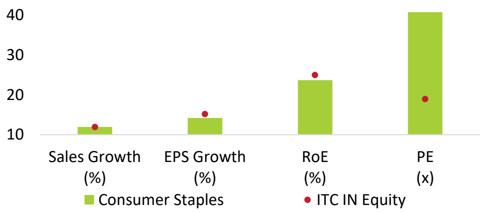
ITC

Edel Flash

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	235
12 month price target (INR)	265
Market cap (INR bn/USD bn)	2,901/38.4
Free float/Foreign ownership (%)	100.0/14.6

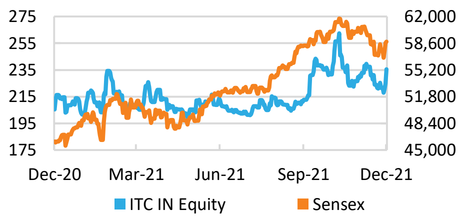
INVESTMENT METRICS



FINANCIALS (INR mn)

Year to March	FY21A	FY22E	FY23E	FY24E
Revenue	4,92,728	5,54,642	6,05,634	6,50,663
EBITDA	1,70,027	1,97,089	2,28,798	2,52,261
Adjusted profit	1,33,829	1,54,090	1,77,839	1,96,052
Diluted EPS (INR)	10.9	12.5	14.5	15.9
EPS growth (%)	(15.5)	15.1	15.4	10.2
RoAE (%)	21.3	24.9	27.3	28.4
P/E (x)	21.8	18.9	16.4	14.9
EV/EBITDA (x)	16.0	13.7	11.7	10.5
Dividend yield (%)	4.5	4.2	4.9	5.4

PRICE PERFORMANCE



Explore:

Financial model

Podcast

Corporate access

Video

Turning a new leaf

In a welcome step to improve transparency and disclosure levels, ITC will hold its first-ever analyst meet (a long-standing investor demand). We outline 13 questions that investors should ask ITC at the meet on 14th December. In our view, this step by ITC to become more investor friendly and catch up with best practices of peer set is welcome. ITC has been proactively taking feedback from investors over the past few years. We appreciate better disclosures in its quarterly reports.

Even so, watch out for the Union Budget on 1st February for cigarette taxes. Overall, ESG-led investing is assuming significance and ITC is consciously striving to climb up the ESG ladder. Retain 'HOLD' with a TP of INR265.

13 questions to ask at upcoming Analyst e-Meet

1. ITC has been very aggressive in seeking approval for PLI in foods. What is the plan?
2. Among new FMCG categories, what are the priorities, must-win categories, key focus areas and growth drivers?
3. ITC's FMCG margins are still lower than its peers. When do margins begin to touch mid to high teens?
4. What will be M&A strategy especially in FMCG, D2C brands?
5. Plans on e-commerce scale up.
6. In terms of the FMCG business, is the peak investment cycle behind?
7. How is the company competing in cigarettes against Marlboro? What is plan for customer acquisition, mix change and dealing with illegal cigarettes?
8. Views on likely recommendation by expert panel on taxes on cigarettes and *bidis*.
9. How are the e-choupals faring, and what is the strategy thereof?
10. What are the plans of scale-up and demerger pertaining to the hotel and tech business?
11. Now that FMCG business is cash flow positive, is demerger a possibility?
12. How is rural demand shaping up?
13. Considering ITC's huge cash reserves, is share buyback a possibility?

ITC has been aggressive and proactive under CMD Mr. Sanjiv Puri

ITC recently acquired a 16% stake in D2C brand *Mother Sparsh*. Over the past few years, ITC has scaled up its FMCG acquisitions well (Savlon, Sunrise, Nimyle, B Naturals). Its FMCG business has tied up with Inox Leisure and McDonald's, which shows its out-of-the-box thinking. ITC has been the most aggressive company in getting approval for PLI in Foods. It has increased the dividend payout and also put Hotels on a low capex model via management contracts. The company has also forayed into the breakfast segment with ready-to-cook and ready-to-mix offerings. Overall, ESG-led investing is assuming significance, and ITC is consciously striving to climb up the ESG ladder. Watch out for Union Budget on 1st February and recommendations of the panel on tobacco tax, a key variable. Retain **'HOLD/SN'** with a TP of INR265.

Abneesh Roy
+91 (22) 6620 3141
Abneesh.Roy@edelweissfin.com

Tushar Sundrani
+91 (22) 6620 3004
Tushar.Sundrani@edelweissfin.com

Amritasai Sista
amritasai.sista@edelweissfin.com

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Aditya Narain
Head of Research
Aditya.Narain@edelweissfin.com

ADITYA NARAIN

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