

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
05-June-23	Quick Insight	443.00	425 – 445	520 – 540
17-Aug-23	Q1FY24	449.00		



- Q2FY24 Highlights
- Gross Revenue (excl. Wheat & Rice exports) up 8.9% YoY; PAT at ₹4,927 crs, up 10.3% YoY. Strong performance continues in FMCG – Others; segment revenue up 8.3% YoY on a high base; 2-yr CAGR @14.5%
  - Segment EBITDA margin expanded 150 bps YoY to 11.0%; Segment PBIT up 36.8% YoY.
  - Resilient performance in Cigarettes Segment; Net Segment Revenue up 8.5% YoY and Segment PBIT up 8.0%YoY on a high base.

- Concall Highlights
- FMCG Business** – The FMCG business continue to deliver strong performance with Segment Revenue growing 8.3% YoY to ₹5,292 crs (2 yr CAGR +14.5%); Segment EBITDA margins expanded 150bps YoY to 11%.
  - Atta, Spices, Personal Wash and Agarbatti drive growth amidst relatively subdued consumer demand environment. In the stationery business, classmate notebooks and pens witnessed strong growth on YoY basis. Exports continue to be scaled up leveraging capabilities of the state-of-the-art owned manufacturing facility.
  - While commodity prices declined on a YoY basis, the overall input cost table remains elevated compared to pre-pandemic levels; certain commodities such as wheat, maida, sugar, potato etc. witnessed sequential uptick in prices. The businesses remain focused on driving profitability improvement through multi-pronged interventions viz. premiumisation, supply chain optimisation, digital interventions across the value chain, strategic cost management and judicious pricing actions
  - The company's digitally powered eB2B platform, UNNATI app (now also available in several vernacular languages) covers over 6.3 lakh outlets, facilitating sharp and direct engagement with retailers, superior analytics, personalised recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.
  - 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 resilient performance during the quarter on the back of stability in core brands and scale up of recent launches. The 'Sunfeast Dark Fantasy' range of differentiated cookies sustained its leadership position in the premium segment. 'Mom's Magic' range of cookies also witnessed strong growth.
  - 'YiPPee!' Noodles** sustained its position as a strong No. 2 brand amidst increasing competitive intensity. In line with the Government's initiative of promoting millets and in keeping with the Company's strategy of creating a portfolio of healthier and 'Good For You' products, the business augmented its portfolio with the launch of 'YiPPee! Magic with Millets'. During the quarter, the brand launched 'Be a Star' contest in its new campaign 'Why just be happy, when you can be YiPPee! inspiring participants to craft, capture, and share their most creative 'Noodle slurping moment' with YiPPee!
  - 'Sunrise' Spices** posted robust growth during the quarter. Product portfolio was augmented with launch of an exclusive 'Swaad Bihar Ka' range of spices customised to regional taste including 'Sunrise Chicken Masala', 'Sunrise Meat Masala', 'Sunrise Kitchen

Important Data

Nifty	19,232
Sensex	64,421
CMP	₹436
Market Cap (₹ cr)	₹5,42,358
52W High/Low	500/325
Shares o/s (crs)	1243.94
Daily Vol. (3M NSE Avg.)	1,05,42,674
BSE Code	500875
NSE Code	ITC TD
Bloomberg Code	ITC:IN

Shareholding Pattern (%) – Sep'23

FII	43.34
DII	41.98
Public &Others	14.68

Financials

(₹Cr)

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

Relative performance

Return (%)	1 Yr	3Yr	5 Yr
ITC	26.1%	37.1%	9.1%
Nifty 50	8.4%	60.3%	88.9%
Sensex	7.8%	57.4%	90.1%

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King Masala' and 'Sunrise Rajshahi Garam Masala' in a limited-edition pack featuring 'Madhubani' artwork.

- **In the Personal Care Products Business**, 'Fiama' range of personal wash products registered strong growth fuelled by investments in brand building, wider distribution and growth across channels. 'Savlon Cool' soap based on the proposition of skin friendly germ protection continued to garner encouraging consumer response. In the Homecare portfolio, Nimyle posted robust growth on the back of its unique proposition of '100% Natural Action' and hygienic floors for children and pets.
- **'Mangaldeep' Agarbattis and Dhoop** recorded robust growth during the quarter leveraging a portfolio anchored on a wide range of differentiated products.
- **FMCG-Cigarettes** – Net segment revenue and segment PBIT up 8.5% and 8% 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. As seen in the past, stability in taxes on cigarettes, backed by deterrent actions by enforcement agencies, enables volume recovery for the legal cigarette industry from illicit trade leading to higher demand for Indian tobaccos and bolstering revenue to the exchequer from the tobacco sector.
- **Hotels** – Segment revenue grew 21.2% YoY, on a high base (1.5x of Q2FY20); Segment PBIT grew by 50% YoY and Segment EBITDA margin expanded by 170bps YoY to 30.7% driven by higher RevPAR, curated package, finest F&B offerings and strategic cost management.
- The business had the exclusive distinction of curating and serving from the best of India's culinary heritage at the prestigious G20 Summit, Bharat Mandapam, and New Delhi. ITC Maurya also had the honour of hosting the President of the United States of America and the entire US delegation to the Summit.
- In line with its 'asset-right' strategy, the business added three new properties to the Group portfolio including 'Welcom Heritage Santa Roza, Kasauli', 'Fortune Park Hoshiarpur' and 'Fortune Ranjit Vihar, Amritsar' and continues to strengthen its pipeline of managed properties to be launched in a phased manner over the next few quarters.
- 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** – Sharp drop in net sales realisation and global pulp prices witnessed during the quarter are likely to have bottomed out; green shoots of revival in demand were visible towards the end of the quarter. Segment reflects the impact of low priced Chinese supplies and muted demand in export markets, sharp reduction in global pulp prices and high-base effect; domestic demand was also relatively subdued in certain discretionary categories Segment. Revenue declined 2.4% YoY and Segment PBIT declined 33% YoY.
- **Agri Business** – Revenue grew by 26.4% YoY (ex-Wheat & rice exports) driven by Value Added Agri products & Leaf Tobacco. Segment PBIT declined 30% YoY. During the quarter, stock limits on wheat, ban on non-basmati rice exports and export duty on parboiled rice, further limited business opportunities for the Agri Business
- ITC Infotech revenues grew 13.3% YoY to ₹930 crs; EBITDA grew by 23.7% YoY to 167cr. Margins expanded by 151bps YoY to 18.0%.

## Risk

- 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. 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. FMCG business is expected to gain from festive season, expected uptick in rural demand and scale economies. ITC continues to expand the distribution network and increase penetration.

At 27.3x TTM EPS (₹16), ITC trades at a steep discount to the FMCG sector and at these valuation, there is limited downside risk for ITC. We advise investors to Buy this business.

## Consolidated Financials

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H1FY23	VAR
Net Sales (Net of Excise Duty)	17,642.0	17,033.2	3.6%	17,033.2	3.6%	34,675.2	35,284.0	-1.7%
Other Operating Income	132.5	131.3	1.0%	131.3	1.0%	263.8	313.6	-15.9%
Other Income	664.9	722.3	-7.9%	722.3	-7.9%	1,387.2	775.4	78.9%
<b>TOTAL INCOME</b>	<b>18,439.4</b>	<b>17,886.8</b>	<b>3.1%</b>	<b>17,886.8</b>	<b>3.1%</b>	<b>36,326.1</b>	<b>36,373.1</b>	<b>-0.1%</b>
Cost Of Materials Consumed	5,451.7	5,054.9	7.8%	5,054.9	7.8%	10,506.6	10,037.9	4.7%
Purchase of stock in trade	1,280.2	1,828.4	-30.0%	1,828.4	-30.0%	3,108.5	5,886.5	-47.2%
Stock Adjustment	336.8	(333.6)	-201.0%	(333.6)	-201.0%	3.2	(584.7)	-100.5%
<b>RMC as a %age of sales</b>	<b>39.8%</b>	<b>38.2%</b>		<b>38.2%</b>		<b>39.0%</b>	<b>43.1%</b>	
Employee Benefit Expenses	1,507.9	1,482.1	1.7%	1,482.1	1.7%	2,990.0	2,846.7	5.0%
<b>EPC as a %age of sales</b>	<b>8.5%</b>	<b>8.6%</b>		<b>8.6%</b>		<b>8.6%</b>	<b>8.0%</b>	
Other Expenses	2,743.7	2,462.6	11.4%	2,462.6	11.4%	5,206.3	5,074.8	2.6%
<b>Other Expenses as a %age of sales</b>	<b>15.4%</b>	<b>14.3%</b>		<b>14.3%</b>		<b>14.9%</b>	<b>14.3%</b>	
<b>TOTAL EXPENDITURE</b>	<b>11,320.2</b>	<b>10,494.4</b>	<b>7.9%</b>	<b>10,494.4</b>	<b>7.9%</b>	<b>21,814.6</b>	<b>23,261.2</b>	<b>-6.2%</b>
<b>EBIDTA</b>	<b>6,454.2</b>	<b>6,670.1</b>	<b>-3.2%</b>	<b>6,670.1</b>	<b>-3.2%</b>	<b>13,124.3</b>	<b>12,336.4</b>	<b>6.4%</b>
<b>EBIDTA Margins %</b>	<b>36.3%</b>	<b>38.9%</b>		<b>38.9%</b>		<b>37.6%</b>	<b>34.7%</b>	
Finance Costs	9.9	9.9	-0.3%	9.9	-0.3%	19.8	21.8	-9.5%
PBDT	7,109.3	7,382.5	-3.7%	7,382.5	-3.7%	14,491.7	13,090.0	10.7%
Depreciation	453.0	442.5	2.4%	442.5	2.4%	895.5	900.5	-0.6%
PBT before exceptional items	6,656.2	6,940.0	-4.1%	6,940.0	-4.1%	13,596.2	12,189.5	11.5%
Share of Profit/(loss) of JV	8.6	9.5		11.5		18.1	21.3	
PBT	6,664.8	6,949.5	-4.1%	6,951.5	-4.1%	13,614.3	12,210.8	11.5%
Tax	1,700.3	1,759.9	-3.4%	1,759.9	-3.4%	3,460.2	3,056.7	13.2%
<b>Tax Rate</b>	<b>25.5%</b>	<b>25.3%</b>		<b>25.3%</b>		<b>25.4%</b>	<b>25.0%</b>	
<b>Reported Profit After Tax</b>	<b>4,964.5</b>	<b>5,189.6</b>	<b>-4.3%</b>	<b>5,191.7</b>	<b>-4.4%</b>	<b>10,154.1</b>	<b>9,154.1</b>	<b>10.9%</b>
<b>PATM %</b>	<b>27.9%</b>	<b>30.2%</b>		<b>30.2%</b>		<b>29.1%</b>	<b>25.7%</b>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	13.3	620.9		620.9		634.1	65.3	
<b>Total Comprehensive Income</b>	<b>4,977.8</b>	<b>5,810.5</b>	<b>-14.3%</b>	<b>5,812.5</b>	<b>-14.4%</b>	<b>10,788.3</b>	<b>9,219.4</b>	<b>17.0%</b>
Basic:								
EPS	4.0	4.2	-4.3%	4.2	-4.4%	8.2	7.4	10.9%
Equity	1,243.0	1,243.0		1,243.0		1,243.0	1,243.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2Wealth

(₹ Cr)

Particulars	Q2FY24	Q2FY23	VAR	Q1FY24	VAR	H1FY24	H2FY23	VAR
Segment Revenue								
FMCG: Cigarettes	8328.21	8355.66	-0.3%	7635.38	9.1%	16683.87	15099.48	10.5%
<i>Mix</i>	<b>39%</b>	<b>37%</b>		<b>38%</b>		<b>38%</b>	<b>35%</b>	
FMCG: Others	5303.25	5172.71	2.5%	4894.26	8.4%	10475.96	9352.97	12.0%
<i>Mix</i>	<b>28%</b>	<b>28%</b>		<b>27%</b>		<b>28%</b>	<b>25%</b>	
<b>Total FMCG</b>	<b>13631.46</b>	<b>13528.37</b>		<b>12529.64</b>	<b>8.8%</b>	<b>27159.83</b>	<b>24452.45</b>	
Hotel	675	624.9	8.0%	560.37	20.5%	1299.9	1141.08	13.9%
<i>Mix</i>	<b>3%</b>	<b>3%</b>		<b>3%</b>		<b>3%</b>	<b>3%</b>	
Agri Business	3987.79	5726.98	-30.4%	4038.74	-1.3%	9714.77	11530.88	-15.7%
<i>Mix</i>	<b>19%</b>	<b>25%</b>		<b>20%</b>		<b>22%</b>	<b>27%</b>	
Paperboards, Paper & Packaging	2069.88	2120.76	-2.4%	2287.58	-9.5%	4190.64	4554.8	-8.0%
<i>Mix</i>	<b>10%</b>	<b>9%</b>		<b>11%</b>		<b>10%</b>	<b>11%</b>	
Others	912.7	820.59	11.2%	801.69	13.8%	1733.3	1537.53	12.7%
<i>Mix</i>	<b>4%</b>	<b>4%</b>		<b>4%</b>		<b>4%</b>	<b>4%</b>	
<b>Total</b>	<b>21276.83</b>	<b>22821.6</b>	<b>-6.8%</b>	<b>20218.02</b>	<b>5.2%</b>	<b>44098.44</b>	<b>43216.74</b>	<b>2.0%</b>
Less: Intersegment revenue	2139.33	4313.37	-50.4%	1787.5	19.7%	6452.7	5091.1	26.7%
<b>Gross Revenue from sale of products and services</b>	<b>19137.5</b>	<b>18508.23</b>	<b>3.4%</b>	<b>18430.52</b>	<b>3.8%</b>	<b>37645.74</b>	<b>38125.64</b>	<b>-1.3%</b>
PBIT								
FMCG: Cigarettes	5002.88	4944.02	1.2%	4634.82	7.9%	9946.9	9104.58	9.3%
<i>Margin</i>	<b>60%</b>	<b>59%</b>		<b>61%</b>		<b>60%</b>	<b>60%</b>	
FMCG: Others	442.34	433.93	1.9%	323.98	36.5%	876.27	530.85	65.1%
<i>Margin</i>	<b>8%</b>	<b>8%</b>		<b>7%</b>		<b>8%</b>	<b>6%</b>	
<b>Total FMCG</b>	<b>5445.22</b>	<b>5377.95</b>	<b>1.3%</b>	<b>4958.8</b>	<b>9.8%</b>	<b>10823.17</b>	<b>9635.43</b>	<b>12.3%</b>
Hotel	132.95	134.3	-1.0%	86.85	53.1%	267.25	203.16	31.5%
<i>Margin</i>	<b>20%</b>	<b>21%</b>		<b>15%</b>		<b>21%</b>	<b>18%</b>	
Agri Business	358.78	352.37	1.8%	355.94	0.8%	711.15	639.11	11.3%
<i>Margin</i>	<b>9%</b>	<b>6%</b>		<b>9%</b>		<b>7%</b>	<b>6%</b>	
Paperboards, Paper & Packaging	314.8	471.26	-33.2%	629.78	-50.0%	786.06	1242.76	-36.7%
<i>Margin</i>	<b>15%</b>	<b>22%</b>		<b>28%</b>		<b>19%</b>	<b>27%</b>	
Others	148.5	93.19	59.4%	104.34	42.3%	241.69	231.12	4.6%
<i>Margin</i>	<b>16%</b>	<b>11%</b>		<b>13%</b>		<b>14%</b>	<b>15%</b>	
<b>Total</b>	<b>6400.25</b>	<b>6429.07</b>	<b>-0.4%</b>	<b>6135.71</b>	<b>4.3%</b>	<b>12829.32</b>	<b>11951.58</b>	<b>7.3%</b>
Less: Finance Cost	9.87	9.9		12.59	-21.6%	19.77	21.84	
Other un-allocable (income) net of unallotted exp	-265.83	-520.84		-115.69	129.8%	-786.67	-259.56	
Exceptional items								
<b>Profit Before Tax</b>	<b>6656.21</b>	<b>6940.01</b>	<b>-4.1%</b>	<b>6238.81</b>	<b>6.7%</b>	<b>13596.22</b>	<b>12189.3</b>	<b>11.5%</b>

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Disclosure of Interest Statement : ITC Ltd. as on 25 October 2023

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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