



BUSINESS ANALYSIS AND VALUATION PROJECT

Britannia Industries Limited
Part 7& 8



Group-6,

Alok Dubey(G15066)

Pavan Kumar(G15097)

Shreyas.S(G15111)

Surya Teja(G15114)

P/E Ratio of Britannia Industries Ltd.

1. Regression method

On the basis of market capitalization, 8 of Britannia's peers were chosen to find the P/E ratio of Britannia. The dependent variable is P/E ratio of the companies and the independent variables are growth rates and Standard deviation of stock returns.

The data taken for running the regression and the results are tabulated below:

Company	Volatility	Growth	P/E	PEG
Britannia	3.96%	40%	44.39	110.975
Nestle	3.15%	20.34%	120.08	590.3464
Glaxco smithline consumer products	3.09%	20.10%	49.38	245.7318
KRBL	5.99%	21.26%	13.98	65.75863
Kwality	8.36%	24.71%	5.86	23.7156
Heritage foods	5.83%	11.08%	28.52	257.317
LT Foods	2.74%	16.38%	17.31	105.6872
SKM EGG	11.45%	32.47%	15.90	48.96642
Umang Diaries	8.34%	29.02%	15.22	52.45491

	Coefficient
Intercept	63.626
Volatility	-696.862
Growth	49.553

	Volatility	Growth	Regression P/E
Britannia	3.96%	40%	74.38

<i>Regression Statistics</i>	
Multiple R	0.560735
R Square	0.314424
Adjusted R Square	0.085899
Standard Error	33.69004
Observations	9

The P/E ratio we got based on regression is 74.38.

Since the R-Square we got in the regression is low (31.44%) and since the standard error is high, we have calculated P/E of Britannia using median method.

2. Median method

P/E of Britannia = Median of PEG of peer companies * Growth rate of Britannia

	Median PEG	Growth	Average P/E
Britannia	105.69	40%	42.27

Compared to P/E of regression method, P/E we got based on median method (42.27) is closer to the actual P/E in March 2015. Britannia stands 3rd in terms of P/E ratio among its peers.

Brand value of Britannia vis-à-vis its competitors/peers:

The brand value of Britannia is compared with its competitors by considering a list of 10 peers sourced from moneycontrol.com. The enterprise value of each of the competitors is calculated along with their sales turnover to compute the brand value of Britannia vis-à-vis the respective competitors in the following manner:

$$\text{Brand value}_{\text{Britannia}} = \{(\text{EV/Sales})_{\text{Britannia}} - (\text{EV/Sales})_{\text{Competitor}}\} * \text{Sales}_{\text{Britannia}}$$

The brand value of Britannia is shown in the below table:

Company name	Market value(in Cr.)	Mv of debt(in Cr.)	Enterprise Value(in Cr.)	Sales(in Cr.)	Brand Value of BRITANNIA vis-à-vis (in Cr.)
Nestle	53225.33	17.73	53243.06	8175.31	-12886.54304
Glaxosmithline	24741.48	0	24741.48	4307.59	-7368.412644
KRBL	6387.8	1281.45	7669.25	3113.01	16169.42214
Kwality	2786.7	1085.53	3872.23	5269.17	28574.75803
Heritage Foods	1202.17	142.48	1344.65	2072.97	29193.51174
LT Foods	663.51	920.76	1584.27	1855.27	27720.48961
Vadilal Ind	515.62	125.24	640.86	403.43	22449.01631
SKM Egg Product	199.19	41.39	240.58	271.34	27485.78396
Kohinoor foods	192.59	800.67	993.26	1158.97	27698.31596
Umang Dairies	146.43	14.54	160.97	251.14	29248.77729
Britannia	33843.98	4.3	33848.28	7175.99	0

As can be seen from the table, the brand value of Britannia is negative when compared to Nestle and Glaxosmithline which means that both these competitors are highly branded when compared to Britannia. And the rest of the comparable companies are low branded which is pretty evident from the high brand value generated by Britannia when compared with these companies.

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