

# Pick of the week



## Britannia Industries Ltd:

### Recommendation

**Add**

### Time Period

**12 Months**

### Current Price

**₹ 3575**

### Target Price

**₹ 4150**

### Potential Upside

**16%**

## Investment Argument

- The lockdown phase triggered resurgence of the biscuit category, which otherwise was showing fatigue pre-Covid, and triggered penetration increase in the packaged foods space. We continue to build moderation in biscuits demand (post the spike in in-home consumption) but still much better than pre-Covid level.
- BRIT now has aggressively reinvested some margin surplus on adjacencies and new categories to capitalize on the opportunity.
- With the opening-up of the economy, other food categories have started to see demand recovery.
- BRIT has ramped-up its direct reach to more than pre-Covid levels (there was some fall in March-quarter due to disruption). They have also strengthened their rural distribution. They have also ramped-up their SKUs and replenishment levels back to pre-Covid levels.
- BRIT is looking to ramp-up media spends and will be focusing on select brands initially.
- In Q3FY21, we expect consolidated EBIDTA margin to expand 83 bps yoy aided by 56 bps expansion in Gross Margin (GM) and operating leverage gain.

**Note:** The above is a brief note on the company, based on the inputs of KIE research report dated 21st October, 2020 & 6th January 2021, which is available on our website at: : <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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