

Week Gone by

- ⇒ CRISIL Ratings downgraded long term rating of Tata Motors to AA-/Negative from AA/Negative due to weakening of outlook on the business risk profile of JLR.
- ⇒ In Asia, China's industrial output rose 4.8% in July as compared to a year earlier, official data showed. Retail sales growth rose 7.6% in July from a year earlier.
- ⇒ On the data front, U.S. industrial output fell 0.2% in July, the second drop in the past four months, the Federal Reserve reported Thursday. Industrial output is only up 0.5% on a year-on-year basis.

Week ahead

- ⇒ On the macro front, the Reserve Bank of India (RBI) will announce the minutes of its Monetary Policy meeting on Wednesday, 21 August 2019. The Reserve Bank of India lowered its benchmark repo rate by 35 basis points to 5.40% during its August meeting.
- ⇒ In United States, the Fed will be in focus next week, with the central bank's annual symposium in Jackson Hole, Wyoming, kicking off on Thursday, 22 August 2019. Fed Chairman Jerome Powell is reportedly likely to speak on the second day of the Jackson Hole conference on 23 August 2019.
- ⇒ The Federal Open Market Committee (FOMC) July meeting minutes will be announced on Wednesday, 21 August 2019, looking for clues to the future pace of rate cuts.
- ⇒ The US Markit Manufacturing PMI for August will be announced on Thursday, 22 August 2019.

Technical Overview

Index closed with a loss of 0.6% at 11048. Index failed to see any follow up buying after previous week's pullback. Going ahead index has immediate resistance at 11050, for index to see any meaningful pullback it needs to sustain above this level which if it does will call for pullback towards 11140-11280 while support comes at 10940-10860-10780.

6-Nifty 50 - 16/08/19



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

| Index | 16-Aug-19 | 09-Aug-19 | Weekly % Chg |
|------------------|-----------|-----------|--------------|
| Nifty | 11,048 | 10,997 | 0.5 |
| Nifty Next 50 | 26,000 | 25,811 | 0.7 |
| Nifty 100 | 11,155 | 11,100 | 0.5 |
| Nifty 500 | 8,989 | 8,944 | 0.5 |
| Nifty Midcap 100 | 15,817 | 15,709 | 0.7 |
| Sensex | 37,350 | 37,118 | 0.6 |
| BSE 100 Index | 11,139 | 11,095 | 0.4 |
| BSE 200 Index | 4,608 | 4,585 | 0.5 |
| BSE 500 Index | 14,235 | 14,165 | 0.5 |
| BSE Mid-Cap | 13,491 | 13,547 | -0.4 |
| BSE Small Cap | 12,585 | 12,496 | 0.7 |

WORLD INDICES

| Index | 16-Aug-19 | 09-Aug-19 | Weekly % Chg |
|-----------------------|-----------|-----------|--------------|
| Nikkei Index | 20,369 | 21,068 | -3.3 |
| Hang Sang Index | 25,734 | 26,919 | -4.4 |
| Kospi Index | 1,927 | 1,998 | -3.6 |
| Shanghai SE Composite | 2,824 | 2,868 | -1.5 |
| Strait Times Index | 3,115 | 3,261 | -4.5 |
| Dow Jones | 25,579 | 26,583 | -3.8 |
| NASDAQ | 7,767 | 8,111 | -4.2 |
| FTSE | 7,101 | 7,461 | -4.8 |

FOREX

| Currency | 16-Aug-19 | 09-Aug-19 | Weekly % Chg |
|---------------------|-----------|-----------|--------------|
| US\$ (Rs.) | 71.2 | 68.9 | 3.3 |
| GBP (Rs.) | 86.6 | 85.6 | 1.2 |
| Euro (Rs.) | 78.9 | 76.7 | 2.8 |
| Yen (Rs.) 100 Units | 67.0 | 63.4 | 5.7 |

NIFTY TOP GAINERS (WEEKLY)

| Scrip | 16-Aug-19 | 09-Aug-19 | Weekly % Chg |
|----------------------|-----------|-----------|--------------|
| Reliance Inds. | 1,278.0 | 1,162.1 | 10.0 |
| Indiabulls Housing F | 550.8 | 505.3 | 9.0 |
| Zee Entertainment En | 346.6 | 328.1 | 5.6 |
| GAIL (India) Ltd. | 129.7 | 123.9 | 4.7 |
| Power Grid Corpo | 211.2 | 202.0 | 4.5 |

FII - ACTIVITY

(Rs. Cr.)

| Date | Purchases | Sales | Net |
|-----------|-----------|-----------|-----------|
| 14-Aug-19 | 6,859.7 | 5,245.1 | 1,614.6 |
| 13-Aug-19 | 5,741.9 | 6,380.2 | -638.3 |
| 09-Aug-19 | 4,734.7 | 4,531.0 | 203.7 |
| MTD | 91,430.0 | 110,929.9 | -19,500.0 |

NIFTY TOP LOSERS (WEEKLY)

| Scrip | 16-Aug-19 | 09-Aug-19 | Weekly % Chg |
|---------------|-----------|-----------|--------------|
| Eicher Motors | 16,600.5 | 17,587.3 | -5.6 |
| Wipro Ltd | 249.2 | 263.5 | -6.0 |
| Adani Ports | 357.4 | 376.6 | -5.9 |
| HDFC | 2,100.0 | 2,211.7 | -5.8 |
| NTPC | 117.8 | 123.9 | -5.1 |

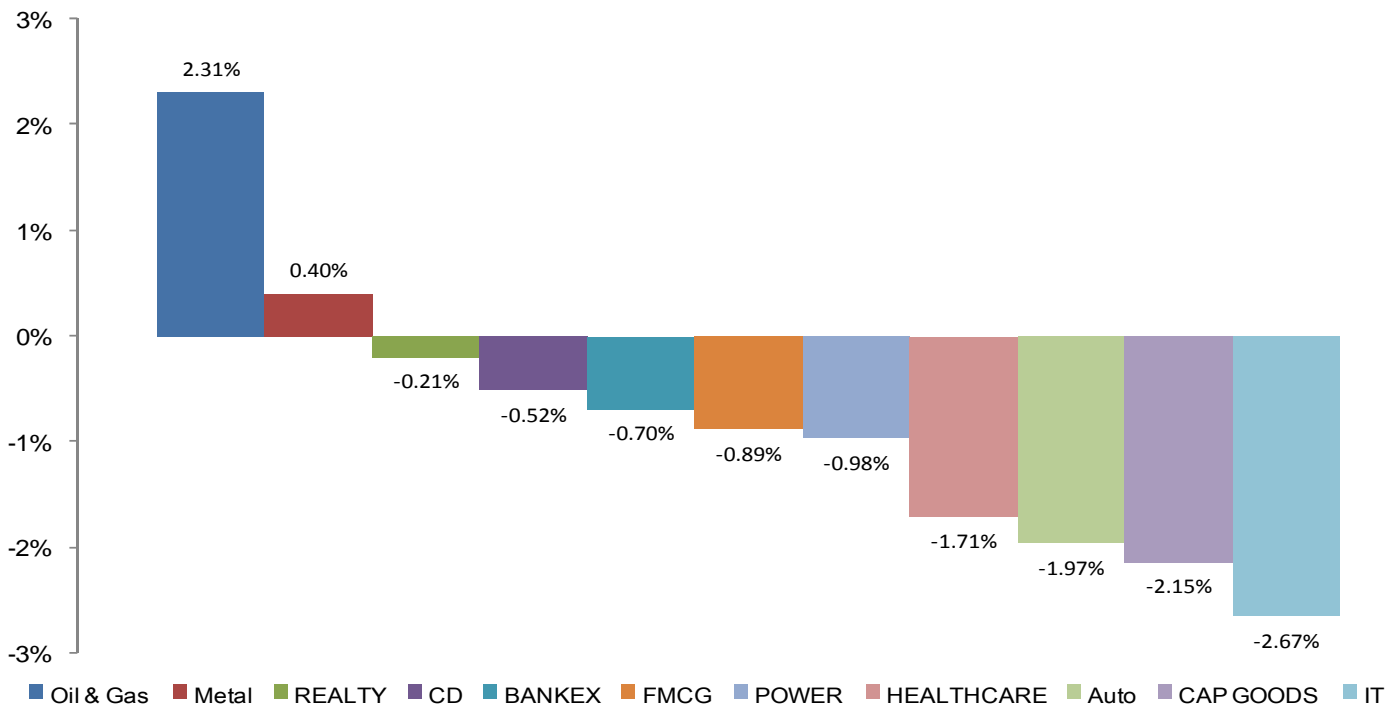
DII - ACTIVITY

(Rs. Cr.)

| Date | Purchases | Sales | Net |
|-----------|-----------|----------|----------|
| 14-Aug-19 | 4,385.7 | 2,765.9 | 1,619.8 |
| 13-Aug-19 | 4,796.2 | 4,594.7 | 201.5 |
| 09-Aug-19 | 4,568.7 | 3,961.8 | 606.9 |
| MTD | 91,705.3 | 65,726.2 | 25,979.1 |

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

| SCRIP NAME | 16-Aug-19 | 09-Aug-19 | Weekly Change (%) | 16-Aug-19 | 09-Aug-19 | Weekly Change (%) |
|-------------|-------------------|-----------|-------------------|---------------|-----------|-------------------|
| | Share Price (Rs.) | | | Open Interest | | |
| RELIANCE | 1,281.7 | 1,165.9 | 9.9 | 14,78,500 | 10,61,000 | 39.3 |
| IBULHSGFIN | 534 | 487.1 | 9.6 | 56,90,000 | 49,10,000 | 15.9 |
| APOLLO HOSP | 1,458.3 | 1,353.4 | 7.8 | 81,21,600 | 72,95,400 | 11.3 |
| HEXAWARE | 386.05 | 361.9 | 6.7 | 80,31,000 | 73,80,000 | 8.8 |
| IGL | 325.3 | 308.6 | 5.4 | 27,92,600 | 25,75,200 | 8.4 |

TOP OPEN INTEREST LOSERS (WEEKLY)

| SCRIP NAME | 16-Aug-19 | 09-Aug-19 | Weekly Change (%) | 16-Aug-19 | 09-Aug-19 | Weekly Change (%) |
|------------|-------------------|-----------|-------------------|---------------|-------------|-------------------|
| | Share Price (Rs.) | | | Open Interest | | |
| GLENMARK | 362.1 | 425.7 | -14.9 | 2,62,40,000 | 3,59,10,000 | -26.9 |
| IDBI | 24.4 | 27.2 | -10.5 | 3,73,80,000 | 5,00,77,500 | -25.4 |
| BHEL | 51.6 | 57.1 | -9.7 | 37,67,500 | 50,43,500 | -25.3 |
| DHFL | 39.7 | 44.0 | -9.7 | 3,74,76,000 | 48336500 | -22.5 |
| NCC | 62.6 | 68.7 | -8.8 | 3,77,65,500 | 47906000 | -21.2 |

BULK DEALS

| Date | Scrip Name | Client Name | Exchange | Deal Type | Qty | Trade Price |
|------------|-----------------|----------------------------------------|----------|-----------|------------|-------------|
| 09.08.2019 | Clariant Chem | NAVODYA ENTERPRISES | NSE | Buy | 1,98,690 | 309.1 |
| 13.08.2019 | Gulf Oil Lubric | SMALLCAP WORLD FUND INC | BSE | Sell | 2,64,882 | 815.8 |
| 14.08.2019 | HDFC Life | STANDARD LIFE (MAURITIUS HOLDINGS) LTD | BSE | Sell | 67,100,000 | 480.7 |

(Source: NSE,BSE, BP Equities Research)

All tax letters, notices to carry identification numbers to be verifiable online from Oct 1, 2019

Starting October 1, 2019, all letters and notices from the income tax department will carry a computer-generated Document Identification Number (DIN) which will be verifiable on the department's e-filing portal. Further, any communication from the department without this DIN will be treated as invalid. Manually issued communications will be allowed only with specific permission and in specified circumstances. Even when such manual communications are sent these would have to be regularised on the tax department's portal within 15 days from date of issue, according to a press release issued by the Central Board of Direct Taxes (CBDT) here today . This move is aimed at improving accountability and increasing transparency in tax administration. It is expected that this move would also help tax payers detect fake notices and letters as the notice would be verifiable on the e-filing portal.

The press release states: The CBDT has decided to attach a Documentation Identification Number (DIN) to each of its communication from 1st October 2019, be it a notice, order, summon, letter or any other correspondence. Any communication without a computer generated DIN would be treated as invalid and shall be deemed to have never been issued. All such communications would be verifiable on the e-filing portal. CBDT said that there have been some instances where it was not possible to maintain the audit trail of the communication issued manually.

Now from the stipulated timeline of 1st Oct 2019 onwards, no communication would be issued manually without DIN except only if it is in the specified exceptional circumstances. But in such exceptional circumstances, which are specified in the Circular dated 14.08.2019 while issuing any manual communication it would be required to specify reason of issuing a communication without DIN along with the date of obtaining written approval of the Chief Commissioner/ Director General of Income Tax in a particular format. Any communication which is not in conformity of with the prescribed guidelines shall be treated as invalid and non est in law.

CBDT has also specified that any communication issued manually under exceptional circumstances would have to be uploaded and regularised on the system portal within 15 days of its issuance. Further, in all pending assessment proceedings, where notices were issued manually, prior to issuance of the present Circular, all such cases would be identified and notices so sent would be uploaded on ITBA by 31st Oct 2019.

(Source: Economic times)

Fast Moving Consumer Goods

Company Overview

Britannia Industries Limited (BIL), incorporated in 1892 is an Indian Food consumer product company which is engaged in manufacturing of biscuits, cakes, bread and dairy segment products. The company's brand under biscuit segment includes Good Day, Crackers, NutriChoice, Marie Gold, Tiger, Bourbon, Little Hearts, Pure Magic and Nice Time etc while in bread segment, the products are Whole Wheat Breads, White Sandwich Breads and Bread assortment, Its products portfolio under dairy and cake segment include cheese, yogurt, flavoured milk, butter, bar Cakes etc. Apart from these, company is also present in rusk. Meanwhile, the products of the Company are also exported across the world, which includes Gulf Cooperation Council Countries (GCC), African and American Countries.

Investment Rationale

Expansion in distribution network to reduce logistics costs

Britannia has been constantly focusing on increasing its traction in rural markets to gain market share. Recently, it has adopted few strategies such as spend on branding and maximise its reach to strengthen its presence in North India namely madhya pradesh ,some western states as Gujarat and Maharashtra. Therefore, company has expanded its distribution network by roping in more distributors to enhance its reach and also has optimized their manufacturing facilities efficiently to bridge the gap between these regions. These steps will enable to reduce the logistics cost and cater the new demand by supplying fresher products in these markets.

New product pipeline and enhancement in existing categories to drive revenue growth

Britannia endeavour to transform themselves into total foods company in upcoming years. In FY19-20, Britannia reported a 3% YoY volume growth with its recent new product launch "Treat wafers" and "Winkin Cow milkshakes" has got good response from the consumers. In bakery segments, company is redefining categories with the launch of "baked salt snacks" and "Crossiant". In biscuit space ,Open sandwich biscuit "Treat stars" and newly launched centre filled biscuit "Treat Burst" are gradually gaining market share. Its priority to scale up their operations in product portfolio with various new launches in all segments and redefining existing categories would be key drivers of sustainable revenue growth going forward.

Valuation and Outlook

Britannia Industries limited (BIL) being an established player in FMCG sector has made a strong position with its product portfolio in biscuits, cake, bakery and dairy products. With core focus on internal measures such as robust product pipeline, entry in new categories & geographies, deepening penetration in rural markets makes them less dependent on macro environment ,which enables to create an edge over its competitive peers. On valuation front, we estimate Revenue and PAT to grow at a CAGR of 11% and 13% over FY19- FY21E respectively. We have valued the stock by assigning PE multiple of 40x to FY21E EPS. We recommend **BUY** rating on the stock for target of INR 2835 (upside of 15% from CMP) for 12-15 months.

Stock Rating

| BUY | HOLD | SELL |
|-------|------------|-------|
| > 15% | -5% to 15% | < -5% |

Sector Outlook

Positive

Stock

| | |
|--------------------|-----------|
| CMP (INR) | 2465 |
| Target Price (INR) | 2835 |
| BSE code | 500825 |
| NSE Symbol | BRITANNIA |
| Bloomberg | BRIT IN |
| Reuters | BRIT .BO |

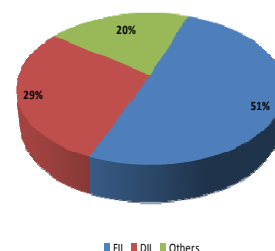
Key Data

| | |
|---------------------|-----------|
| Nifty | 11,048 |
| 52WeekH/L(INR) | 3472/2444 |
| O/s Shares (Mn) | 240.8 |
| Market Cap (INR bn) | 592 |
| Face Value (INR) | 1 |

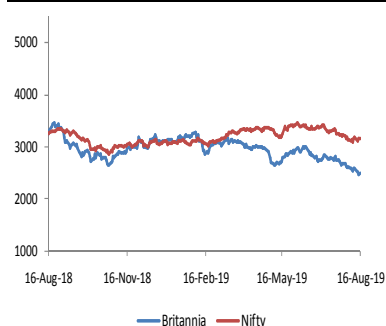
Average volume

| | |
|----------|----------|
| 3 months | 3,99,540 |
| 6 months | 4,44,010 |
| 1 year | 3,38,090 |

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials

| YE March (Rs. millions) | FY17 | FY18 | FY19 | FY20E | FY21E |
|-----------------------------------|---------------|---------------|----------------|----------------|----------------|
| Revenue | 90,541 | 99,140 | 110,547 | 121,933 | 135,102 |
| <i>Revenue Growth (Y-o-Y)</i> | 7.8% | 9.5% | 11.5% | 10.3% | 10.8% |
| EBIDTA | 12,782 | 15,017 | 17,334 | 19,631 | 22,022 |
| <i>EBIDTA Growth (Y-o-Y)</i> | 5.3% | 17.5% | 15.4% | 13.3% | 12.2% |
| Net Profit | 8,845 | 10,042 | 11,591 | 13,047 | 14,861 |
| <i>Net Profit Growth (Y-o-Y)</i> | 7.3% | 13.5% | 15.4% | 12.6% | 13.9% |
| Diluted EPS | 36.8 | 41.8 | 48.2 | 54.3 | 61.8 |
| <i>Diluted EPS Growth (Y-o-Y)</i> | 7.3% | 13.5% | 15.4% | 12.6% | 13.9% |

Key Ratios

| | | | | | |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| EBIDTA (%) | 14.1% | 15.1% | 15.7% | 16.1% | 16.3% |
| NPM (%) | 9.8% | 10.1% | 10.5% | 10.7% | 11.0% |
| RoE (%) | 32.8% | 29.5% | 27.3% | 25.1% | 23.5% |
| RoCE (%) | 45.3% | 41.6% | 39.3% | 36.7% | 34.0% |

Valuation Ratios

| | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| P/E (x) | 67.0x | 59.0x | 51.1x | 45.4x | 39.9x |
| EV/EBITDA | 46.3x | 39.5x | 34.2x | 30.2x | 26.9x |
| P/BV (x) | 22.0x | 17.4x | 13.9x | 11.4x | 9.4x |
| Market Cap. / Sales (x) | 6.5x | 6.0x | 5.4x | 4.9x | 4.4x |

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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