Business	Product/Revenue Segments	Category	Consistency	Market Cap	
Britannia Industries Ltd.	1. **Biscuits** - Constitute **75-80%** of topline in FY 16. Good Day, Crackers, Nutrichoice, Marie Gold, Tiger, Milk Bikis, Jim Jam + Treat, Bourbon, Little Hearts, Pure Magic, Nice Time.	A	5 yr Sales CAGR: 16% 5 yr NP CAGR: 28%	Current	FY 20
	2. **Dairy** - constitute **5%** of topline in FY16 (opportunity !!!). Cheese (slices, cubes, block, spreadz), Dairy Fresh (dahi, flavored yoghurt, milk), Accompaniments (butter, ghee, dairy whitener)		5 yr RoE: 42%	33K Cr	65-85K cr
	3) **Others** - constitute **15-20%** of topline in FY16. Breads (whole wheat, white, assortment), Rusk (premium bake) and Cakes (bar, veg, chunk, nut & raisin, muffills)				

Opportunity	Pointers to Addressable Market Sizing
Biscuits	India Biscuits market size is INR 26,000 cr. Expected to grow at 14% CAGR for next few years. Has grown at 10-14% per annum in the last five years. Britannia has regain market leader position (~28%) and continue to gain share; wafer thin 100 basis point lead over Parle currently.
Dairy	India organized dairy industry market size is INR 85,000 cr (~20% of total market size). Has been growing 22% annually for the last five years. Expected to do even better over the next three years. Huge opportunity in the unorganized sector to penetrate. - Britannia is looking to start fully integrated supply chain for dairy (i.e. from sourcing milk to processing, selling and marketing) in a phased approach. - Phase I: Innovation in cheese, milk powder, condensed milk, whey powder. In addition to some of the products (~300 cr) consumed in the bakery business currently. - Phase II: Deserts, drinks, whole lot of other stuff.
Cakes & Rusks	Nascent market currently. Has good potential. Britannia has a first mover advantage. Only Parle is the other organized player.
F&B	The Indian FMCG market size is INR 2,00,000 cr; fourth largest sector in India. Food & Beverages (F&B) constitute over 50% of total market size. Britannia has not-so-hidden desire to be a **total foods company**.

Longevity	Questions to think about for next 5-10 years ???
	- Would success in Biscuits/Cookies continue into adjacent category new ventures? - Would Britannia be market leader in organized dairy industry in next 5-10 years? - Would Britannia enjoy Varun Berry's service for next 5 years (longer the better)? - Can Britannia become an international brand in next 5-10 years (is it working on it)?
Biscuits	India has per capita consumption of around 2 kg. As against North America and Japan consumption of around 7.5-10.0 kg. Huge runway ahead.
Dairy	A small pie of 85K cr and growing 20% per annum organized dairy industry can put Britannia on different plane. It has brand and platform. Just need to plan, invest and execute.
International Sales	Untapped opportunity. Currently contributes 6% of revenue. Targeting 20% by 2021.

Unique DNA

1) **Strong brand equity**: A more-than-a-century old Britannia brand. One of India's biggest brands. Stands for quality, trust, taste and innovation. A strong entry barrier. New entrants would have to make sizeable investments towards customer acquisition, promotion and branding to challenge Britannia. Britannia can relatively spend lesser towards advertising and promotion activity, resulting in better profitability.
2) **Premiumization strategy**: A clear focus on much bigger play at premium end i.e. objective to be leader in premium Cookies segment that is on rise currently. Objective not to become market leader in the mass/value Glucose segment that has seen deceleration. This long term strategy is providing good tail wind currently as consumer perception is changing. Biscuits no more considered just mass consumption products. Consumers see it as premium products, primarily driven by increasing indulgence, health concerns and familiarity with luxurious taste.
3) **Pulse of Indian consumer**: Indian consumer today is looking more-for-less i.e. better products while remaining value conscious. Timely introduction of new innovative products and constant refresh of the existing products shows that Britannia understands the pulse of Indian consumer. Focused to balance cost, quality and aspiration in its brand for consumer affordability at every price point.
4) **New mega factories**: Setting a lot efficient new mega factories to change outsourced v/s in-house ratio. More in-house model means more scope for R&D and less heads that the profit has to be shared with. Can invest in new product lines to support innovation without having to face new investment reluctance by outsourced manufacturer.

Business Characteristics/Risk Profile

- Buy commodities and sell brands. Top notch business quality.
- Brand creates scale, and scale produces cost advantages. This indirectly is helping Britannia increase the distance with competition.
- **Varun Berry** (jockey), MD Britannia has re-energized the company and is making a huge difference. Ex-PepsiCo. His experience, commitment and attitube has converted delicious brand into health financials.
- Debt free, Working Capital minimal or negative, Capital Turns >3x, Operating Margin consistent improvement, super RoE/RoCE, decent Sales growth and above average PAT/EPS tells us that it is super special business.
- High promoter holding of 50.74% (considering it is more-than-a-century old brand) indirectly indicates conviction and sincerity of the promoters.
- 80+ manufacturing units, 2.8cr packs made per day, 51 depots, 3700 stockists, 900 trucks per day, over 36 lakh outlets selling Britannia, ~8 lakh ton per annum production (and growing).

Risks

- Negative observations by India's Food safety administration and/or CSE (the Centre for Science and Environment) could hurt business/product sentiments.
- Competitive pressures from large well established MNCs, particularly Mondelēz (Oreo) that has premium offerings and strong global R&D.

Capture — Main Growth planks for next 2-3 years/Visibility (as quantitatively as possible, as opposed to "Hope")

New Products
Pipeline
Order Book
Capacity
Debt
Competition
Sales
Margins

- **Consumption Growth**: OROP, 7th pay commission hikes and falling inflation levels are likely to positively review consumption and thereby consumer demand (topline growth). This is in addition to usual Indian factors like increasing income, rising urbanization, nuclearisation, as well as growing work force.
- **Distribution expansion**: Britannia has been narrowing distribution gap with closest competitor and plans to do even further. Reached 3.6million outlets and market is almost 6.7million outlets. Still a lot of room to cover that could bring growth in near-mid term.
- **Premiumization / Product Innovation**: Premiumization trend has just started and expected to continue at a healthy pace driving growth for next 2-3 years.
- **Cost effectiveness**: Value creation strategy of Britannia for cost effectiveness would further drive the bottom-line growth; achieved through scale in operations, technology interventions, complexity and wastage reduction in the value chain along with efficient management of working capital.
- **International business:** Very small currently. Contributes 6% of overall revenues. Distributes products in ~75 countries. Hopes to increase international business revenues by improving manufacturing capacities, boosting exports. Also open to making acquisitions or entering into JVs. Looking to set up a facility in Gujarat to boost international sales to 1/5th of overall revenues by 2021.
- 900 cr investment planned (70% in greenfield projects).
- Dairy expansion (once finalized - 300 cr) could be a strong growth driver ahead.

Performance — Recent Growth Performance track/ Company Guidance

Half-Yearly
TTM
OP Cash
Debt
Capex
Guidance
Capex

Consistent improvement in numbers from FY12 to FY16

	FY12	FY13	FY14	FY15	FY16
- Income from Operations Growth	18.63%	12.76%	11.76%	13.68%	10.44%
- PAT Growth	48.54%	30.04%	52.28%	73.97%	17.06%
- Operating Profit Margin ratio	5.67%	6.80%	9.07%	10.99%	14.13%
- Net Profit Margin ratio	3.64%	4.20%	5.72%	8.76%	9.29%
- ROCE	38.72%	71.62%	75.67%	66.92%	TBC
- ROE	61.20%	46.52%	49.54%	55.31%	48.11%

- Britannia has set an ambitious figure of INR 20,000 crore revenue over the next five years (and bulk of it is expected to come from dairy).
- History data says that Britannia has shown disproportionate growth characteristic i.e. consistent higher PAT growth than Revenue growth.

Main Objections/Handling

1) Gross margin sensitive to commodity pricing: True to an extent. Price/volume has to be changed when required. Ability to pass plus/minus to consumer with/without lag. Overall, gross margin has been on rise by continuously improving on productivity and efficiently agenda. Has been working on taking costs out of the systems and making supply chain very-very efficient. A lot has been achieved and still a lot of room to cover.
2) Patanjali threat: While most of Patanjali's progress is not into biscuit category, it is in other categories which do not impact Britannia, but Britannia will have to keep an eye out and keep checking how they are doing and what kind of progress they are making in the market and be prepared for a formulation update if required.
3) Stagnation in category growth if any: Constantly exploring new investment in adjacent business such as breakfast, snacks and chocolates. Nibble into macro snacks market with bridge products that build on the strength of biscuits e.g. Pure Magic Deuce - a biscuit that features a slab of chocolate on it. This is in addition to bigger play in dairy which has huge opportunity size.
4) Inter-corporate deposits: Hopefully 900cr new investment plan will keep this in control.