



Q1FY24 Highlights

- Gross Revenue (ex-Agri Business) up 10.6% YoY; PBT at ₹6,546Cr, up 18.2% YoY. Net revenue (net of excise duty) declined 7% YoY
- Cigarette volume growth for 1Q was ~9.8% supported by stability in taxes, and volume recovery from illicit trade
- Robust growth in FMCG – Others**; Segment Revenue up 16.1% YoY to exceed ₹5,000Cr in a quarter for the first time; Segment EBITDA margin expanded 325 bps YoY to 11.0%
- EBITDA grew 10% in Q1FY24 to ₹6250Cr. EBITDA margin expanded 600bps to 38.9% YoY. Reported PAT grew 16% YoY to ₹5190Cr.

Concall Highlights

- FMCG Business** – The FMCG Businesses continue to deliver robust performance with Segment Revenue growing 16.1% YoY to ₹5,166Cr; Segment Revenue and Segment EBITDA at 1.7x and 3.2x respectively of Q1FY20 led by strong growth in Staples, Biscuits, Noodles, Beverages, Dairy, Agarbatti and premium Soaps. Education and Stationery Products Business also continued to witness strong traction. Segment EBITDA at ₹570Cr; Margin at 11.0% (up 325 bps on YoY basis)
- Overall, input costs remained elevated compared to pre-pandemic levels, even as certain commodities witnessed moderation in prices on a high base of the previous year. The Businesses continued to drive improvement in profitability through multi-pronged interventions viz. premiumisation, supply chain optimisation, judicious pricing actions, digital initiatives, strategic cost management and fiscal incentives.
- The FMCG Businesses witnessed robust growth in both urban and rural markets driven by superior consumer insights, purposeful innovation, portfolio premiumisation, enhanced distribution footprint, excellence in last mile execution and leveraging Digital initiatives. Both traditional and emerging channels (viz. Modern Trade, e-Commerce, Quick Commerce) witnessed strong traction driven by sharp execution of channel-specific business plans, collaborations, format-based assortments catering to the needs of a diverse set of shoppers and category-specific sell-out strategies.
- Aashirvaad Atta** delivered robust performance, consolidating its leadership position in the Branded Atta industry. Value-added atta range sustained its strong growth momentum driven by increased thrust in Modern Trade and e-Commerce channels.
- ‘Sunfeast’ Biscuits and Cakes** recorded strong growth during the quarter, driven by robust performance of the core portfolio and scaling up of several differentiated variants launched recently. The portfolio was further enriched with a slew of exciting launches viz., ‘Sunfeast AllRounder Sweet & Salty’, ‘Sunfeast Supermilk’ and ‘Sunfeast Farmlite Super Millets’ in two variants– ‘Chocochip Millet’ and ‘Multi Millet’ cookies. ITC has spearheaded **‘ITC Mission Millets’**, to implement multi-dimensional interventions in this area, leveraging its enterprise strengths in agriculture, food and hospitality.
- ‘YIPpee!’ Noodles** posted robust performance on the back of increased penetration and brand outreach. **Dairy & Beverages** posted strong growth during the quarter on the back of best-in-class quality standards, differentiated offerings and superior taste profile.
- In the Personal Care Products Business**, ‘Fama’ range of personal wash products registered strong growth fuelled by investments in brand building, wider distribution and growth across channels. The recently launched ‘Fama Golden Sandalwood Oil & Patchouli’ gel bar received encouraging consumer response. **‘Mangaldeep’ Agarbatti and Dhoop** recorded robust growth during the quarter leveraging a portfolio anchored on a wide range of differentiated products.

Important Data

Nifty	19,465
Sensex	65,539
CMP	₹450
Market Cap (₹ Cr)	₹5,60,980
52W High/Low	500/309
Shares o/s (crs)	1243.94
Daily Vol. (3M NSE Avg.)	13,533,808
BSE Code	500875
NSE Code	ITC TD
Bloomberg Code	ITC:IN

Shareholding Pattern (%) – Jun'23

FII	43.62
DII	41.92
Public & Others	14.45

Financials

Particulars	FY21	FY22	FY23
Revenues	49,257	60,645	70,919
YoY Growth	-0.3%	23.1%	16.9%
EBITDA	17,065	20,623	25,704
EBITDA Margin	35%	34%	36%
PAT	13,383	15,503	19,477
PAT Margin	27.2%	25.6%	27.5%
EPS	10.69	12.37	15.44
PE	42.1	36.4	29.1

Source: Company, Way2Wealth

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- **FMCG-Cigarettes** – Net Segment Revenue and Segment PBIT up 10.9% and 11.2% YoY respectively. The Business continues to counter illicit trade and reinforce market standing by fortifying the product portfolio through innovation, democratizing premiumisation across segments and enhancing product availability backed by superior on-ground execution.
- **Hotels** – Best-ever Q1 for the Hotels Business; Segment Revenue grew 8.1% YoY, on a high base (1.5x of Q1 FY20); Segment PBIT grew by 17.0% YoY and Segment EBITDA grew 12.9% YoY (3.0x of Q1 FY20). Strong growth was witnessed in ARRs across properties, though Occupancy moderated on a high base due to relatively fewer wedding dates during the quarter and pre-planned renovations. The business continued to focus on its strategy of offering a host of curated propositions across accommodation, dining and banqueting to augment revenues across properties
- Hotel Segment EBITDA margin expanded by 140 bps YoY to 33.9% driven mainly by higher RevPAR, curated packages, finest F&B offerings and strategic cost management initiatives.
- During the quarter, the business added 6 hotels to the Group portfolio including **Welcomhotel Hamsa Manali** (with enchanting views of snow-clad Himalayan peaks) and **Storii Moira Riviera** (a boutique resort in North Goa overlooking verdant forests).
- **PAPERBOARDS, PAPER & PACKAGING** – Segment reflects the impact of subdued demand (domestic and exports), sharp reduction in global pulp prices and high base effect; Segment Revenue declined 6.5% YoY (2-yr CAGR +16%) and Segment PBIT declined 22.9% YoY (2-yr CAGR +10%). Subdued demand in the EU and China, low priced Chinese supplies in global markets, steep decline in global pulp prices on a high base and relatively muted customer uptake in domestic markets (destocking) weighed on performance during the quarter.
- **Agri Business** – Revenue grew by 31% YoY (ex-Wheat exports) driven by Value Added Agri products & Leaf Tobacco; Segment PBIT grew by 25.3% YoY. Restrictions imposed on wheat and rice exports by the Government in the backdrop of inflationary headwinds and food security concerns weighed on Segment Revenue during the quarter.
- ITC Infotech Revenues grew 11.6% YoY to ₹8.4bn; EBITDA declined 4.2% YoY to 1.1bn. Margins contracted 224bps YoY/441bps QoQ to 13.6%.

Risk

- Deficient rainfall
- Inflationary raw material prices

VIEW

ITC is the largest cigarette manufacturer and seller in the country. It is a diversified conglomerate in the FMCG space, products spread across various segment such as personal care, foods, stationary products etc. also its businesses include hotels, paperboards and packaging, agri business and information technology. Cigarette volume growth for 1Q was ~9.8% supported by stability in taxes, and volume recovery from illicit trade. The company also witnessed robust growth in FMCG – Others; Segment Revenue up 16.1% YoY to exceed ₹5,000Cr in a quarter for the first time; Segment EBITDA margin expanded 325 bps YoY to 11.0%. ITC has announced swap ratio of 1:10 for ITC Hotels demerger which is likely to be completed over next 15 months, it will improve ROCE and cash flows.

At 28.7x TTM EPS (₹15.7), ITC trades at a steep discount to the FMCG sector and at these valuation, there is limited downside risk for ITC. We recommend investors to accumulate this business.

Consolidated Financials

(₹ Cr)

	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
Net Sales (Net of Excise Duty)	17,033.2	18,353.3	-7.2%	17,376.0	-2.0%	70245.64
Other Operating Income	131.3	136.2	-3.6%	259.1	-49.3%	691.63
Other Income	722.3	320.7	125.2%	609.7	18.5%	1980.49
TOTAL INCOME	17,886.8	18,810.2	-4.9%	18,244.8	-2.0%	72917.76
Cost Of Materials Consumed	5,054.9	4,839.9	4.4%	5,190.0	-2.6%	20275.99
Purchase of stock in trade	1,828.4	4,898.1	-62.7%	1,841.7	-0.7%	9088.37
Stock Adjustment	(333.6)	(1,186.5)	-71.9%	(261.1)	27.8%	-358.59
RMC as a %age of sales	38.2%	46.3%		38.4%		40.9%
Employee Benefit Expenses	1,482.1	1,370.7	8.1%	1,442.4	2.8%	5736.22
EPC as a %age of sales	8.6%	7.4%		8.2%		8.1%
Other Expenses	2,462.6	2,490.1	-1.1%	2,797.5	-12.0%	10529.93
Other Expenses as a %age of sales	14.3%	13.5%		15.9%		14.8%
TOTAL EXPENDITURE	10,494.4	12,412.3	-15.5%	11,010.5	-4.7%	45271.92
EBIDTA	6,670.1	6,077.1	9.8%	6,624.6	0.7%	25665.35
EBIDTA Margins %	38.9%	32.9%		37.6%		36.2%
Finance Costs	9.9	9.3	7.0%	12.2	-18.5%	43.2
PBDT	7,382.5	6,388.6	15.6%	7,222.1	2.2%	27602.64
Depreciation	442.5	438.1	1.0%	461.4	-4.1%	1809.01
PBT before exceptional items	6,940.0	5,950.5	16.6%	6,760.7	2.7%	25793.63
Share of Profit/(loss) of JV	9.5	9.8		17.6		49.04
Profit before exception item	6,949.5	5,960.3	16.6%	6,778.3	2.5%	25842.67
Exceptional items		0.0	#DIV/0!	(72.9)	-100.0%	-72.9
PBT	6,949.5	5,960.3	16.6%	6,851.2	1.4%	25915.57
Tax	1,759.9	1,488.2	18.3%	1,608.0	9.4%	6438.4
Tax Rate	25.3%	25.0%		23.5%		24.8%
Reported Profit After Tax	5,189.6	4,472.0	16.0%	5,243.3	-1.0%	19477.17
PATM %	30.2%	24.2%		29.7%		27.5%
Other Comprehensive Income (Net of tax)- net credit / (charge)	620.9	(555.6)		27.8		91.02
Total Comprehensive Income	5,810.5	3,916.5	48.4%	5,271.1	10.2%	19568.19
Basic:						
EPS	4.2	3.6	16.0%	4.2	-1.0%	15.67
Equity	1,243.0	1,243.0		1,243.0		1243
Face Value	1.0	1.0		1.0		1

Source: Company, Way2Wealth

Particulars	Q4FY23	Q4FY23	VAR]	Q4FY23	VAR	FY23
Segment Revenue						
FMCG: Cigarettes	8355.66	7464.1	11.9%	8082.26	3.4%	31267.46
Mix	37%	32%		39%		37%
FMCG: Others	5172.71	4458.71	16.0%	4951.17	4.5%	19153.09
Mix	28%	23%		26%		25%
Total FMCG	13528.37	11922.81		13033.43	3.8%	50420.55
Hotel	624.9	580.7	7.6%	808.72	-22.7%	2689.12
Mix	3%	3%		4%		3%
Agri Business	5726.98	7492.14	-23.6%	3607.3	58.8%	18443.39
Mix	25%	33%		18%		22%
Paperboards, Paper & Packaging	2120.76	2267.22	-6.5%	2221.01	-4.5%	9081.35
Mix	9%	10%		11%		11%
Others	820.59	735.84	11.5%	868.29	-5.5%	3262.73
Mix	4%	3%		4%		4%
Total	22821.6	22998.71	-0.8%	20538.75	11.1%	83897.14
Less: Intersegment revenue	4313.37	3303.6	30.6%	1739.57	148.0%	8070.56
Gross Revenue from sale of products and services	18508.23	19695.11	-6.0%	18799.18	-1.5%	75826.58
PBIT						
FMCG: Cigarettes	4944.02	4469.76	10.6%	4915.68	0.6%	18882.59
Margin	59%	60%		61%		60%
FMCG: Others	433.93	206.87	109.8%	503.73	-13.9%	1386.49
Margin	8%	5%		10%		7%
Total FMCG	5377.95	4676.63	15.0%	5419.41	-0.8%	20269.08
Hotel	134.3	116.31	15.5%	204.9	-34.5%	557.31
Margin	21%	20%		25%		21%
Agri Business	352.37	283.17	24.4%	304.6	15.7%	1380.21
Margin	6%	4%		8%		7%
Paperboards, Paper & Packaging	471.26	612.98	-23.1%	444.98	5.9%	2293.95
Margin	22%	27%		20%		25%
Others	93.19	126.78	-26.5%	143.12	-34.9%	534.62
Margin	11%	17%		16%		16%
Total	6429.07	5815.87	10.5%	6517.01	-1.3%	25035.17
Less: Finance Cost	9.9	9.25		12.15	-18.5%	43.2
Other un-allocable (income) net of unallotted exp	-520.8	-143.87		-255.29	104.0%	-801.24
Exceptional items				-72.87		-72.87
Profit Before Tax	6939.97	5950.49	16.6%	6833.02	1.6%	25866.08

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Name of the Security	ITC Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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