

Previous Coverage	Date	Report Price (₹)	Buy Range (₹)	Target Price (₹)
Quick Insight	05-June-23	443.00	425 – 445	520 – 540
Q1FY24	17-Aug-23	449.00		
Q2FY24	25-Oct-23	436.00		



Q3FY24 Highlights

- Gross Revenue up 2.1% YoY; PAT at ₹5,572 crs, up 10.8% YoY. Gross Revenue (ex-Agri Business) grew 4% YoY and 2-yr CAGR stood at 11%. Net revenue growth was flat during the quarter on the back of 2-3% Cigarette volume growth. EBITDA growth was lower on the back of lower gross profit and higher employees and other expenses. Higher other income and tax credits led to ~6% growth in profit after tax (PAT).
- Resilient performance witnessed in FMCG – Others; revenue up 7.6% YoY on a high base; 2-yr CAGR @12.8%
- Segment EBITDA margin expanded 100 bps YoY to 11.0%; Segment PBIT up 24.1% YoY.
- The cigarettes Segment witnessed consolidation on a high base after a period of sustained growth momentum; Net Segment Revenue and Segment PBIT were up 2.3%YoY.
- The hotel segment witnessed the best-ever quarter. Revenue and PBIT grew 18% and 57% YoY respectively.
- Agri-Business Segment impacted by trade restrictions on agri commodities and Paperboards, Paper, and Packaging Segment remains impacted by low-priced Chinese supplies in global markets, muted domestic demand, surge in wood cost, and high base effect
- The board has recommended an interim dividend of ₹6.25 per share for FY24.

Highlights from Presentation

- FMCG Business (27% of revenue)** – The FMCG businesses continued to deliver resilient performance with segment revenue growing 7.6% YoY to ₹5,209crs on a high base (2-yr CAGR +12.8%); Segment EBITDA margins expanded 100 bps YoY to 11%.
- Growth in both traditional and emerging channels (viz. Modern Trade, e-commerce, Quick Commerce) continued to be driven by sharp execution of channel-specific business plans, collaborations, format-based assortments and category-specific sell-out strategies.
- The competitive intensity remained high in certain categories such as Biscuits, Snacks, Noodles, and popular Soaps, including from local/regional players. The commodities such as wheat, maida, sugar etc. witnessed a sequential uptick in prices however, the businesses continue to drive profitability improvement through multi-pronged interventions viz. premiumisation, supply chain optimisation, digital initiatives across the value chain, strategic cost management and judicious pricing actions.
- The company's digitally powered eB2B platform, the UNNATI app (now also available in several vernacular languages) covers over 6.4 lakh outlets, facilitating sharp and direct engagement with retailers, superior analytics, personalized recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.
- Aashirvaad Atta** delivered a 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 such as "Sunfeast Supermilk" in Tamil Nadu. The 'Sunfeast Dark Fantasy' range of differentiated cookies

Important Data

Nifty	21,522
Sensex	71,140
CMP	₹438.25
Market Cap (₹ cr)	₹5,53,262
52W High/Low	500/329
Shares o/s (crs)	1243.94
Daily Vol. (3M NSE Avg.)	1,08,99,955
BSE Code	500875
NSE Code	ITC TD
Bloomberg Code	ITC:IN

Shareholding Pattern (%) – Dec'23

FII	43.26
DII	41.98
Public & Others	14.75

Financials

Particulars	FY21	FY22	FY23
Revenues	49,257	60,645	70,919
YoY Growth	0%	23%	17%
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	41.0	35.4	28.4

Source: Company, Way2Wealth

Relative performance

Return (%)	1 Yr	3 Yr	5 Yr
ITC Ltd	24%	29%	9%
Nifty 50	24%	61%	99%
Sensex	19%	54%	98%

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sustained its leadership position in the premium segment. 'Mom's Magic' range of cookies also witnessed strong growth.

- **'YiPee!' Noodles** sustained its position as a strong No. 2 brand amidst increasing competitive intensity. The portfolio was enhanced with the introduction of 'YiPee! Wow Masala', which witnessed excellent consumer response in launch markets.
- **'Sunrise' Spices** posted robust growth during the quarter. The product portfolio was augmented with the launch of a 'Sunrise Restaurants Magic Masala' and 'Sunrise Yellow Mustard Powder'.
- The Frozen Snacks category under the 'ITC Master Chef' brand delivered robust growth, powered by a range of innovative and differentiated offerings. Recently launched variants such as 'ITC Master Chef Paneer Pakoda', 'ITC Master Chef Batata Vada' and 'ITC Master Chef Crispy Onion Rings' continues to gain strong traction
- **In the Personal Care Products Business**, the 'Fiama' range of personal wash products registered strong growth fuelled by investments in brand building, wider distribution and growth across channels. 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 (40% of revenue)** – Net segment revenue and segment PBIT are up 9.3% and 9.4% 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. A sharp escalation in costs of leaf tobacco and certain other inputs, along with an increase in taxes was largely mitigated through improved mix, strategic cost management and calibrated pricing. 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 tobacco and bolstering revenue to the exchequer from the tobacco sector.
- **Hotels (4% of revenue)** – Segment revenue grew 18.2% YoY, (2-year CAGR at 33%); Segment PBIT grew by 57.1% YoY and Segment EBITDA margin expanded by 470bps YoY to 36.2% 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 honor 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 'Fortune Park, Aligarh', 'Fortune Park, Tiruppur' & 'Fortune Park East Delhi, Vivek Vihar'. With this, the Business has added 22 properties to its portfolio in the last 24 months. The pipeline of managed properties continues to be strengthened across Welcomhotel, Mementos, Storii, Fortune and WelcomHeritage brands.
- **PAPERBOARDS, PAPER & PACKAGING** – The segment remains impacted by low-priced Chinese supplies in global markets, muted domestic demand, unprecedented increase in domestic wood costs and high base effect; Segment Revenue declined 9.7% YoY. Margins were impacted largely by a sharp drop in realizations and an unprecedented surge in domestic wood costs due to increased demand from competing industries; Segment PBIT declined 51.2% YoY.
- **Agri-Business** – Revenue grew by 14.2% YoY (ex-wheat & rice exports) driven by Value Added Agri products & Leaf Tobacco. Segment PBIT declined 13% YoY. During the quarter, stock limits on wheat, a ban on non-basmati rice exports and export duty on parboiled rice, further limited business opportunities for the Agri-Business. The state-of-the-art facility (set up by IIVL, a wholly-owned subsidiary of the Company) to manufacture and export Nicotine and Nicotine derivative products has been commissioned. Regulatory

approvals to commence shipments to the EU are in place, with exports expected to commence in Q4FY24.

- ITC Infotech revenues grew 11% YoY to ₹968 crs; EBITDA grew by ~16% QoQ to 193cr. Margins expanded by ~200bps QoQ to 19.0%

Risk

- Inflationary raw material prices

VIEW

ITC has reported resilient performance in the core business of Cigarette and FMCG-other business in Q3FY24. The hotels business, which is set to demerge into a separate entity, reported robust revenue growth of 18% YoY, on the back of a strong revival in domestic tourism and strong demand from corporate bookings. Meanwhile, its agri and paperboard, paper and packaging business was hit by various policy interventions of the Government of India to ensure food security and control inflation and competition from cheaper Chinese brands for the paperboard business. The FMCG business is expected to recover given the government push on infrastructure and lower commodities, the expected uptick in rural demand and scale economies. ITC continues to expand the distribution network and increase penetration. We remain positive on the growth prospects of the company.

At 28.1x 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 Accumulate the stock.

Consolidated Financials

(₹ Cr)

Particulars	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Net Sales (Net of Excise Duty)	17,872.7	17,585.6	1.6%	17,642.0	1.3%	52,547.9	52,869.4	-0.6%
Other Operating Income	146.7	118.9	23.4%	132.5	10.7%	410.4	432.5	-5.1%
Other Income	656.8	595.4	10.3%	664.9	-1.2%	2,044.0	1,370.8	49.1%
TOTAL INCOME	18,676.2	18,300.0	2.1%	18,439.4	1.3%	55,002.3	54,672.8	0.6%
Cost Of Materials Consumed	5,715.6	5,048.1	13.2%	5,451.7	4.8%	16,222.2	15,086.0	7.5%
Purchase of stock in trade	1,579.4	1,360.2	16.1%	1,280.2	23.4%	4,687.9	7,246.7	-35.3%
Stock Adjustment	(253.2)	487.2	-152.0%	336.8	-175.2%	(250.0)	(97.5)	156.5%
<i>RMC as a %age of sales</i>	39.1%	38.9%		39.8%		39.0%	41.7%	
Employee Benefit Expenses	1,586.4	1,446.7	9.7%	1,507.9	5.2%	4,576.4	4,293.4	6.6%
<i>EPC as a %age of sales</i>	8.8%	8.2%		8.5%		8.6%	8.1%	
Other Expenses	2,887.3	2,657.6	8.6%	2,743.7	5.2%	8,093.6	7,732.4	4.7%
<i>Other Expenses as a %age of sales</i>	16.0%	15.0%		15.4%		15.3%	14.5%	
TOTAL EXPENDITURE	11,515.6	10,999.8	4.7%	11,320.2	1.7%	33,330.2	34,261.0	-2.7%
EBIDTA	6,503.8	6,704.7	-3.0%	6,454.2	0.8%	19,628.1	19,040.9	3.1%
<i>EBIDTA Margins %</i>	36.1%	37.9%		36.3%		37.1%	35.7%	
Finance Costs	13.6	9.2	47.7%	9.9	37.8%	33.4	31.1	7.5%
PBDT	7,147.1	7,290.9	-2.0%	7,109.3	0.5%	21,638.8	20,380.7	6.2%
Depreciation	459.5	447.1	2.8%	453.0	1.4%	1,355.0	1,347.6	0.5%
PBT before exceptional items	6,687.6	6,843.8	-2.3%	6,656.2	0.5%	20,283.8	19,033.1	6.6%
Share of Profit/(loss) of JV	6.0	10.2		8.6		24.1	31.5	
PBT	6,688.1	6,854.0	-2.4%	6,664.8	0.3%	20,302.4	19,064.6	6.5%
Tax	1,281.6	1,773.7	-27.7%	1,700.3	-24.6%	4,741.8	4,830.5	-1.8%
<i>Tax Rate</i>	19.2%	25.9%		25.5%		23.4%	25.3%	
Reported Profit After Tax	5,406.5	5,080.3	6.4%	4,964.5	8.9%	15,560.7	14,234.1	9.3%
<i>PATM %</i>	30.0%	28.7%		27.9%		29.4%	26.7%	
Other Comprehensive Income (Net of tax)- net credit / (charge)	299.0	(6.5)		13.3		933.1	63.3	
Total Comprehensive Income	5,705.5	5,073.8	12.5%	4,977.8	14.6%	16,493.8	14,297.4	15.4%
Basic:								
EPS	4.3	4.1	6.4%	4.0	8.9%	12.5	11.5	9.3%
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	Q3FY24	Q3FY23	VAR [%]	Q2FY23	VAR [%]	9MFY24	9MFY23	VAR [%]
Segment Revenue								
FMCG: Cigarettes	8295.18	8085.72	2.6%	8328.21	-0.4%	24979.05	23185.2	7.7%
Mix	40%	40%		39%		39%	37%	
FMCG: Others	5218.25	4848.95	7.6%	5303.25	-1.6%	15694.21	14201.92	10.5%
Mix	27%	26%		28%		28%	25%	
Total FMCG	13513.43	12934.67		13631.46	-0.9%	40673.26	37387.12	
Hotel	872.46	739.32	18.0%	675	29.3%	2172.36	1880.4	15.5%
Mix	4%	4%		3%		3%	3%	
Agri Business	3273.23	3305.21	-1.0%	3987.79	-17.9%	12988	14836.09	-12.5%
Mix	16%	16%		19%		20%	23%	
Paperboards, Paper & Packaging	2080.9	2305.54	-9.7%	2069.88	0.5%	6271.55	6860.34	-8.6%
Mix	10%	11%		10%		10%	11%	
Others	950.04	856.9	10.9%	912.71	4.1%	2683.34	2394.44	12.1%
Mix	5%	4%		4%		4%	4%	
Total	20690.06	20141.64	2.7%	21276.84	-2.8%	64788.51	63358.39	2.3%
Less: Intersegment revenue	1352.23	1239.89	9.1%	2139.33	-36.8%	7804.93	6330.99	23.3%
Gross Revenue from sale of products and services	19337.83	18901.75	2.3%	19137.51	1.0%	56983.58	57027.4	-0.1%
PBIT								
FMCG: Cigarettes	4966.57	4862.33	2.1%	5002.88	-0.7%	14913.47	13966.91	6.8%
Margin	60%	60%		60%		60%	60%	
FMCG: Others	433.8	351.9	23.3%	442.34	-1.9%	1310.07	882.76	48.4%
Margin	8%	7%		8%		8%	6%	
Total FMCG	5400.37	5214.23	3.6%	5445.22	-0.8%	16223.54	14849.67	9.3%
Hotel	233.47	149.25	56.4%	132.95	75.6%	500.72	352.41	42.1%
Margin	27%	20%		20%		23%	19%	
Agri Business	380.66	436.55	-12.8%	358.78	6.1%	1091.81	1075.66	1.5%
Margin	12%	13%		9%		8%	7%	
Paperboards, Paper & Packaging	295.22	606.21	-51.3%	314.8	-6.2%	1081.28	1848.97	-41.5%
Margin	14%	26%		15%		17%	27%	
Others	177.15	160.38	10.5%	148.5	19.3%	418.84	391.5	7.0%
Margin	19%	19%		16%		16%	16%	
Total	6486.87	6566.62	-1.2%	6400.25	1.4%	19316.19	18518.21	4.3%
Less: Finance Cost	13.6	9.21		9.87	37.8%	33.37	31.05	
Other un-allocable (income) net of un-allotted expenses	-214.33	-286.39		-265.83	-19.4%	-1001	-545.95	
Exceptional items	5.5					5.5		
Profit Before Tax	6682.1	6843.8	-2.4%	6656.21	0.4%	20278.32	19033.11	6.5%

Source: Company, Way2Wealth

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Disclosure of Interest Statement: ITC Ltd. as on 31 January 2024

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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