Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

December 14, 2021

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	**BUY**		**BUY**	
Target Price	**270**		**270**	
Sales (Rs. m)	575,918	625,867	575,918	625,867
% Chng.	-	-		
EBITDA (Rs. m)	217,189	234,674	217,189	234,674
% Chng.	-	-		
EPS (Rs.)	13.5	14.5	13.5	14.5
% Chng.	-	-		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	461	524	576	626
EBITDA (Rs. bn)	162	203	217	235
Margin (%)	*35.1*	*38.6*	*37.7*	*37.5*
PAT (Rs. bn)	132	156	167	180
EPS (Rs.)	10.8	12.6	13.5	14.5
Gr. (%)	*(13.4)*	*17.5*	*7.0*	*7.5*
DPS (Rs.)	10.8	11.5	12.0	12.5
Yield (%)	*4.7*	*5.0*	*5.2*	*5.5*
RoE (%)	*21.5*	*25.7*	*26.2*	*26.8*
RoCE (%)	*23.8*	*30.6*	*31.1*	*32.0*
EV/Sales (x)	5.7	5.1	4.6	4.3
EV/EBITDA (x)	16.3	13.1	12.2	11.3
PE (x)	21.3	18.1	16.9	15.7
P/BV (x)	4.8	4.5	4.3	4.1

Key Data	ITC.BO | ITC IN
52-W High / Low	Rs.265 / Rs.197
Sensex / Nifty	58,117 / 17,325
Market Cap	Rs.2,817bn/ $ 37,130m
Shares Outstanding	12,323m
3M Avg. Daily Value	Rs.7060.43m

Shareholding Pattern (%)

Promoter's	-
Foreign	10.81
Domestic Institution	43.72
Public & Others	45.47
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.8)	10.3	5.9
Relative	2.5	(0.3)	(15.7)

Amnish Aggarwal
amnishaggarwal@plindia.com | 91-22-66322233

Paarth Gala
paarthgala@plindia.com | 91-22-66322242

Aashi Rara
aashirara@plindia.com |

ITC (ITC IN)

Rating: BUY | CMP: Rs229 | TP: Rs270

FMCG and IT Services to emerge as key drivers

ITC's first Investor meet highlighted strategic growth drivers and its strategy around ESG principles. ITC is committed to sustain growth across key segments led by cross segment synergies, innovation, digital, GTM initiatives and entry in new categories. ITC is committed to asset light business model in Hotels and value unlocking in FMCG, although no concrete road map was disappointing for investors who have been pinning hopes for the same. We believe ITC will target aggressive organic and inorganic growth in ITC Infotech given huge growth opportunity with little chances of any demerger or listing in near term. We believe FMCG and IT Services will unlock maximum value for shareholders over the years, with no short cuts in near term.

we remain positive on business strategy, although uncertainty on cigarette taxation and global aversion to investment in Tobacco stocks remains an overhang. ITC trades at 16.3x Sept23 EPS, with ~4.5% dividend yield and 10.7% EPS CAGR over FY21-24, 55% discount to coverage universe. Maintain BUY with SOTP based target price of Rs270.

Key Highlights:

- ITC is committed to creating an alternative structure for Hotels business which will materialise once industry recovers from severe hit of Covid 19 pandemic
- ITC drives significant synergies in Agri, Cigarettes, FMCG and Paperboard business which adds value for the organisation as a whole. It aims at creating value for stakeholders from FMCG business by all means, however there is no commitment to de-merge the business.
- Cigarette industry is likely to see an extension of a few more years for compensation cess, committee for tobacco taxation is likely to take view on entire tobacco baskets and not merely cigarettes. It plans to grow business given strengths in innovation, last mile delivery and integrated operations.
- FMCG business has reported broad based growth and margin expansion led by innovations, entry in new categories and brand extensions and adjacencies. ITC will continue to drive improvement in margins as it gains scale.
- ITC Infotech has been identified as a growth area with focus on Data and Digital. It has achieved sales of Rs24.5bn with 25% EBIDTA margins in FY21 and grew sales and EBIDTA by 24% and 63% in 1H22. We expect ITC to adopt aggressive organic and inorganic strategy to scale up the business.
- ITC has best ESG score amongst global tobacco majors. It is targeting 50% renewable energy usage, reduction of 30%, 50% and 40% in energy, GHG and water. It is aiming at creating climate smart villages in 0.3mn acres, Biodiversity conservation in 0.5mn acres and rainwater harvesting of 5x then the usage.
- ITC plans to undertake annual capex of Rs30bn, 35-40% will be spent in FMCG, 25-30% in Paperboards and 10% in Hotels. It is open to value accretive acquisitions in FMCG given success in Savlon and Nimyle.

Cigarettes – Compensation cess might be extended

- **Stable taxation environment has led to tax revenue buoyancy:** Historically, there exists a suboptimal correlation between tax increases and tax revenues. Although FY13-17 saw a 15.7% CAGR increase in tax incidence, tax revenues grew by a mere 4.7% CAGR. However, in a relatively stable tax regime (Apr18-Jan20), tax revenues grew by 10.2%. Stable tax regimes help keep illicit trade under check thereby benefitting exchequer.

- **Legal Cigarettes contribute 80% of tax revenues:** Although legal cigarettes contribute 8% of total tobacco consumption in India, they contribute 80% of government tobacco tax revenues. The government panel formed to evaluate tax increases will consider increase in taxes for tobacco industry as a whole and not only cigarettes.

- **Key strategic levers:** ITC to continue focussing on maximizing cigarette potential within tobacco basket (8% currently), counter illicit trade and reinforce market standing. It has identified key strategic levers going forward **1)** focus on future ready portfolio **2)** agile innovation **3)** integrated seed to smoke value chain and **4)** excellence in execution. ITC has created regional sub brands and leaders like Navy Cut, Bristol, Capstan, Flake, American Club etc.

- **Leading industry recovery post Covid:** Post second wave, with increased mobility, volumes have crossed pre covid levels. ITC has gained 100bps market share over the last 18 months. Product mix too has become richer backed by innovation and last mile execution of assortment.

- **Rising contribution from new launches:** innovations have been a success and driving growth. Within the classic brand (40-year-old), 4 new variants launched over the last 5 years contribute 25% of the portfolio. Similarly, in the century old Gold Flake brand, new launches in last 5 years contribute 10% the portfolio. ITC's assortment has more than doubled in the last 8 years with 11% if volumes are coming from new products.

- **Seed to Smoke Value chain:** ITC captures value at every stage from Seed to Smoke by leveraging its institutional competencies like **1)** Leaf growing & Processing **2)** Product development **3)** Paperboards & Packaging **4)** integrated manufacturing capabilities (including capsule) and **5)** last mile distribution. This has enabled consistent superior product quality over its peers. Cigarettes are available through an extensive direct network of 1.4 lac markets, 10,000+ re-distribution channel partners and 7000+ mobile units.

- Given compensation revenue shortfall to states, compensation cess likely to continue to extend beyond middle of 2022.

Exhibit 1: Strong & Vibrant portfolio with leadership position in all market segments

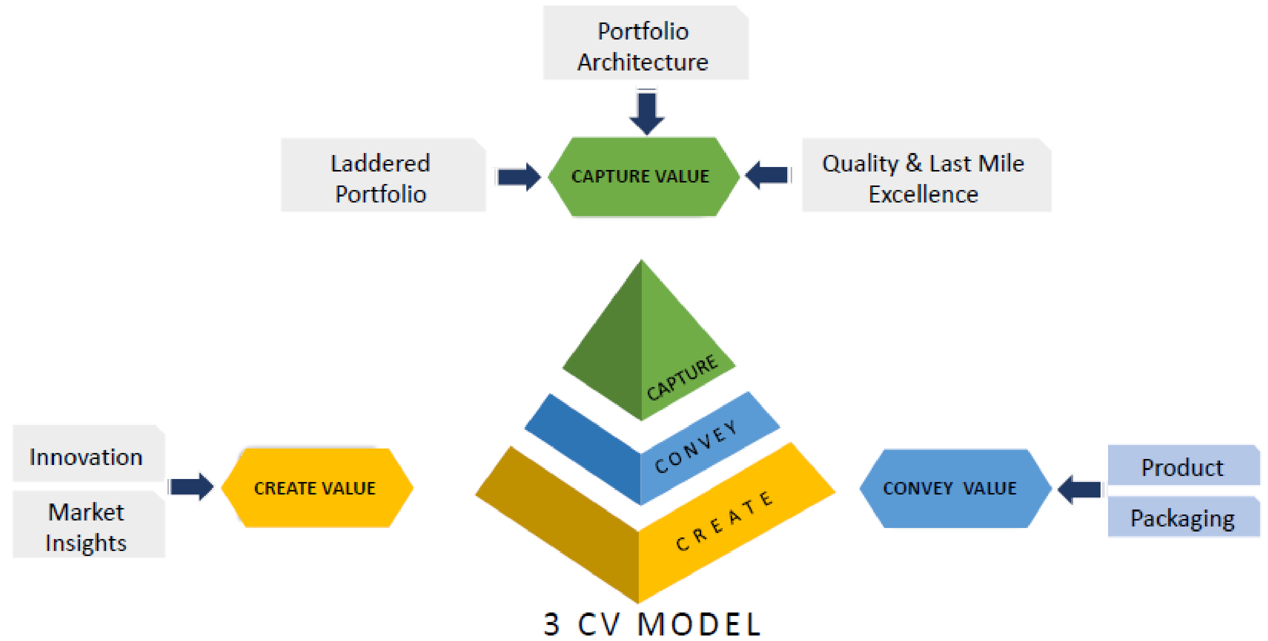
50 + Brands

100+ Innovative launches in 5 years

MRP / Pack of 10s					
	Insignia | Classic Blue Leaf				
Rs.150 & Above	Classic (9 Offers)	Gold Flake (8 offers)	India Kings (2 Offers)		B&H | 555 (3 Offers)
Rs.110 – Rs.140	Gold Flake (3 Offers)	Classic (2 Offers)	American Club (5 Offers)		Wills | Flake (3 Offers)
Rs.70 – Rs.100	Gold Flake (10 Offers)	Wills (3 Offers)	Flake | Scissors (5 Offers)	Player's (2 Offers)	Capstan | Bristol (4 Offers)
Rs.40 - Rs. 60	Gold Flake (11 Offers)	Flake (11 Offers)	Capstan (4 Offers)		Wave (5 Offers)
	Berkeley (2 Offers)	Royal (4 Offers)	Duke (2 Offers)	Navy Cut (5 Offers)	Silk Cut (4 Offers)

Source: Company, PL

Exhibit 2: Integrated operations from Seed to Smoke



Source: Company, PL

FMCG: Expect steady margin expansion

- **FMCG Portfolio perspective**: Presence in 20 food categories. ITC aims to fortifying the core brands viz. Aashirvaad, Sunfeat, Bingo, classmate, Mangaldeep etc along with addressing adjacencies viz Aashirvaad instant meal. Aashirvaad salt, Sunfeast wonders milk etc, to leverage Mother Brands even at the state level and launched B natural,Nnimeasy, masterchef, sunbean etc to progressively scaling up at PAN India level for future growth.

- **EBITDA Margins:** ITC maintained 9% EBITDA margins in H1FY22 despite unprecedented inflations & rise in commodity prices through cost efficiencies at each level. Price changes have also taken place at the premium products where co. is being market leader. Manpower productivity increased by 1.4x while energy efficiency increased by 1.2x in 2 years via smart manufacturing and process automation. Mature brands in Food and personal care and classmate & Mangaldeep have posted double digit EBITDA margins.

- **Aashirvaad**: Out of total atta, around 14-15% is packaged market in India. ITC is looking at bringing more consumers in branded fold and increasing sales of value added adjacencies like sugar release control Atta, value added atta like Ragi, spices, organic pulses & breakfast solutions. ITC also ventured into dairy (grown 1.6x over last year) products with Milk, paneer, Ghee and Lassi.

- **Sunfeast:** ITC holds 26% share in premium biscuit market maintaining leadership with 1.5x times the largest competitor in Biscuits. Strategy is to differentiate consumer offers to drive growth & cont. focus on long term premiumization trend.

- **Personal Care & Hygiene:** aims **to** grow ahead of category growth rate specifically for Products whose demand surged have during covid. Deo, pocket fragnances, Bodywash, Handwash, Disinfectant Spray,: Under penetrated Sector with higher margins and high growth potential. Personal wash & Liquids (CAGR 18-19% in India vs soaps which is hardly grown in recent past). Margins in liquid is 1.4x than soaps. Soap dealers grew 2.3x while handwash dealers grew by 400x over the period of 6 years.

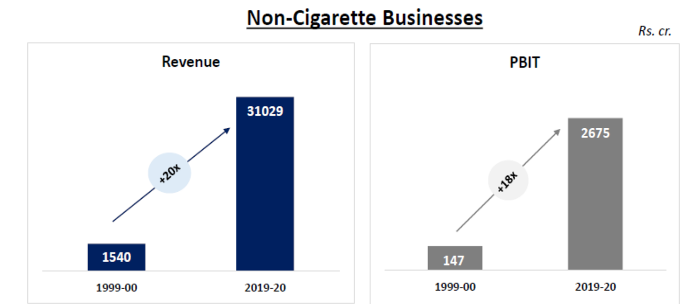
- **Savlon** revenues grew 14x while margins increased by 600bps since its acquisition due to change in product mix more into liquid. ITC rapidly innovated its products under savlon brand & added robust pipeline of new products like Hexa range, surface Disinfectants, Masks & Wipes.

- **PLI scheme**: Exports have been doubled in last 2-3 years & further leverage scheme to grow in export market in RTE, RTC, Marine, Fruits and Vegetables.

- **D2C**: ITC will invest in Ecommerce. Creating Own D2C Platform to enables direct & sharper engagement with consumers. Partnering with Startups – through Direct and Indirect Investment

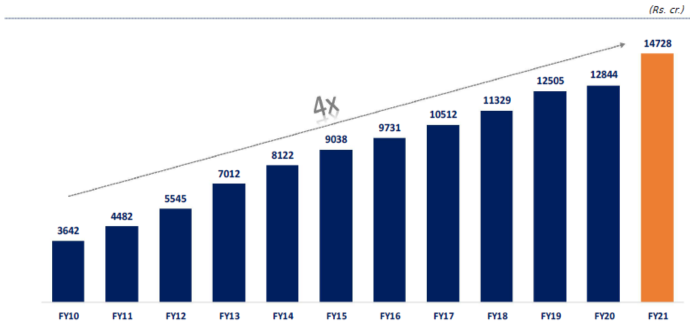
- **Distribution**: Presence in 56.3L (>50%) stores across across country. - ITC Foods brands present in 17.40mn HHs. Partnering with airlines, Inox, dominos & synergizing with Amway to offer convenience and accessibility via multiple touchpoints. Integrated Consumer Manufacturing & Logistic (ICML) facilitate distribution across all the channels. Various steps have been taken to increase the value proposition of General trade

Exhibit 3: Non-cigarette business revenues up 20x



Source: Company, PL

Exhibit 4: 2nd largest FMCG player in India

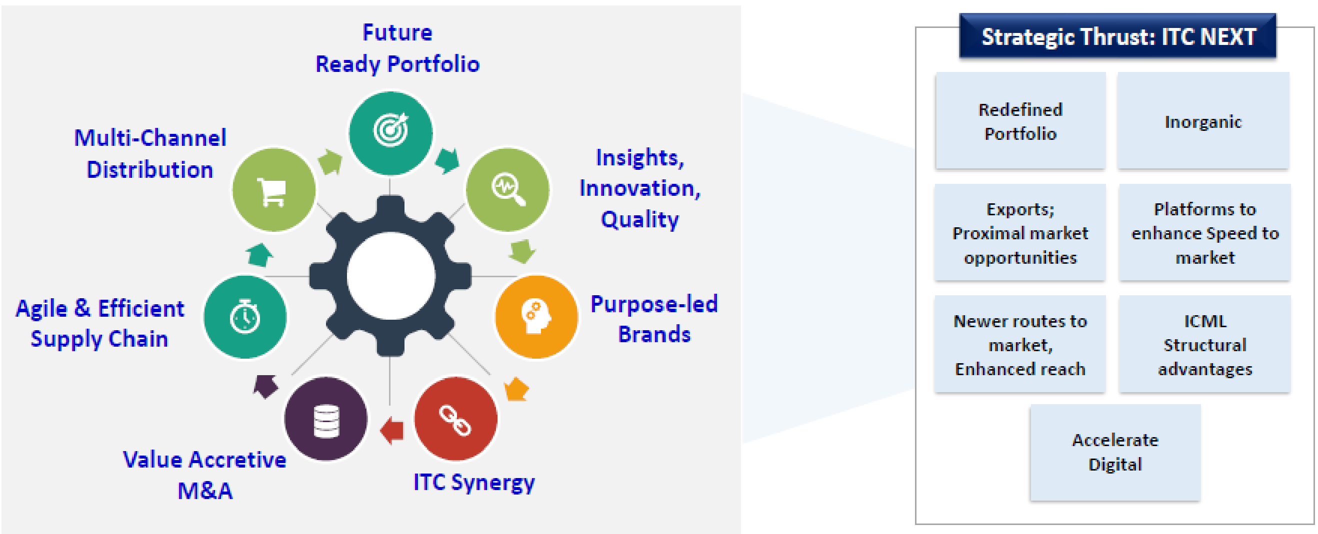


Source: Company, PL

Exhibit 5: FMCG: Multiple drivers of growth

Source: Company, PL

Exhibit 6: FMCG: Strategy Pillars

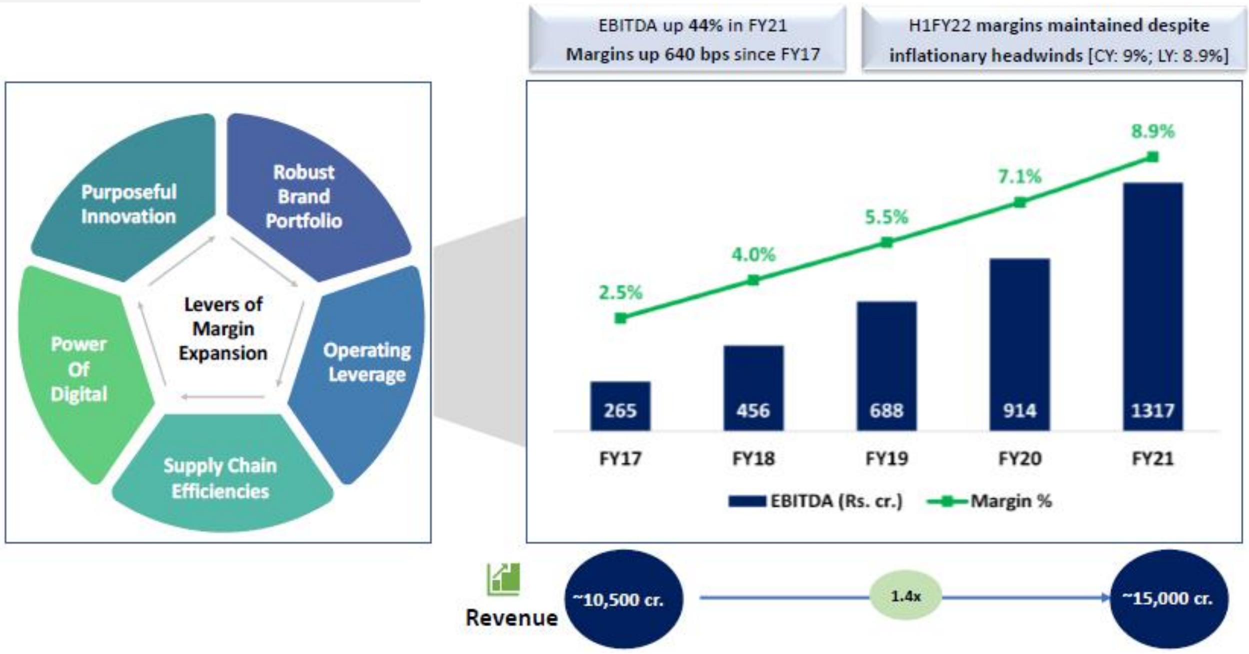


Source: Company, PL

Exhibit 7: FMCG: Strong growth platforms

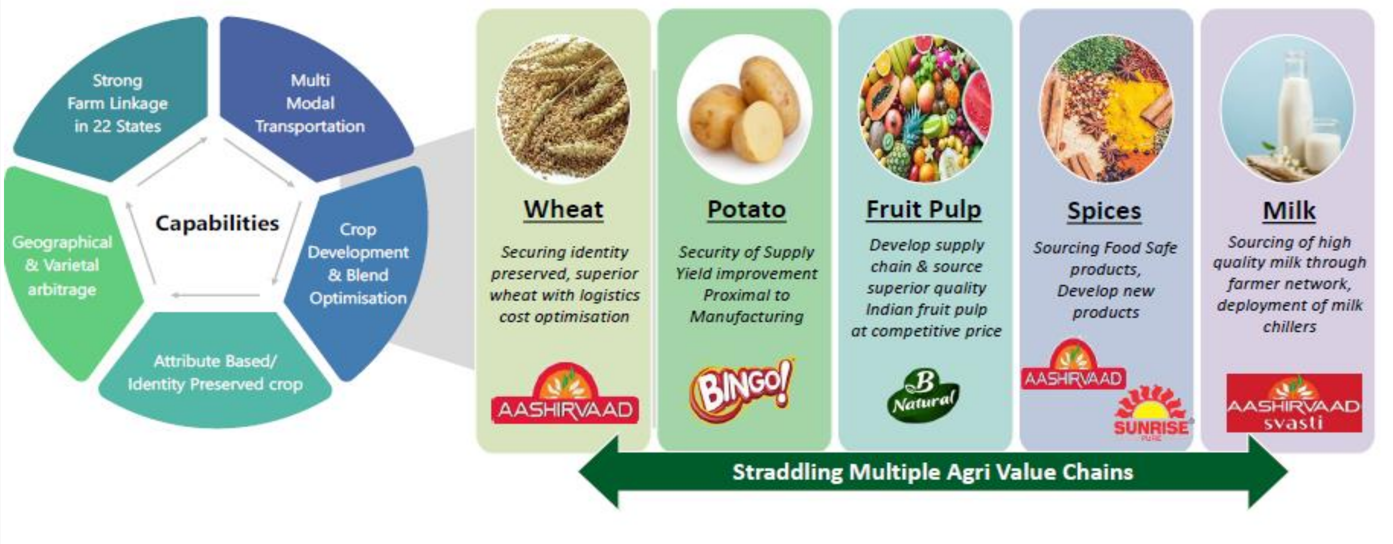
Source: Company, PL

Exhibit 8: FMCG on track to sustained improvement in profitability



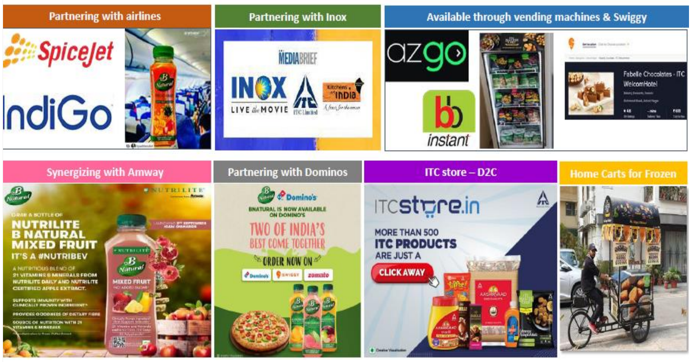
Source: Company, PL

Exhibit 9: Strategic sourcing for foods business



Source: Company, PL

Exhibit 10: Alternate channels



Source: Company, PL

Exhibit 11: Aashirvaad: moving up value chain

Source: Company, PL

Exhibit 12: Leading innovation across categories

Source: Company, PL

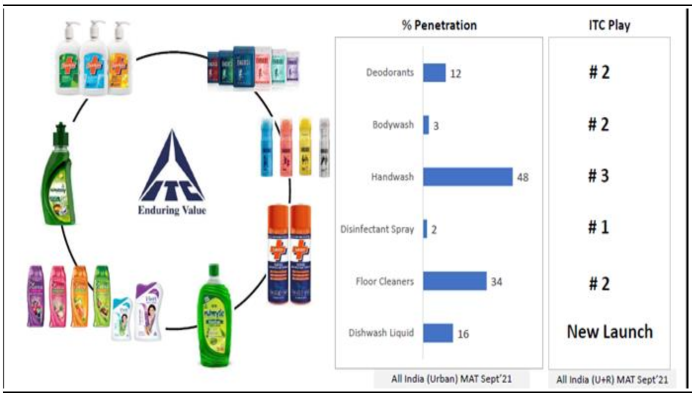
Exhibit 13: Portfolio premiumisation and ……..

Source: Company, PL

Exhibit 14: …….brand extension to drive profitability

Source: Company, PL

Exhibit 15: Leading in future facing categories in BPC



Source: Company, PL

Exhibit 16: Category first innovations

Source: Company, PL

Exhibit 17: Performance of key power brands

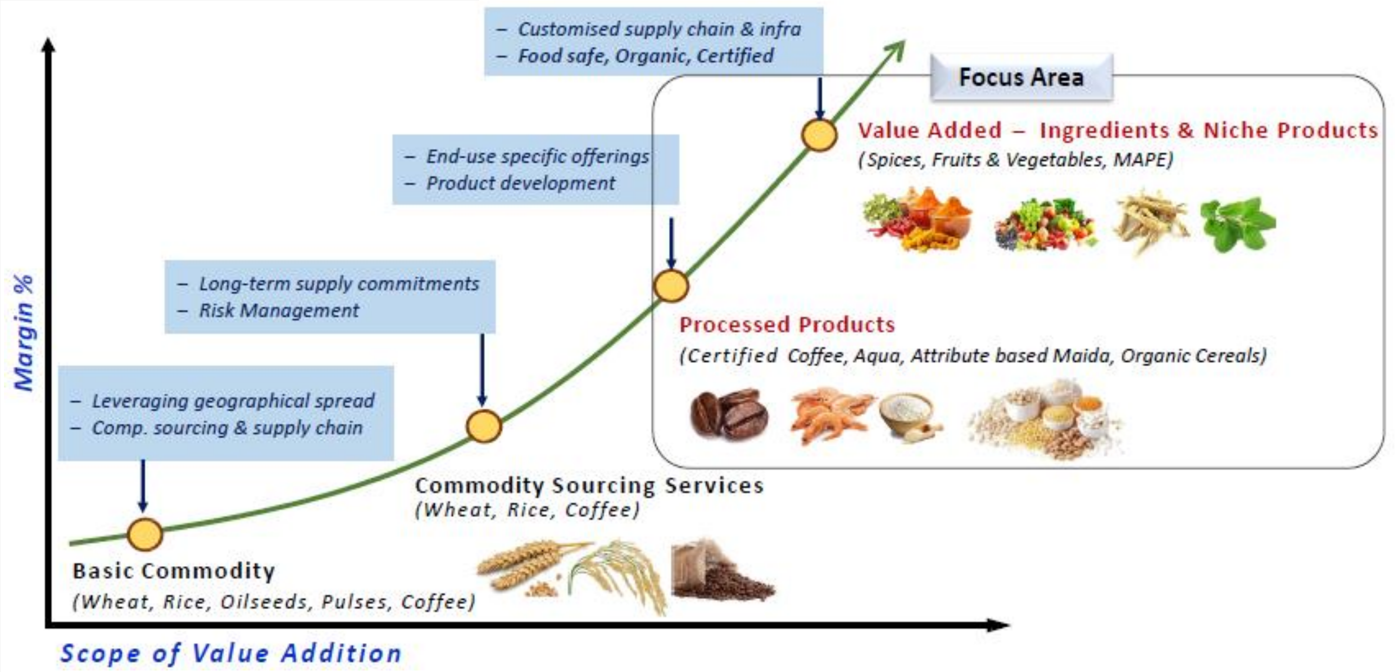
FMCG Brands	Revenue CAGR 10 years	Consumer spend (Rs mn)	Market Position
FMCG Business	13%	147280	2
Aashirvaad atta	18%	60000	1
Sunfeast Cream Biscuits	16%	40000	1
Bingo!	25%	25000	1
YiPPee	42%	10000	2
Savlon*	14x	1000	
Nimyle**	5x%	1000	

Source: Company, PL *5 year **3 year

Agri – Capturing the entire value chain

- Leading agri business player in India with sourcing and supply operations covering Grains, Coffee, Spices, Aqua, Mil etc with annual throughput of 3mn MT. Deals in 20+ crop value chain clusters in 22 states.
- 5th largest leaf tobacco exporter in the world. Contributing 40% of total Indian exports.
- Agri business to focus on **1)** delivering sustainable competitive advantage to FMCG businesses **2)** future ready portfolio of value-added products to drive growth & margins **3)** ITC MAARs – transformative business model building on e-Choupal and **4)** NextGen Indian agriculture.

Exhibit 18: Moving up the value chain



Source: Company, PL

Paperboards, Paper & Packaging – capacity expansion likely

- Market leader in scale, profitability and sustainability. Will invest 25-30% of total capex to expand capacity
- Key strategic pillars **1)** one-stop packaging solutions provider **2)** sustainability 2.0 **3)** sustainable paperboard/ packaging solutions **4)** leverage industry 4.0 and digital **5)** augment renewable and cost-competitive chains and **6)** scale up value added product portfolio.

Hotels – asset light business strategy

- 110 properties spread across 75+ locations.
- Strategy refresh to focus on **1)** Asset right Strategy **2)** Augment revenue streams/ sweat assets **3)** Leverage digital and **4)** extreme cost cuts.

- 5 star properties under management contract to increase from 25% to 43% in next 5 years
- Post 2nd wave, leisure destinations and travel segment are doing well. Corporate travel is still at 40-50% of pre-covid levels. Although occupancy is trending near pre-covid levels, ARR remains at 70%.
- Remain committed to unlocking value as and when things normalize.

Infotec: expect inorganic forays

- Delivering business friendly solutions to clients across 29 countries, including 60+ fortune listed clients.
- New leadership team to focus on **1)** Strategic accounts **2)** large deals **3)** domain and technology **4)** superior delivery **5)** nurturing talent
- Remains open to inorganic opportunities.
- Board to evaluate listing the business at the right time.

Exhibit 19: IT business to focus on organic and inorganic opportunities

Source: Company, PL

Exhibit 20: Top notch ESG credentials

Global Players	MSCI Ratings
ITC LIMITED	AA
Player 1	BBB
Player 2	BBB
Player 3	BBB
Player 4	BB

Highest amongst global tobacco majors

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Included in the Dow Jones Sustainability Emerging Markets Index

Reflection of being a sustainability leader in the industry

Leadership Band

ITC's CDP Scores

A-

In Climate Change & Water Security

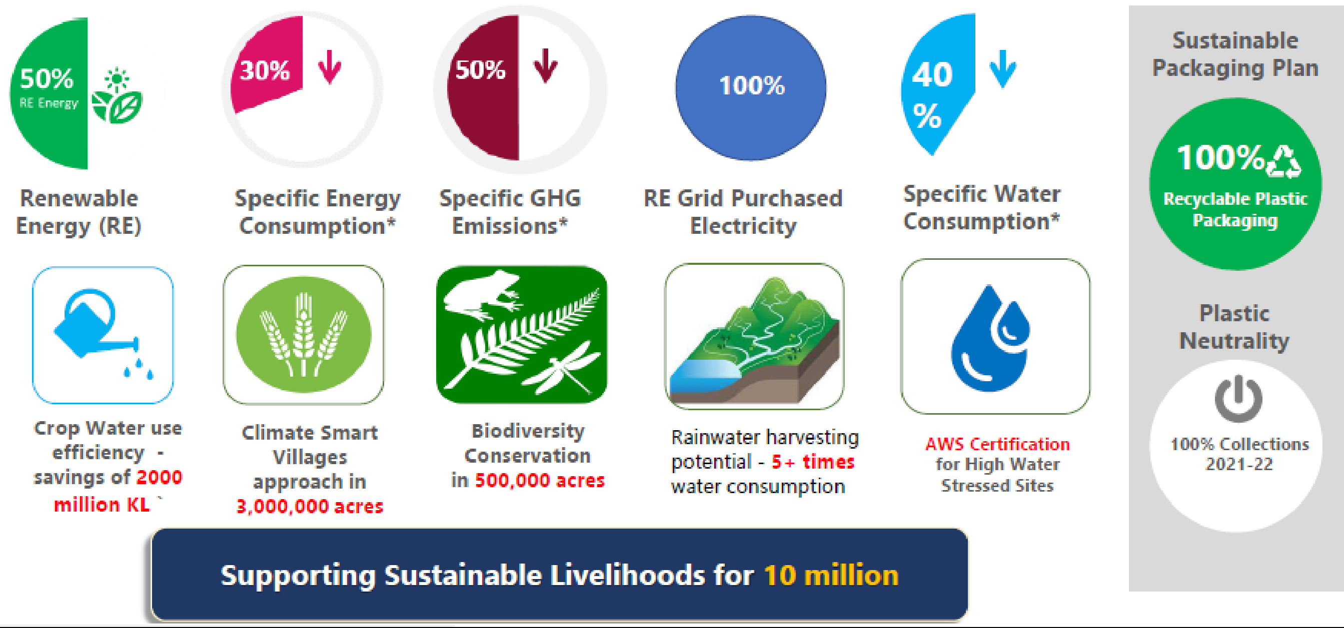
CDP

Climate Change: ITC ahead of *Asia and Global average of 'B-'*

Water Security: ITC ahead of *Asia and Global average of 'B'*

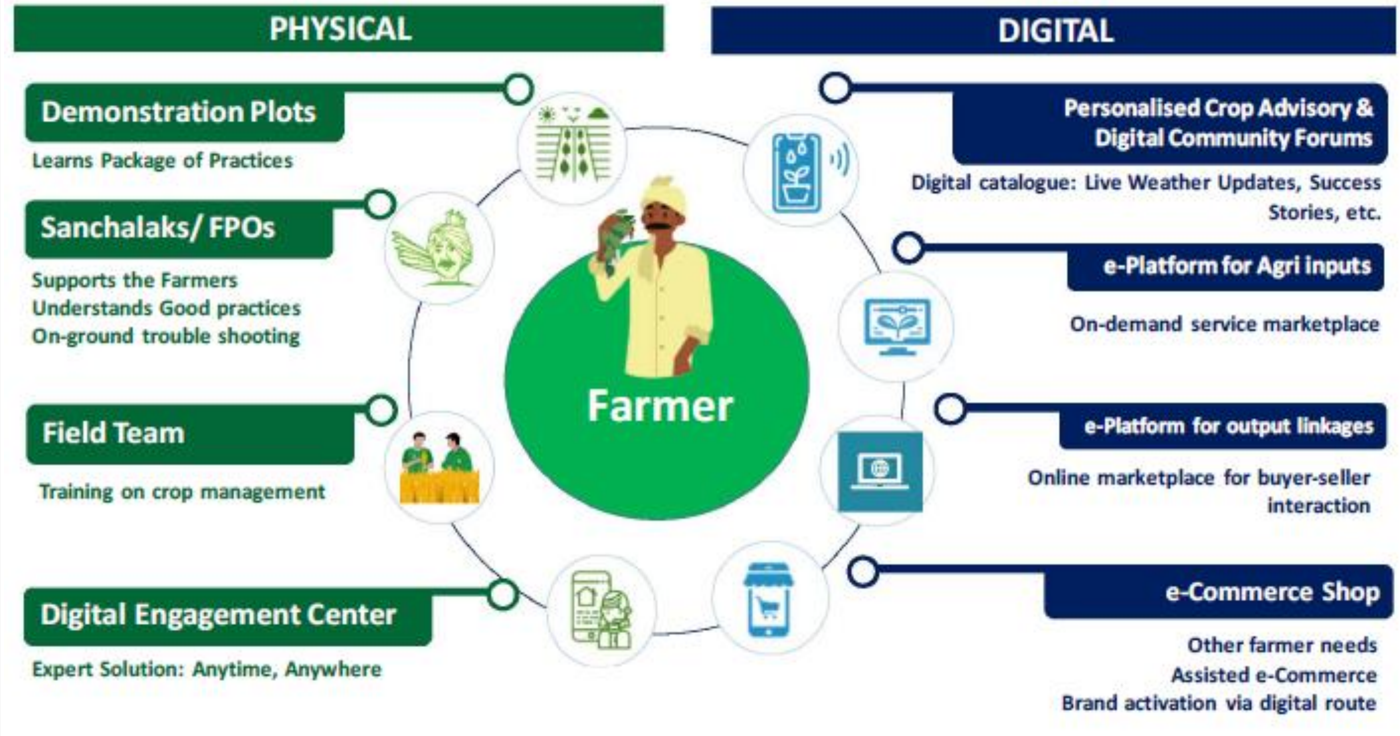
Source: Company, PL

Exhibit 21: Raising the bar with Sustainability 2.0



Source: Company, PL

Exhibit 22: ITC MAARS – being built for replication in 12 crop value chain in 22 states



Source: Company, PL

Exhibit 23: Digital initiatives

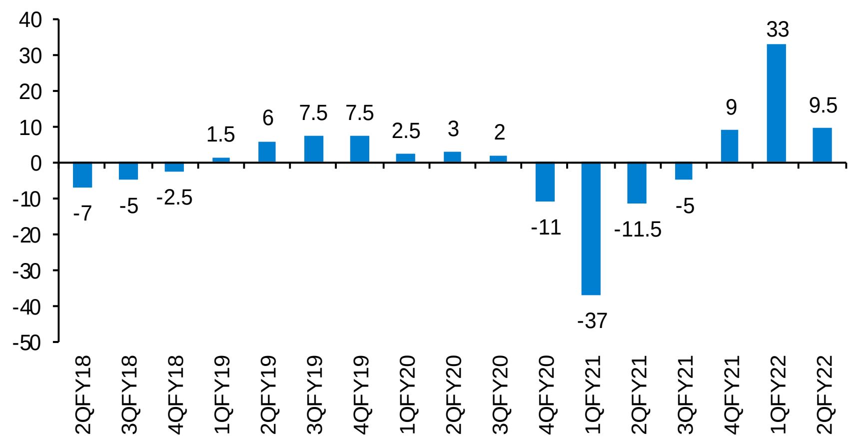
Source: Company, PL

Exhibit 24: Q2FY22 Result Overview: Net Sales up 12.6%, Adj. PAT up 13.7%

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	1HFY22	1HFY21	YoY gr. (%)
Net Sales	**1,27,310**	**1,13,101**	***12.6***	**1,22,171**	**2,49,481**	**2,02,214**	***23.4***
EBITDA	**46,150**	**40,882**	***12.9***	**39,922**	**86,072**	**67,347**	***27.8***
Margins (%)	*36.3*	*36.1*	*0.1*	*32.7*	*34.5*	*33.3*	*1.2*
Depreciation	4,015	3,834	*4.7*	3,955	7,969	7,815	*2.0*
Interest	104.5	137.6	*(24.1)*	103.2	207.7	305.5	*(32.0)*
Other Income	6,770	6,104	*10.9*	4,290	11,060	15,072	*(26.6)*
PBT	**48,801**	**43,014**	***13.5***	**40,154**	**88,955**	**74,299**	***19.7***
Tax	11,829	10,488	*12.8*	10,019	21,848	18,345	*19.1*
Tax Rate (%)	*24.2*	*24.4*	*(0.1)*	*25.0*	*24.6*	*24.7*	*(0.1)*
Adjusted PAT	**36,972**	**32,526**	***13.7***	**30,135**	**67,107**	**55,954**	***19.9***

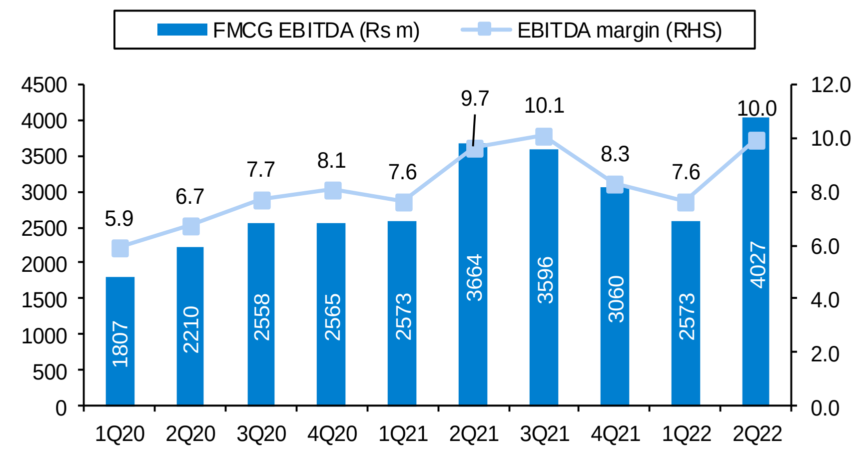
Source: Company, PL

Exhibit 25: Cigarettes: Volumes up 9.5%



Source: Company, PL

Exhibit 26: FMCG EBIDTA margins at 10%, flattish YoY



Source: Company, PL

Discretionary/'Out-of-Home' products grew YoY led by snacks, confectionary and beverages.

Sales moderated across staples, convenience foods and hygiene segments.

Continued closure of educational institutions impacts ESPB sales.

Aashirvaad' Atta consolidated its leadership position in branded atta industry; forayed into vermicelli category

ITC e commerce grew 3x over 1HFY20 levels.

Hotels - Structural cost management actions resulted in reduction of cash fixed costs by 31% over 2QFY20

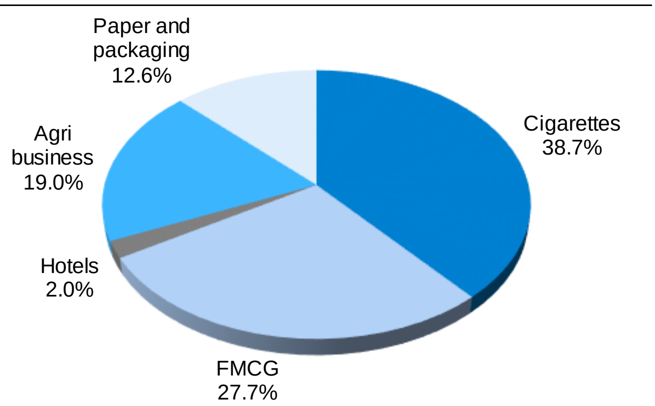
Packaging and printing performed well

Exhibit 27: Cigarette volumes grew 9.5%, FMCG margins at 7.5%

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Cigarette Volume gr %	**-37.0**	**-11.5**	**-5.0**	**9.0**	**33.0**	**9.5**
Sales (INR m)	**1,20,237**	**1,34,421**	**1,32,548**	**1,48,597**	**1,46,489**	**1,48,829**
Cigarettes	38,538	51,213	54,984	58,596	51,222	56,099
FMCG	33,746	37,950	35,618	36,875	37,256	40,600
Hotels	226	820	2,352	2,878	1,272	3,413
Agri business	37,463	29,853	24,818	33,689	40,913	31,942
Paper and packaging	10,264	14,587	14,775	16,559	15,827	16,775
Sales growth (YoY)						
Cigarettes	**(29.1)**	(3.9)	3.5	14.2	32.9	9.5
FMCG	10.3	15.4	7.5	15.8	10.4	7.0
Hotels	(94.2)	(80.8)	(57.4)	(38.2)	463.5	316.4
Agri business	3.7	12.8	18.5	78.5	9.2	7.0
Paper and packaging	(32.8)	(6.8)	(5.0)	13.5	54.2	15.0
EBIT (INR m)	**25,781**	**38,989**	**40,739**	**43,281**	**38,315**	**46,328**
Cigarettes	23,564	32,448	34,528	36,665	32,209	36,464
FMCG	1,254	2,527	2,074	1,886	1,734	3,045
Hotels	-2,426	-1,849	-673	-401	-1,515	154
Agri business	1,787	2,561	1,961	1,899	1,957	2,555
Paper and packaging	1,601	3,303	2,850	3,233	3,928	4,110
EBIT growth (YoY)	**(42.3)**	**(14.5)**	**(9.4)**	**8.2**	**48.6**	**18.8**
Cigarettes	(38.8)	(15.6)	(8.1)	7.7	36.7	12.4
FMCG	60.7	179.3	92.7	28.4	38.3	20.5
Hotels	NA	NA	NA	NA	NA	NA
Agri business	(11.9)	2.7	(8.1)	54.2	9.5	(0.2)
Paper and packaging	(51.4)	(7.2)	(14.7)	13.1	145.3	24.4
EBIT Margin (%)						
Cigarettes	61.1	63.4	62.8	62.6	62.9	65.0
FMCG	3.7	6.7	5.8	5.1	4.7	7.5
Hotels	NA	(225.6)	(28.6)	(13.9)	(119.0)	4.5
Agri business	4.8	8.6	7.9	5.6	4.8	8.0
Paper and packaging	15.6	22.6	19.3	19.5	24.8	24.5

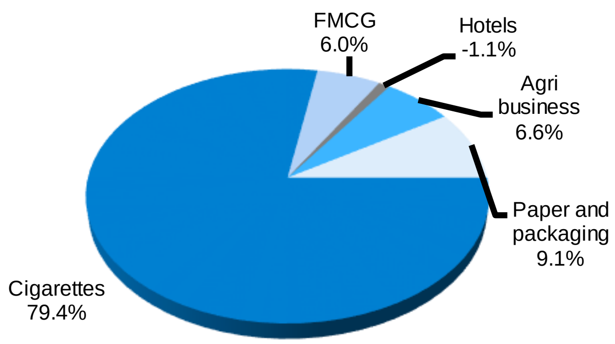
Source: Company, PL

Exhibit 28: Sales Mix: Cigarettes 38.7%, FMCG 27.7%



Source: Company, PL

Exhibit 29: Cigarettes are 79.4% of EBIT



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	**461,387**	**524,396**	**575,918**	**625,867**
YoY gr. (%)	*1.1*	*13.7*	*9.8*	*8.7*
Cost of Goods Sold	199,746	212,379	241,142	265,366
Gross Profit	261,641	312,017	334,776	360,501
Margin (%)	*56.7*	*59.5*	*58.1*	*57.6*
Employee Cost	28,210	29,761	31,941	34,686
Other Expenses	34,120	38,742	42,207	45,207
EBITDA	**161,761**	**202,593**	**217,189**	**234,674**
YoY gr. (%)	*(9.7)*	*25.2*	*7.2*	*8.1*
Margin (%)	*35.1*	*38.6*	*37.7*	*37.5*
Depreciation and Amortization	15,618	17,207	18,517	19,826
EBIT	**146,142**	**185,385**	**198,672**	**214,847**
Margin (%)	*31.7*	*35.4*	*34.5*	*34.3*
Net Interest	557	557	557	557
Other Income	29,521	21,324	23,256	24,122
Profit Before Tax	**175,106**	**206,153**	**221,371**	**238,413**
Margin (%)	*38.0*	*39.3*	*38.4*	*38.1*
Total Tax	42,743	50,260	54,236	58,411
Effective tax rate (%)	*24.4*	*24.4*	*24.5*	*24.5*
Profit after tax	**132,363**	**155,893**	**167,135**	**180,002**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**132,363**	**155,893**	**167,135**	**180,002**
YoY gr. (%)	*(13.3)*	*17.8*	*7.2*	*7.7*
Margin (%)	*28.7*	*29.7*	*29.0*	*28.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**132,363**	**155,893**	**167,135**	**180,002**
YoY gr. (%)	*(12.6)*	*17.8*	*7.2*	*7.7*
Margin (%)	*28.7*	*29.7*	*29.0*	*28.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	132,363	155,893	167,135	180,002
Equity Shares O/s (m)	**12,309**	**12,341**	**12,371**	**12,399**
EPS (Rs)	**10.8**	**12.6**	**13.5**	**14.5**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	**358,884**	**389,049**	**419,249**	**449,449**
Tangibles	333,316	363,281	393,281	423,281
Intangibles	25,568	25,768	25,968	26,168
Acc: Dep / Amortization	**150,141**	**166,680**	**184,517**	**203,652**
Tangibles	144,616	160,124	176,922	195,010
Intangibles	5,525	6,556	7,595	8,641
Net fixed assets	**208,743**	**222,369**	**234,733**	**245,798**
Tangibles	188,700	203,157	216,359	228,271
Intangibles	20,043	19,212	18,374	17,527
Capital Work In Progress	33,300	25,000	25,000	25,000
Goodwill	5,772	-	-	-
Non-Current Investments	129,528	156,653	169,282	183,113
Net Deferred tax assets	(17,277)	(16,413)	(15,593)	(14,813)
Other Non-Current Assets	20,309	23,845	25,517	27,143
Current Assets				
Investments	140,467	123,115	113,487	108,926
Inventories	94,709	92,546	101,679	110,530
Trade receivables	20,904	28,476	31,286	34,009
Cash & Bank Balance	40,015	48,127	54,672	63,927
Other Current Assets	10,061	10,488	11,518	12,517
Total Assets	**715,805**	**744,440**	**783,062**	**829,230**
Equity				
Equity Share Capital	12,309	12,341	12,371	12,399
Other Equity	577,737	610,143	641,079	678,101
Total Networth	**590,046**	**622,484**	**653,450**	**690,499**
Non-Current Liabilities				
Long Term borrowings	53	-	-	-
Provisions	1,571	1,576	1,707	1,855
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	41,195	38,167	41,926	45,898
Other current liabilities	60,546	60,721	65,186	70,810
Total Equity & Liabilities	**715,806**	**744,440**	**783,062**	**829,231**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	175,106	206,153	221,371	238,413
Add. Depreciation	15,618	17,207	18,517	19,826
Add. Interest	557	557	557	557
Less Financial Other Income	29,521	21,324	23,256	24,122
Add. Other	9,409	(4,036)	(1,972)	(1,842)
Op. profit before WC changes	200,691	219,881	238,472	256,954
Net Changes-WC	52,776	1,186	(3,695)	(8,273)
Direct tax	(42,743)	(50,260)	(54,236)	(58,411)
Net cash from Op. activities	**210,724**	**170,807**	**180,542**	**190,271**
Capital expenditures	(37,257)	(16,762)	(30,880)	(30,892)
Interest / Dividend Income	-	-	-	-
Others	5,052	(27,125)	(12,628)	(13,830)
Net Cash from Invt. activities	**(32,205)**	**(43,887)**	**(43,508)**	**(44,722)**
Issue of share cap. / premium	(57,843)	8,865	5,751	5,498
Debt changes	(4)	(53)	-	-
Dividend paid	(124,766)	(132,320)	(141,921)	(148,450)
Interest paid	(557)	(557)	(557)	(557)
Others	(335)	(400)	(266)	(263)
Net cash from Fin. activities	**(183,504)**	**(124,464)**	**(136,993)**	**(143,772)**
Net change in cash	**(4,985)**	**2,456**	**41**	**1,777**
Free Cash Flow	173,466	154,045	149,662	159,379

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	10.8	12.6	13.5	14.5
CEPS	12.0	14.0	15.0	16.1
BVPS	47.9	50.4	52.8	55.7
FCF	14.1	12.5	12.1	12.9
DPS	10.8	11.5	12.0	12.5
Return Ratio(%)				
RoCE	23.8	30.6	31.1	32.0
ROIC	27.3	32.3	32.3	32.7
RoE	21.5	25.7	26.2	26.8
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	59	58	58	58
Valuation(x)				
PER	21.3	18.1	16.9	15.7
P/B	4.8	4.5	4.3	4.1
P/CEPS	11.5	13.4	14.4	15.5
EV/EBITDA	16.3	13.1	12.2	11.3
EV/Sales	5.7	5.1	4.6	4.3
Dividend Yield (%)	4.7	5.0	5.2	5.5

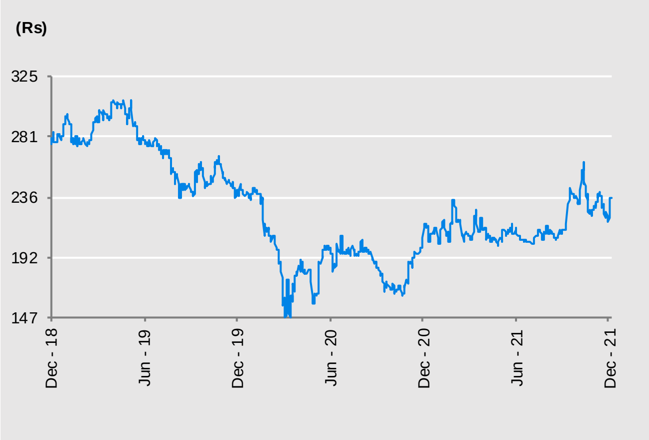
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	**117,874**	**132,947**	**122,171**	**127,310**
YoY gr. (%)	*(1.9)*	*22.6*	*37.1*	*13.8*
Raw Material Expenses	50,131	60,762	57,861	54,462
Gross Profit	67,743	72,185	64,310	72,848
Margin (%)	*57.5*	*54.3*	*52.6*	*57.2*
EBITDA	**42,814**	**44,730**	**39,922**	**46,150**
YoY gr. (%)	*(7.2)*	*7.4*	*50.8*	*13.7*
Margin (%)	*36.3*	*33.6*	*32.7*	*36.3*
Depreciation / Depletion	3,909	3,880	3,955	4,015
EBIT	**38,904**	**40,851**	**35,967**	**42,136**
Margin (%)	*33.0*	*30.7*	*29.4*	*33.1*
Net Interest	138	31	103	105
Other Income	9,710	7,720	4,290	6,770
Profit before Tax	**48,476**	**48,539**	**40,154**	**48,801**
Margin (%)	*41.1*	*36.5*	*32.9*	*38.3*
Total Tax	11,848	11,055	10,019	11,829
Effective tax rate (%)	*24.4*	*22.8*	*25.0*	*24.2*
Profit after Tax	**36,629**	**37,484**	**30,135**	**36,972**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**36,629**	**37,484**	**30,135**	**36,972**
YoY gr. (%)	*(14.3)*	*(1.3)*	*28.6*	*14.4*
Margin (%)	*31.1*	*28.2*	*24.7*	*29.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**36,629**	**37,484**	**30,135**	**36,972**
YoY gr. (%)	*(11.6)*	*(1.3)*	*28.6*	*14.4*
Margin (%)	*31.1*	*28.2*	*24.7*	*29.0*
Other Comprehensive Income	633	270	1,766	1,514
Total Comprehensive Income	**37,262**	**37,754**	**31,901**	**38,485**
Avg. Shares O/s (m)	12,305	12,292	12,309	12,320
EPS (Rs)	**3.0**	**3.0**	**2.4**	**3.0**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Oct-21	BUY	270	238
2	6-Oct-21	BUY	271	231
3	25-Jul-21	BUY	258	212
4	5-Jul-21	BUY	258	202
5	1-Jun-21	BUY	258	215
6	7-Apr-21	BUY	248	214
7	11-Feb-21	BUY	254	226
8	7-Jan-21	BUY	254	205

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,675	3,002
2	Avenue Supermarts	Accumulate	5,359	5,324
3	Bajaj Electricals	Accumulate	1,230	1,092
4	Britannia Industries	Accumulate	4,093	3,622
5	Burger King India	BUY	242	163
6	Colgate Palmolive	Accumulate	1,852	1,532
7	Crompton Greaves Consumer Electricals	BUY	530	451
8	Dabur India	Accumulate	647	598
9	Emami	Accumulate	624	536
10	Havells India	Accumulate	1,400	1,286
11	Hindustan Unilever	Accumulate	2,930	2,547
12	ITC	BUY	270	238
13	Jubilant FoodWorks	Accumulate	4,111	3,965
14	Kansai Nerolac Paints	BUY	707	597
15	Marico	Hold	544	564
16	Mold-tek Packaging	BUY	725	669
17	Nestle India	Accumulate	19,501	18,965
18	Pidilite Industries	Hold	2,491	2,474
19	Titan Company	BUY	2,651	2,460
20	Voltas	Hold	1,200	1,245
21	Westlife Development	Accumulate	603	574

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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AMNISH AGGARWAL

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