

BRITANNIA INDUSTRIES RATING: BUY

Firm likely to grow ahead of peers

Company saw sharp gains in market share in FY22; margins to see inflation pressure; 'Buy' retained with target price of ₹4,415

THE FY22 ANNUAL report of Britannia (BRIT) details several initiatives that resulted in sharp gains in its market share and furthered its transition towards a total foods company. We highlight a few: i) Aiming for leadership position in wafers and croissants. ii) Evaluating partnerships in dairy with QSRs in FY23. ii) To incubate 'fresh business' through launch of paneer, Greek yogurt and smoothies. iv) Disproportionate focus on e-commerce (grew 100% y-o-y), and an app launched for its distributors (an industry-first).

Retain 'Buy' with a TP of ₹4,415, baking in BRIT's market share gains and expanding addressable markets, not to mention calibrated price hikes (10% in FY22; 7%-plus more likely in our view).

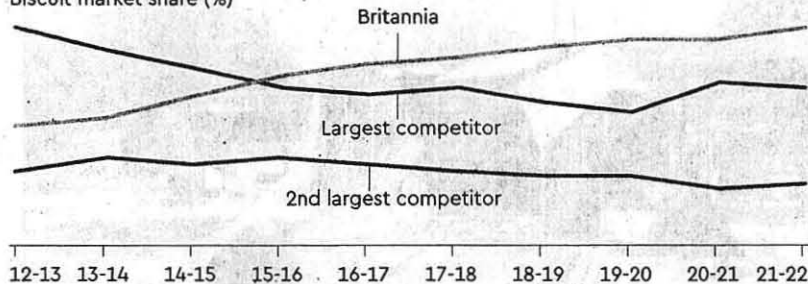
Key new learnings

Power brands include: ₹40-bn club – Good Day and Marie Gold; and ₹10-bn club – Milk Bikis, Nutri-choice, Tiger and 50-50.

Star performers for the year include Tiger Krunch

Market share movement

Biscuit market share (%)



Source: Company

(grew 35% y-o-y), Winkin Cows (entered ₹1 bn-plus), and Milk Bikis Atta Biscuit (doubled in two years).

Evaluating partnerships in Dairy with QSRs and restaurants in FY23 will lead to good growth in

adjacencies, apart from plans to incubate 'fresh business' through launch of paneer, Greek yogurt and smoothies under the 'Come Alive' brand. Britannia is striving to attain leadership position in wafers and croissants.

New additions such as croissants, Good Day (hazelnut, cashew and pistachio), Potazos and Biscife are doing well.

In order to gain leadership in healthier/value-added portfolio in breads, BRIT launched many new products in FY22.

Salted snacks is a category of significant interest for Britannia, particularly in healthier formats.

Outlook: Improving prospects; maintain 'BUY'

Britannia is the value leader in the biscuit category (ahead of Parle) and has sustained good market share gains. We believe the company's growth will continue to outstrip the industry. Its deepening distribution network, particularly in rural, with focus on driving growth in the states it has a weak standing in – Gujarat, Madhya Pradesh, Uttar Pradesh and Rajasthan – would hold it in good stead. BRIT's cost-saving initiatives continue to be robust, but margins in the near term are likely to remain under pressure due to sharp inflation.

Key risks: inflation in wheat and palm oil (though down 20% from peak, but still up y-o-y).

Even so, a gradual improvement in the product mix would aid gross and EBITDA margins. We maintain 'BUY/SO' with a target price of ₹4,415.

