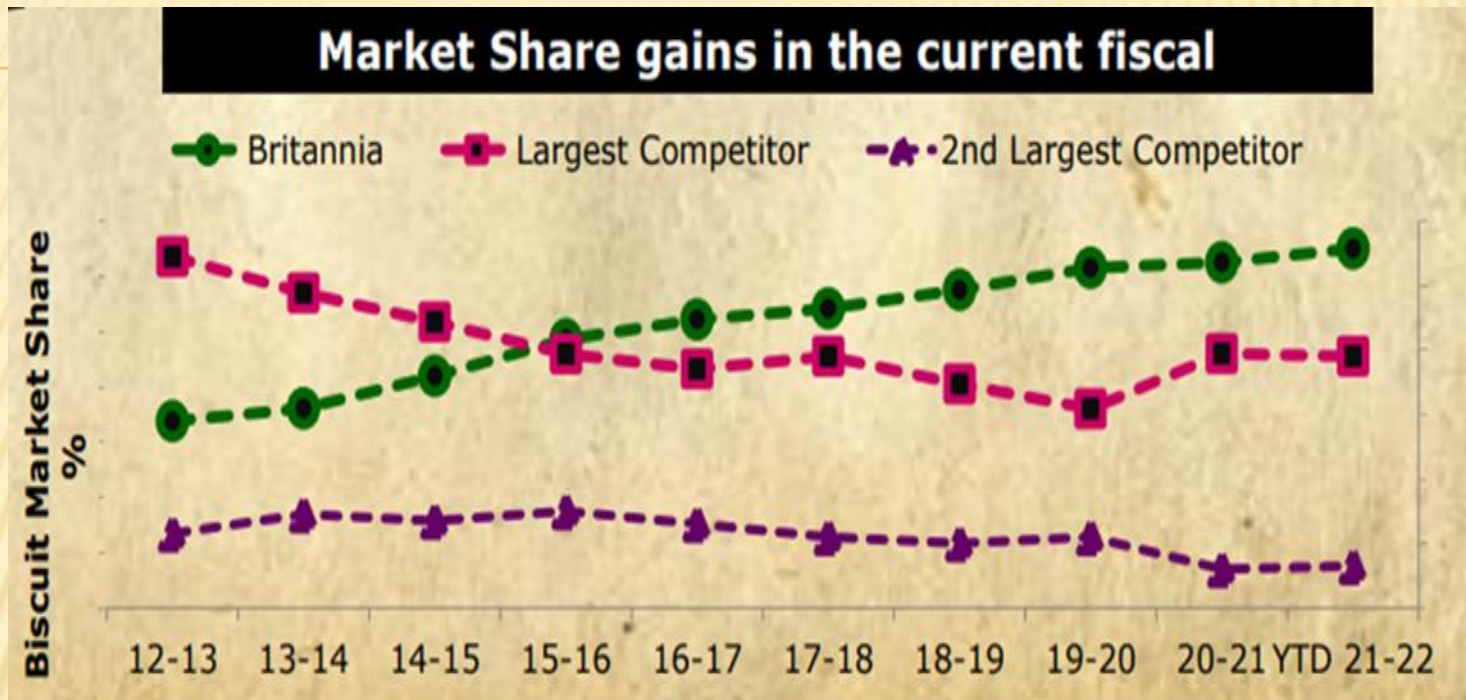
Increase business presence among the Indian diaspora across markets

PEER COMPARISON

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.
1.	Nestle India	17660.05	75.95	170270.58
2.	Britannia Inds.	3407.70	54.40	82080.72

S.No.	Name	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %
1.	Nestle India	1.14	617.37	5.16
2.	Britannia Inds.	4.62	371.18	-18.56

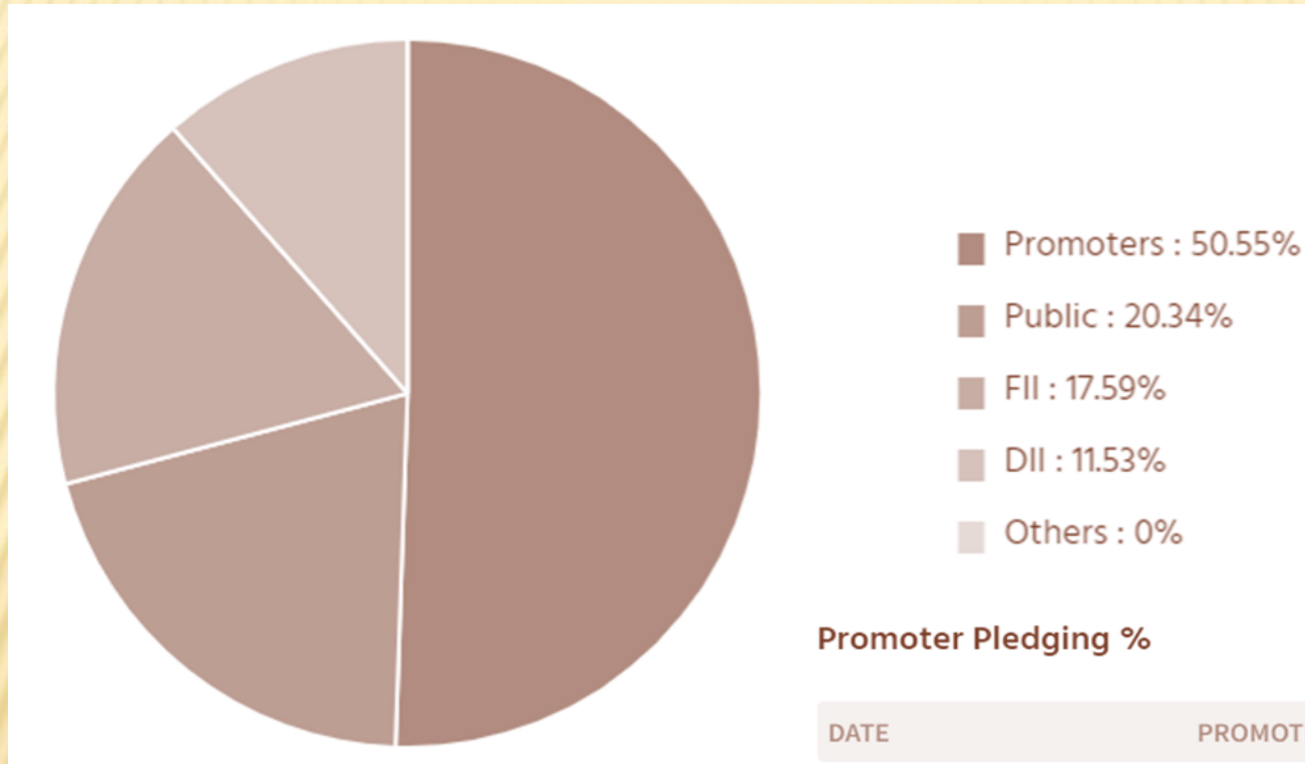
S.No.	Name	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Nestle India	3882.57	9.62	139.29
2.	Britannia Inds.	3574.98	12.93	45.27



Largest Competitor of Britannia in Biscuit Market share: Parle-G. Parle spans across the remotest villages in India

Britannia actually has a better and more successful product line than Parle and would dominate the market if not for Parle's flagship biscuit Parle-G!

Shareholding Pattern



Promoter Pledging %

DATE	PROMOTER %	PLEDGE
Dec 2021	50.55	0
Sep 2021	50.55	0
Jun 2021	50.55	0
Mar 2021	50.55	0
Dec 2020	50.55	0

FINANCIALS

BALANCE SHEET

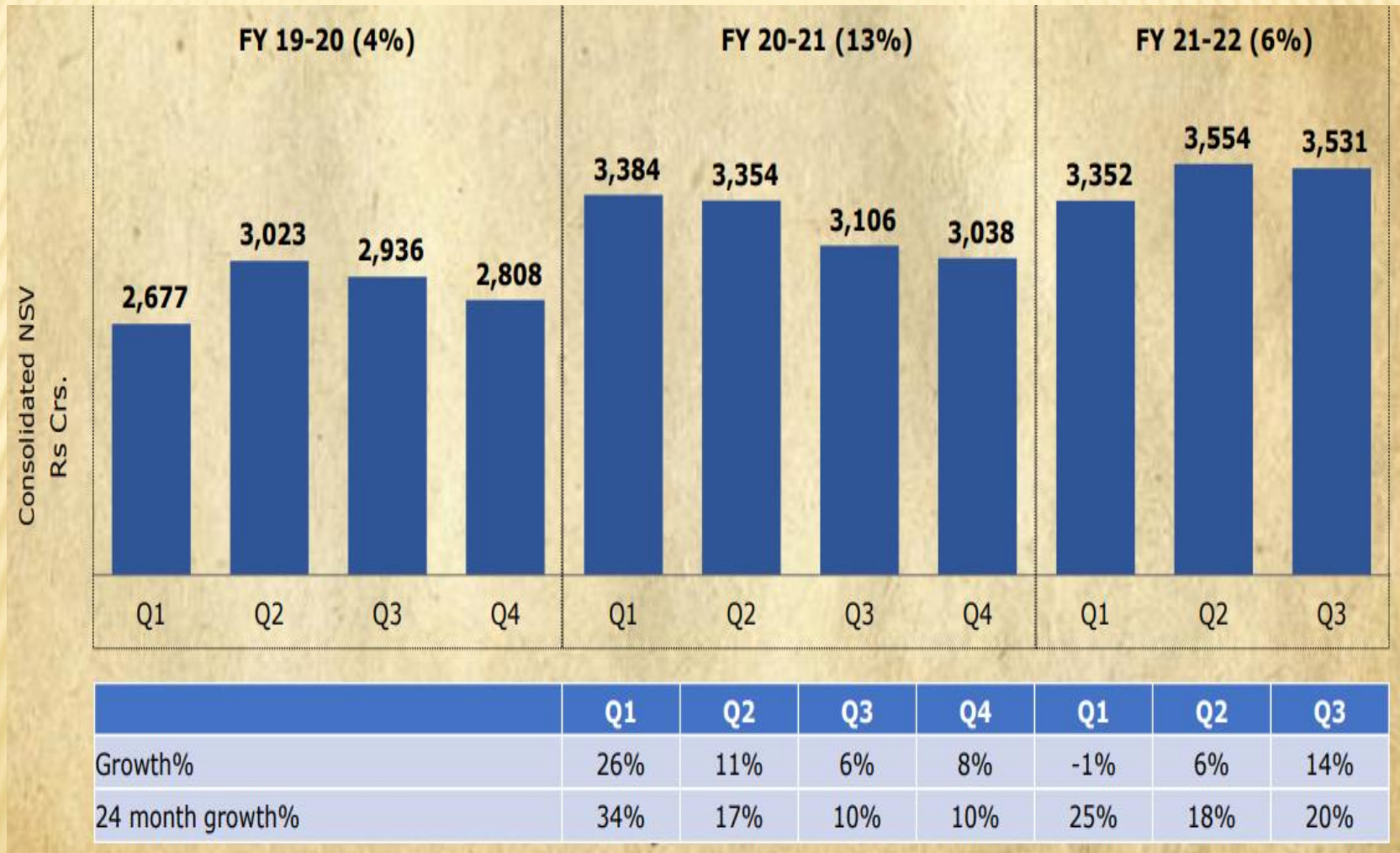
As at		₹ in Crores	
		31 March 2021	31 March 2020
I	Assets		
(1)	Non-current assets		
	(a) Property, plant and equipment	1,634.30	1,716.37
	(b) Capital work-in-progress	116.52	39.55
	(c) Investment property	14.21	14.47
	(d) Goodwill	135.90	138.97
	(e) Other intangible assets	8.54	8.37
	(f) Investment in associates	2.29	1.48
	(g) Financial assets		
	(i) Investments	1,385.15	1,882.98
	(ii) Loans receivable	74.58	202.95
	(iii) Other financial assets	30.13	31.33
	(h) Deferred tax assets, (net)	9.66	19.56
	(i) Income-tax assets, (net)	71.84	68.77
	(j) Other non-current assets	105.98	42.46
	Total non-current assets	3,589.10	4,167.26
(2)	Current assets		
	(a) Inventories	1,091.49	740.96
	(b) Financial assets		
	(i) Investments	1,393.25	1,008.77
	(ii) Trade receivables	257.27	320.36
	(iii) Cash and cash equivalents	142.74	81.23
	(iv) Bank balances other than (iii) above	68.60	41.62
	(v) Loans receivable	946.56	1,110.11
	(vi) Other financial assets	397.76	229.75
	(c) Other current assets	122.01	142.17
	Total current assets	4,419.68	3,674.97
	Total assets	8,008.78	7,842.23

PROFIT AND LOSS ACCOUNT

For the year ended	₹ in Crores	
	31 March 2021	31 March 2020
I Revenue from operations		
Sale of goods / Income from operations	12,883.04	11,443.99
Other operating revenues	253.10	155.56
	13,136.14	11,599.55
II Other income	312.87	279.40
III Total income (I+II)	13,449.01	11,878.95
IV Expenses		
Cost of materials consumed	6,502.33	5,684.98
Purchases of stock-in-trade	1,160.89	1,189.92
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(37.12)	52.57
Excise duty		
Employee benefits expense	527.38	486.69
Finance costs	110.90	76.90
Depreciation and amortisation expense	197.85	184.81
Other expenses	2,473.37	2,342.21
Total expenses	10,935.60	10,018.08
V Profit before share of profits / (loss) of associates (III-IV)	2,513.41	1,860.87
VI Share of profit / (loss) of associates	0.81	0.44
VII Profit before exceptional items and tax (V+VI)	2,514.22	1,861.31
VIII Exceptional items (Refer note 56)	0.61	17.01
IX Profit before tax (VII-VIII)	2,513.61	1,844.30
X Tax expense:		
(i) Current tax	657.12	447.69
(ii) Deferred tax	5.90	3.01
	663.02	450.70
XI Profit for the year (IX-X)	1,850.59	1,393.60

XII Other comprehensive income		
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>		
Remeasurements of the net defined benefit (liability) / asset	3.50	(6.50)
Income-tax relating to items not to be reclassified subsequently to statement of profit or loss	(0.92)	1.57
<i>Items that will be reclassified subsequently to statement of profit or loss</i>		
Foreign currency translation reserve	(4.08)	10.05
Other comprehensive income/ (loss), net of tax	(1.50)	5.12
XIII Total Comprehensive income for the year (XI+XII)	1,849.09	1,398.72
Profit attributable to:		
Owners of the Company	1,863.90	1,402.63
Non-controlling interests	(13.31)	(9.03)
Profit for the year	1,850.59	1,393.60
Other comprehensive income attributable to:		
Owners of the Company	(1.50)	5.12
Non-controlling interests	-	-
Other comprehensive income for the year	(1.50)	5.12
Total comprehensive income attributable to:		
Owners of the Company	1,862.40	1,407.75
Non-controlling interests	(13.31)	(9.03)
Total comprehensive income for the year	1,849.09	1,398.72
Earnings per share (face value of ₹ 1 each)		
Basic [in ₹]	77.43	58.35
Diluted [in ₹]	77.40	58.34
Weighted average number of equity shares used in computing earnings per share:		
- Basic	240,716,747	240,379,360
- Diluted	240,800,190	240,438,381

Profit & Loss analysis



CASH FLOW STATEMENT

₹ in Crores

For the year ended	31 March 2021	31 March 2020
Cash flows from operating activities		
Profit before tax and share of profits / (loss) of associates and after exceptional item	2,512.80	1,843.86
Adjustments for :		
Depreciation and amortisation expense	197.85	184.81
Share based payment expense	18.94	21.58
Net gain on financial asset measured at fair value through Statement of Profit and Loss	(65.47)	(89.88)
(Profit) / Loss on sale of property, plant and equipment	(0.33)	(0.11)
Interest income from financial assets carried at amortised cost	(234.66)	(176.77)
Finance costs	110.90	76.90
Changes in		
Inventories	(351.44)	42.99
Trade receivables	61.40	78.85
Loans receivable, other financial assets, other bank balances and other assets	(170.82)	(23.66)
Accounts payables, other financial liabilities, other liabilities and provisions	404.71	29.21
Cash generated from operating activities	2,483.88	1,987.78
Income-tax paid, net of refund	(632.81)	(503.25)
Net cash generated from operating activities	1,851.07	1,484.53
Cash flow from investing activities		
Acquisition of property, plant and equipment and other intangible assets	(242.07)	(244.17)
Proceeds from sale of property, plant and equipment	2.17	0.73
Sale/ (Purchase) of investments, net	178.82	(1,326.63)
Inter-corporate deposits placed	(1,202.50)	(1,293.41)
Inter-corporate deposits redeemed	1,491.41	1,204.24
Interest received	233.43	127.62
Net cash generated from / (used in) investing activities	461.26	(1,531.62)

Cash flow from financing activities

Proceeds from share allotment	103.15	23.97
Principal payment of lease liabilities**	(2.55)	(2.03)
Interest paid on lease liabilities	(1.04)	-
Interest paid	(101.30)	(35.99)
Issue of bonus debentures	-	720.95
Proceeds from borrowings, net*	567.80	640.72
Contribution from non-controlling interest	14.00	12.00
Dividends paid (including dividend distribution tax)	(2,823.75)	(432.53)
Payment of bonus debentures (including dividend distribution tax)	-	(869.15)
Net cash (used in) / generated from financing activities	(2,243.69)	57.94
Net change in cash and cash equivalents	68.64	10.85
Effect of exchange rate changes on cash and cash equivalents	(2.44)	5.69
Cash and cash equivalents at beginning of the year (Net of bank overdraft)	75.26	58.72
Cash and cash equivalents at end of the year (Net of bank overdraft)	141.45	75.26
Cash and cash equivalents	142.74	81.23
Bank overdraft	(1.29)	(5.97)
Cash and cash equivalents at end of the year (Net of bank overdraft)	141.45	75.26
Debt reconciliation statement in accordance with Ind AS 7		
Current borrowings		
Opening balance	747.99	76.10
Proceeds from / (Repayment of) borrowings, net	585.08	659.31
Exchange fluctuation	(1.77)	6.85
Non-cash change (fair value)	8.12	5.73
Closing balance	1,339.42	747.99
Non-current borrowings and Certain components of other financial liabilities		
Opening balance	789.02	81.13
Proceeds from / (Repayment of) borrowings, net	(22.77)	707.89
Closing balance	766.25	789.02

* Bank overdraft amounting to ₹ 1.29 (31 March 2020: ₹ 5.97) is shown under cash and cash equivalent as per requirement of Ind AS 7. Hence, proceeds from borrowings under financing activity does not include the movement in bank overdraft.

** Includes ₹ 1.74 (31 March 2020: ₹ 1.59) towards repayment of lease liability recognised as per the requirements of Ind AS 116 which does not form part of debt reconciliation.

KEY RATIO ANALYSIS

			2020-21	2019-20
Measures of Investment				
Return on Equity	$\frac{\text{Profit after tax}}{\text{Shareholders' funds (Total Equity)}}$	%	53.0	34.7
Book value per share	$\frac{\text{Shareholders' funds (Total Equity)}}{\text{Number of equity shares (of face value of ₹ 1 each)}}$	₹	137.82	177.76
Dividend cover	$\frac{\text{Earnings per share (Basic)}}{\text{Dividend (Plus tax) per share}}$	times	0.5	1.8
Measures of Performance				
Net profit margin	$\frac{\text{Profit after tax}}{\text{Total Income}}$	%	13.9	13.1
Debtors turnover	$\frac{\text{Sale of goods}}{\text{Average Gross Trade receivables}}$	times	54.5	36.0
Stock turnover	$\frac{\text{Sale of goods}}{\text{Average Gross Inventories (Finished goods + Stock-in-trade+Goods in transit)}}$	times	49.9	43.1
Measure of Financial Status				
Debt equity ratio	$\frac{\text{Non-current borrowings + Current borrowings + certain components of other financial liabilities}}{\text{Shareholders' funds}}$	%	54.2	28.2
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities - Current maturities of long-term debt and finance lease obligations}}$	times	1.2	1.4

Return on equity: - ROE measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each rupee of common stockholders' equity generates. Britannia Inds has a ROE of 53 %. (Higher is better)

Return on Equity

10 Years:	39%
5 Years:	36%
3 Years:	36%
Last Year:	47%

Compounded Sales Growth

10 Years:	11%
5 Years:	9%
3 Years:	10%
TTM:	7%

Sales growth:- The company has poor sales growth.

Current ratio: - The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets. A higher current ratio is desirable so that the company could be stable to unexpected bumps in business and economy. Britannia Inds has a Current ratio of 1.2, which is good.

Inventory turnover ratio: - Inventory Turnover ratio is an activity ratio and is a tool to evaluate the liquidity of a company's inventory. It is a very important ratio in FMCG sector. It measures how many times a company has sold and replaced its inventory during a certain period of time. Britannia has an Inventory turnover ratio of 49 times which shows that the management is efficient in relation to its Inventory and working capital management.

Higher the ratio, the better it is as the supply chain logistics are very important in the FMCG sector. The amount by which they fill their inventories, their revenue will become better and so will their profits.

PE ratio: - Price to Earnings' ratio, which indicates for every rupee of earnings how much an investor is willing to pay for a share. Britannia Inds has a PE ratio of 54.2

CONCLUSION

Britannia with a large presence in the differentiated biscuit offerings is expected to benefit. Additionally, the company has been reducing dependence on the biscuits segment by expanding its dairy portfolio, and launching products in the wellness segment. It is making strategies to accelerate cost efficiency programs. It showed High Double-digit growth, Market Share gains amidst an inflationary environment.

These initiatives will benefit the company's margins favourably in the long run, and increase its "tastiness" as an investment.

It is a fundamentally super strong company and is fairly valued at the current level. Therefore we recommend **“BUY”** Britannia share and hold for long term.