

■ In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.

- **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
- **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)	Target Price *	Potential Upside (%)	Reco
Britannia Industries Ltd.	89,170	3,700	4,170	13%	BUY

\* Note: Investment horizon Approx. 6-9 months., CMP as on 16<sup>th</sup> April, 2021



CMP (Rs)	Target (Rs)
3,700	4,170

**MARKET DATA**

No. of Shares	24.0 cr
Market Cap	Rs 89,170 Cr
52-week High / Low	Rs 4,015/ 2,739
BSE Code	500825
NSE Code	BRITANNIA

Britannia Industries (BRIT), a Wadia Group company is one of the largest food brands. It's brands like Good Day, Tiger, Nutri Choice, Milk Bikis, Marie Gold, 50:50 etc are popular in the biscuits segment. BRIT manufactures and sells biscuits, bread, rusk, cakes and dairy products in the domestic and international markets. BRIT enjoys an estimated market share of ~33% in the Indian biscuits industry.

**Investment Rationale**

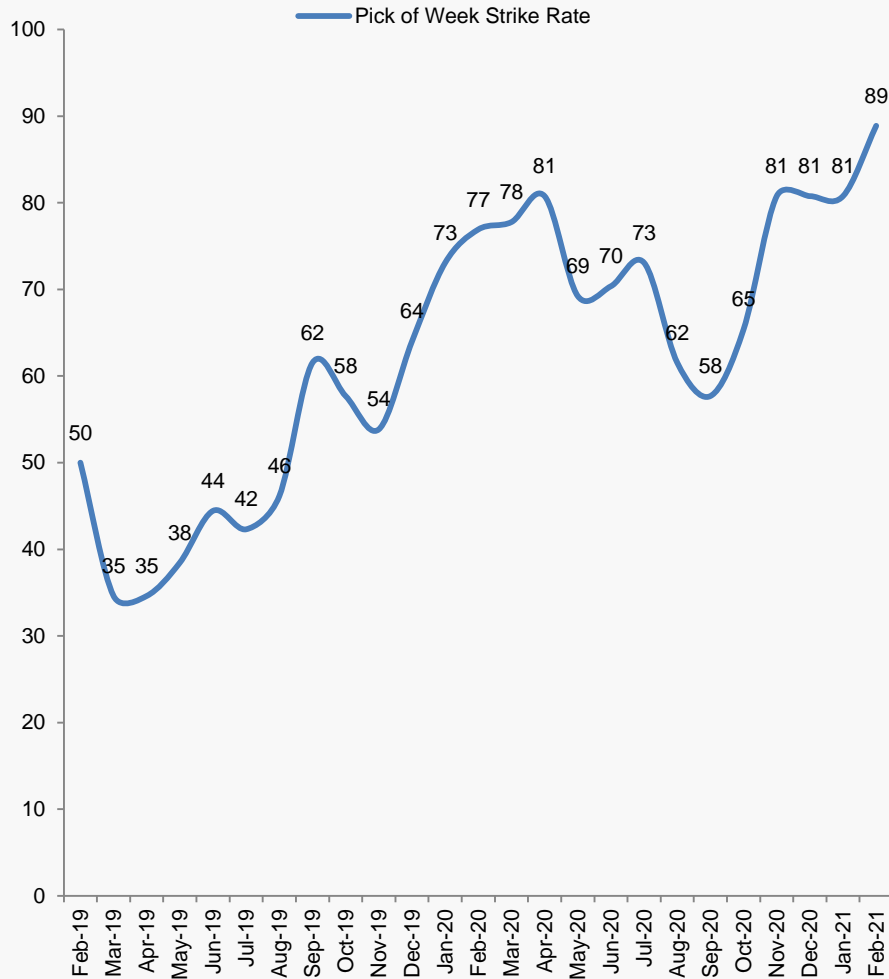
- ❑ **Demand momentum seeing improved traction:** While in H2FY21 demand momentum moderated vs H1FY21, we believe recent lockdowns across various states augurs well for the biscuits category given likely improvement in the in-home consumption trend. Biscuits/Rusks are reporting healthy performance with Rusks doing better than biscuits. Dairy and international portfolio excluding drinks is doing well. Down trading is visible in the market, but Britannia has not lost market share. Management also mentioned that as biscuits are the cheapest snacking option there could be a possibility of share gains from other snacking categories.
- ❑ **Robust distribution channel:** In the current scenario general trade has done well mainly in rural regions against Modern Trade (MT) which was adversely hit by lockdown restrictions and limited hours of store operations. BRIT likely gained share across channels and strong growth in GT/E-com is expected to continue. Further, GT/E-com will be the key focus area to drive growth in the near term. Direct reach increased to 22.9 lakh outlets vs 19.7 lakh in Q4FY20 with rural distribution upbeat with 23k rural preferred distributors in Dec 2020 as against 19k in March 2020. Hindi heartland reported double-digit growth with UP growing the fastest at 1.6x YTD 2020-21 vs 1x in 2017-18 period.
- ❑ **Capex:** With manufacturing constraints being reported in current times, BRIT is looking to augment its capacity at Odisha and Ranjangaon (MH) plants by putting additional lines. It plans to set up new manufacturing facilities in Tamil Nadu (largest state sales-wise), UP (UP now is 2nd largest market for BRIT), and Bihar. Company targets to achieve Rs 1500 cr capex by FY23 and will gain an incentive of 110% from the Maharashtra government towards the same. We do think with growing distribution network, penetration into the rural regions esp hindi heartland BRIT is likely to report steady growth over FY21-23E.
- ❑ We recommend BUY with Target Price of Rs. 4,170/-.

**Financial Summary (Consolidated)**

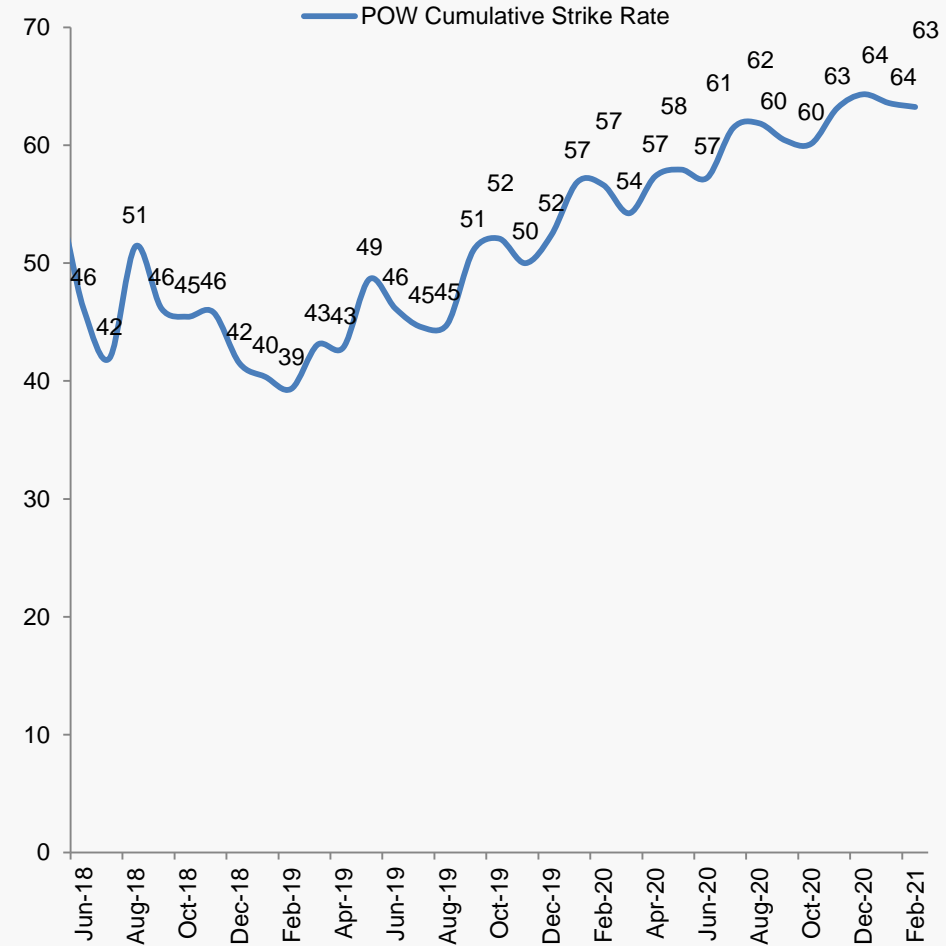
Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (Y o Y%)	P/E (x)	RoE (%)	RoCE (%)
2020	11,444	1,843	1,410	58.6	20.7	63.0	33%	29%
2021E	12,990	2,467	1,853	77.1	32.9	48.0	37%	32%
2022E	14,152	2,468	1,845	76.7	-1	48.2	31%	29%
2023E	15,324	2,739	2,052	85.3	11.2	43.3	30%	29%

Source: Axis Securities

## Strike rate based on rolling 6 months



## Strike rate since Jan 2018



Note: We have changed our methodology of calculation of strike rates for PoW product from July 2020; and shifted to calculations using 6 months rolling returns method and cumulative basis as against earlier method of calculating the strike rate for last 9 months. The performance under the revised methodology is as above.

**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on [www.axisbank.com](http://www.axisbank.com).
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, authors (Research team) and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL or its Associate does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

Sr. No	Name	Designation	E-mail
1	Naveen Kulkarni	Chief Investment Officer	naveen.kulkarni@axissecurities.in
2	Pankaj Bobade	Research Analyst – (Research Head)	pankaj.bobade@axissecurities.in
3	Neeraj Chadawar	Quantitative Head	neeraj.chadawar@axissecurities.in
4	Suvarna Joshi	Research Analyst	suvarna.joshi@axissecurities.in
5	Siji Philip	Research Analyst	siji.philip@axissecurities.in
6	Omkar Tanksale	Research Analyst	omkar.tanksale@axissecurities.in
7	Uttamkumar Srimal	Research Analyst	uttamkumar.srimal@axissecurities.in
8	Ankush Mahajan	Research Analyst	ankush.mahajan@axissecurities.in
9	Gaurav Uttrani	Research Analyst	gaurav.uttrani@axissecurities.in
10	Dnyanada Vaidya	Research Analyst	dnyanada.vaidya@axissecurities.in
11	Sneha Prashant	Research Analyst	sneha.prashant@axissecurities.in
12	Hiren Trivedi	Research Associate	hiren.trivedi@axissecurities.in
13	Darshan Gangar	Research Associate	darshan.gangar@axissecurities.in
14	Darshita Shah	Research Associate	darshita.shah@axissecurities.in

5. ASL or its Associates has not received any compensation from the subject company in the past twelve months. I/We or ASL or its Associate has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:
  - i. Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
  - ii. Managed or co-managed public offering of the securities from the subject company of this research report and / or;
  - iii. Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

**Term& Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document. The Research reports are also available & published on AxisDirect website.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein. Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: Anand Shaha, Email: [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in), Tel No: 022-42671582. SEBI-Portfolio Manager Reg. No. INP000000654