

August 1, 2022

## Q1FY23 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		BUY	
Target Price	327		305	
Sales (Rs. m)	6,53,528	6,84,414	6,20,564	6,79,769
% Chng.	5.3	0.7		
EBITDA (Rs. m)	2,23,805	2,33,816	2,09,554	2,32,542
% Chng.	6.8	0.5		
EPS (Rs.)	13.9	14.7	13.2	14.7
% Chng.	5.3	-		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	455	559	654	684
EBITDA (Rs. bn)	155	191	224	234
Margin (%)	34.1	34.1	34.2	34.2
PAT (Rs. bn)	130	150	173	182
EPS (Rs.)	10.6	12.1	13.9	14.7
Gr. (%)	(14.8)	14.7	14.8	5.1
DPS (Rs.)	10.8	11.1	11.8	12.8
Yield (%)	3.5	3.6	3.8	4.1
RoE (%)	21.2	25.0	27.3	27.0
RoCE (%)	22.7	29.0	32.7	32.0
EV/Sales (x)	7.9	6.5	5.6	5.3
EV/EBITDA (x)	23.2	19.0	16.2	15.5
PE (x)	29.1	25.3	22.1	21.0
P/BV (x)	6.4	6.2	5.8	5.5

### Key Data

### ITC.BO | ITC IN

52-W High / Low	Rs.309 / Rs.204	
Sensex / Nifty	58,116 / 17,340	
Market Cap	Rs.3,803bn/ \$ 48,126m	
Shares Outstanding	12,356m	
3M Avg. Daily Value	Rs.4703.65m	

### Shareholding Pattern (%)

Promoter's	-
Foreign	12.68
Domestic Institution	42.82
Public & Others	44.50
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	8.2	35.1	50.2
Relative	(1.5)	36.9	35.9

**Amnish Aggarwal**

amnishaggarwal@plindia.com | 91-22-66322233

**Harish Advani**

harishadvani@plindia.com | 91-22-66322242

**Aashi Rara**

aashirara@plindia.com | 91-22-66322381

## ITC (ITC IN)

Rating: ACCUMULATE | CMP: Rs308 | TP: Rs327

### Expect more calibrated returns post re-rating

#### Quick Pointers:

- Cigarette volumes up ~26%, FMCG reports 19.5% sales growth, EBITDA margins down 20bps YoY
- Paper margins up 220bps, Hotels has highest 1Q profits in more than decade.

**We increase our FY23 EPS by 5.3% and target price to Rs327 (Rs305 earlier) even as we cut rating from Buy to Accumulate post 50% return and significant outperformance to consumer universe in past 12 months. ITC posted encouraging performance with ~26% cigarette volume growth and margin expansion across cigarettes, paperboard and hotels business. Near term outlook remains positive given 1) positive cigarette volume traction in a stable tax regime 2) strong pricing and benefits of back ward integration in paper board in near term 3) sequentially improving ARR and occupancy levels in Hotels and 4) sustained growth across segments in FMCG with margin expansion likely from 3Q23.**

**Although we expect another quarter of margin pressure in FMCG, strong traction in other businesses will enable ITC to sustain double digit profit growth. ITC trades at 21.0x FY24 EPS with 10.1% EPS CAGR over FY22-24. We note ROE/ ROCE of 27%/33% and ~80%+ dividend payout are positives. We expect incremental returns to accrue in a more calibrated manner. Any punitive increase in cigarette taxes is a key risk to our call.**

- Cigarettes volumes grew ~26%; EBIT up 30.1%:** Revenues grew by 29% YoY to Rs66.1bn. EBIT grew by 30.1% YoY to Rs41.9bn, margins expanded by 50bps YoY to 63.4%. Robust growth across regions & markets. Volumes have crossed pre-pandemic levels backed by innovation & premiumisation across segments. Flat pricing, superior mix and benefits of trade initiatives have enabled ITC grow faster than competition, in our view.
- FMCG EBITDA margins declined YoY:** FMCG Revenues grew by 19.5% YoY to Rs44.5bn with margins down 20bps YoY to 7.8% driven by pent up demand in discretionary/OOH categories; Staples & Convenience foods while education & stationery products gained traction with re-opening of educational institutions. Hygiene products portfolio remain subdued due to waning impact of covid. E-commerce sales at 4.2x of 1QFY20 and contributed 7% to sales. ITC's digitally powered eB2B platform "Unnati" was rolled out to ~320k retailers since national launch.
- Hotels Revenues up 336.2% YoY:** Revenues grew by 336.2% YoY to Rs 5.5bn; profit of Rs 1.1bn in 1Q23 Vs loss of 1.5bn in 1Q22; margins came in at 20.2%. 1Q profitability is at a 10+ year high. Average occupancy level stood strong during the quarter driven by retail (packages), leisure, weddings and MICE segments. ARR/ occupancy improved QoQ/YoY, and remains well above pre covid levels. Demand outlook remains strong.

- **Paperboards, Paper & Packaging** Revenues grew by 43.3% YoY to Rs22.7bn; EBIT grew by 56% YoY to Rs6.1bn, margins expanded 220bps YoY to 27.0%. Strong demand witnessed in domestic and exports segments across Cartons & Flexibles platforms. Fine paper segment witnessed pent up demand with re-opening of educational institutions while value added paperboard segment grew at a rapid pace. We believe ITC gains due to benefits of backward integration in an environment of high input costs. However, we believe margins to correct by 2H23.
- **Agri Business** revenues grew by 82.7% YoY to Rs74.7bn; EBIT grew by 45.1% YoY to Rs2.8bn, margins contracted by 100bps YoY to 3.8%. Performance driven by strong growth in wheat, rice, leaf tobacco exports leveraging strong customer relationships, robust sourcing network and agile execution and benefits of supply chain disruption. We expect growth to slow down given ban on wheat exports.

**Exhibit 1: 1QFY23 Result Overview: Net Sales up 41.5%, Adj. PAT up 38.4%**

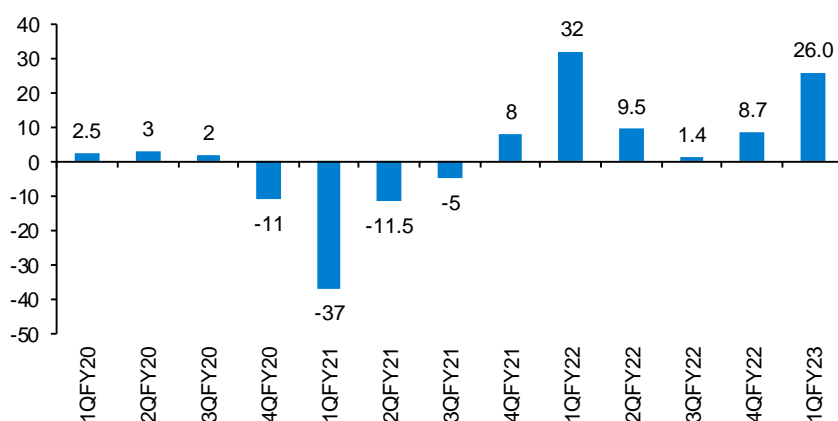
Y/e March	1QFY23	1QFY22	YoY gr. (%)	4QFY22	FY22	FY21	YoY gr. (%)
<b>Net Sales</b>	<b>1,72,897</b>	<b>1,22,171</b>	<b>41.5</b>	<b>1,55,309</b>	<b>4,08,104</b>	<b>3,21,905</b>	<b>26.8</b>
<b>EBITDA</b>	<b>56,475</b>	<b>39,922</b>	<b>41.5</b>	<b>52,244</b>	<b>1,37,093</b>	<b>1,10,495</b>	<b>24.1</b>
<i>Margins (%)</i>	<i>32.7</i>	<i>32.7</i>	<i>(0.0)</i>	<i>33.6</i>	<i>33.6</i>	<i>34.3</i>	<i>(0.7)</i>
Depreciation	4,115	3,955	4.1	4,459	12,062	11,739	2.8
Interest	91.3	103.2	(11.5)	104.9	314.6	443.3	(29.0)
Other Income	3,127	4,290	(27.1)	6,741	19,159	24,790	(22.7)
<b>PBT</b>	<b>55,396</b>	<b>40,154</b>	<b>38.0</b>	<b>54,420</b>	<b>1,43,875</b>	<b>1,23,103</b>	<b>16.9</b>
Tax	13,702	10,019	36.8	12,511	35,206	30,270	16.3
<i>Tax Rate (%)</i>	<i>24.7</i>	<i>25.0</i>	<i>(0.2)</i>	<i>23.0</i>	<i>24.5</i>	<i>24.6</i>	<i>(0.1)</i>
<b>Adjusted PAT</b>	<b>41,694</b>	<b>30,135</b>	<b>38.4</b>	<b>41,910</b>	<b>1,08,669</b>	<b>92,833</b>	<b>17.1</b>

Source: Company, PL

Sales increased 29.0% and EBIT up 30.1%.

Robust growth across regions & markets. Volumes cross pre-pandemic levels backed by innovation & premiumisation across segments

**Exhibit 2: Cigarettes: Volumes up ~26%**



Source: Company, PL

Discretionary/'Out-of-Home' products saw strong growth YoY

Staples & Convenience posted resilient performance

Hygiene products segment remain subdued with lower COVID cases.

ITC e-commerce contributed 7% to sales channel mix

Hotels saw robust recovery with ARR & occupancy well ahead of pre pandemic levels.

Paperboard segment reported strong performance aided by demand revival across most end-user segments

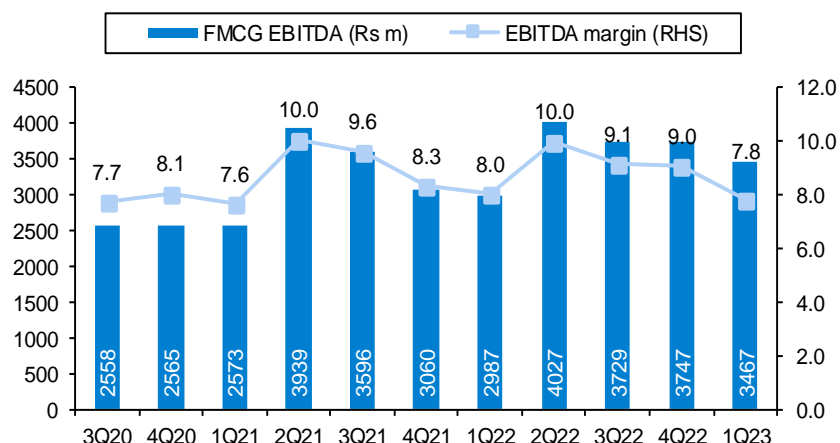
Agri business aided by strong growth in wheat, rice, spices, lead tobacco exports leveraging strong customer relationships, sourcing network and execution

### Exhibit 3: Cigarette volumes grew ~26%, FMCG margins at 4.6%

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
<b>Cigarette Volume gr %</b>	<b>8.0</b>	<b>32.0</b>	<b>9.5</b>	<b>1.4</b>	<b>8.7</b>	<b>26.0</b>
<b>Sales (INR m)</b>						
Cigarettes	1,48,597	1,46,489	1,45,787	1,78,169	1,75,241	2,13,555
FMCG	58,596	51,222	56,417	62,441	64,434	66,090
Hotels	36,875	37,256	40,364	40,906	41,420	44,514
Agri business	2,878	1,272	2,947	4,734	3,896	5,550
Paper and packaging	33,689	40,913	27,761	49,624	43,663	74,730
<b>Sales growth (YoY)</b>						
Cigarettes	14.2	32.9	10.2	13.6	10.0	29.0
FMCG	15.8	10.4	6.4	9.3	12.3	19.5
Hotels	(38.2)	463.5	259.6	101.3	35.4	336.2
Agri business	78.5	9.2	(7.0)	100.0	29.6	82.7
Paper and packaging	13.5	54.2	25.4	38.5	31.8	43.3
<b>EBIT (INR m)</b>	<b>43,281</b>	<b>38,315</b>	<b>45,123</b>	<b>49,869</b>	<b>50,097</b>	<b>54,020</b>
Cigarettes	36,665	32,209	35,832	39,507	41,143	41,889
FMCG	1,886	1,734	2,719	2,419	2,360	2,039
Hotels	-401	-1,515	-480	506	-342	1,122
Agri business	1,899	1,957	2,961	2,953	2,440	2,840
Paper and packaging	3,233	3,928	4,090	4,485	4,497	6,130
<b>EBIT growth (YoY)</b>	<b>8.2</b>	<b>48.6</b>	<b>15.7</b>	<b>21.5</b>	<b>15.7</b>	<b>41.0</b>
Cigarettes	7.7	36.7	10.4	14.4	12.2	30.1
FMCG	28.4	38.3	7.6	1.1	25.1	17.6
Hotels	NA	NA	NA	NA	NA	NA
Agri business	54.2	9.5	15.7	50.6	28.5	45.1
Paper and packaging	13.1	145.3	23.8	57.3	39.1	56.0
<b>EBIT Margin (%)</b>						
Cigarettes	62.6	62.9	63.5	63.3	63.9	63.4
FMCG	5.1	4.7	6.7	5.9	5.7	4.6
Hotels	(13.9)	(119.0)	(16.3)	10.7	(8.8)	20.2
Agri business	5.6	4.8	10.7	6.0	5.6	3.8
Paper and packaging	19.5	24.8	22.4	21.9	20.6	27.0

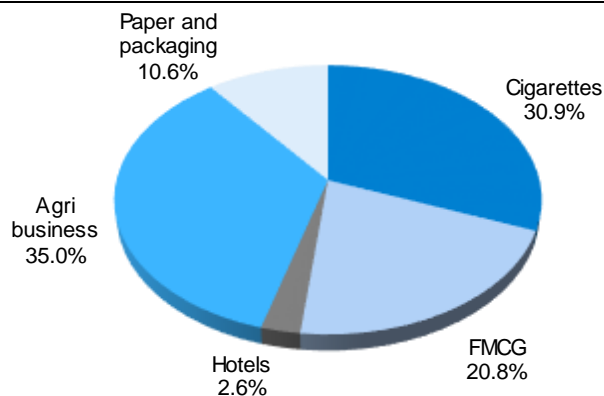
Source: Company, PL

**Exhibit 4: FMCG EBITDA margins at 7.8%, Margins declined by 20 bps YoY**



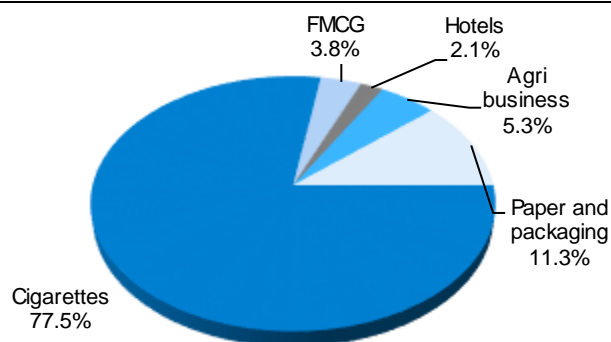
Source: Company, PL

**Exhibit 5: Sales Mix: Cigarettes 30.9%, FMCG 20.8%**



Source: Company, PL

**Exhibit 6: Cigarettes contribute 77.5% of EBIT**



Source: Company, PL

**Exhibit 7: SOTP FY24 - cigarette account of 54% of value**

SOTP	Basis	X	EV (Rs mn)	PAT (Rs mn)	% of PAT	EPS (Rs)	Value/Share
Cigarettes	P/E	16		135966	78.8	11.0	176
FMCG - Others	EV/Sales	4.5	929544	10845	6.3	0.9	76
Hotels	EV/EBIDTA	25	2,19,203	4026	2.3	0.3	18
Agri business	P/E	15		8709	5.0	0.7	11
Paper and packaging	P/E	11		16758	9.7	1.4	15
ITC Infotech	PE	20		5900			10
Business Value						14.2	304
Cash and Invst			285105				23
<b>Total Value/share</b>							<b>327</b>

Source: PL

**Exhibit 8: FMCG and Hotels to drive growth over FY22-24**

	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales (Rs m)</b>						
Cigarettes	199,069	201,439	182,663	2,13,790	2,38,733	2,53,248
FMCG	124,878	128,137	147,086	1,58,578	1,81,841	2,06,565
Hotel	16,482	18,234	6,236	14,134	20,692	22,367
Agri	93,965	102,407	125,822	1,65,320	2,04,008	1,93,523
Paper and Paperboard	58,622	61,072	56,186	75,607	88,017	99,305
<b>Sales Growth (%)</b>						
Cigarettes	3.2	1.2	(9.3)	17.0	11.7	6.1
FMCG	10.4	2.6	14.8	7.8	14.7	13.6
Hotel	17.4	10.6	(65.8)	126.7	46.4	8.1
Agri	16.5	9.0	22.9	31.4	23.4	(5.1)
Paper and Paperboard	11.7	4.2	(8.0)	34.6	16.4	12.8
<b>EBIT (Rs m)</b>						
Cigarettes	145,511	148,526	127,204	1,49,352	1,69,137	1,81,287
FMCG	3,862	4,231	8,327	8,722	10,910	14,460
Hotel	1,777	1,578	(5,349)	-565	4,966	5,368
Agri	7,766	7,889	8,207	11,076	12,240	11,611
Paper and Paperboard	12,392	13,053	10,987	17,011	21,124	22,344
<b>EBIT Margin (%)</b>						
Cigarettes	73.1	73.7	62.6	63.6	64.5	65.0
FMCG	3.1	3.3	5.7	5.5	6.0	7.0
Hotel	10.8	8.7	-85.8	-4.0	24.0	24.0
Agri	8.3	7.7	6.5	6.7	6.0	6.0
Paper and Paperboard	21.1	21.4	19.6	22.5	24.0	22.5
<b>EBIT Growth (%)</b>						
Cigarettes	9.1	2.1	-14.4	17.4	13.2	7.2
FMCG	135.3	9.5	96.8	4.7	25.1	32.5
Hotel	27.1	-11.2	-439.1	-89.4	-978.4	8.1
Agri	-8.5	1.6	4.0	35.0	10.5	-5.1
Paper and Paperboard	18.9	5.3	-15.8	54.8	24.2	5.8

Source: Company, PL



## Exhibit 9: Addressing emerging consumer needs



**Bingo! Snacks**  
Differentiated flavors & textures



**Spices**  
Sabji Masala | Kitchen King Masala | Dimer Kosha



**Aashirvaad Svasti**  
Litchi Lassi | Aam Doi



**Mom's Magic**  
Centre filled with molten Butter



**Sunfeast Dark Fantasy**  
Premium filled cookies



**Classmate Interaktiv**  
Origami Books



**Mangaldeep Fragrance Sticks**  
First of its kind  
Fragranced Sambrani Sticks

Source: PL, Company

## Exhibit 10: Creation of a future ready portfolio



**Aashirvaad Nature's Super Foods**  
Organic  
Rising Gluten Intolerance & Going back to Roots



**Aashirvaad Salt Proactive**  
Better Heart health



**Farmlite Digestive**  
Goodness of Whole Wheat



**B Natural | Sunfeast Nutralite**  
Health Range



**YIPpee! Power Up Noodles**  
Goodness of Whole Wheat Atta



**Aashirvaad Svasti Milk**  
Select Milk  
Easy Digest Milk (Lactose Free)



**Farmlite Veda**  
Immunity Focus

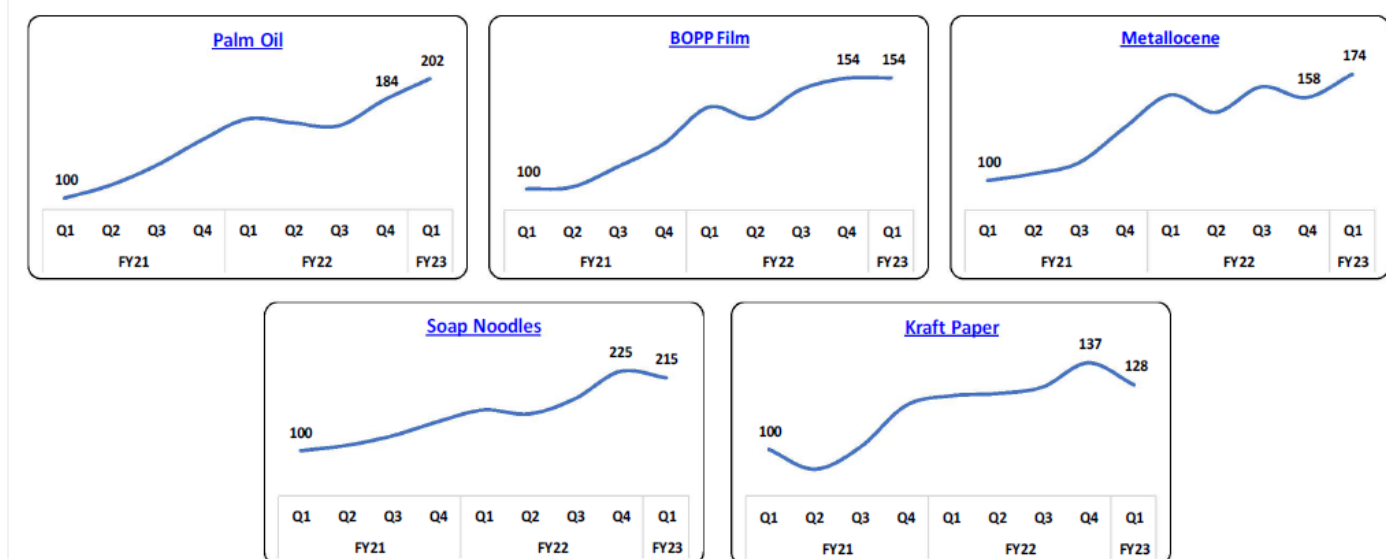


**Master Chef**  
IncrEDIBLY VegAN

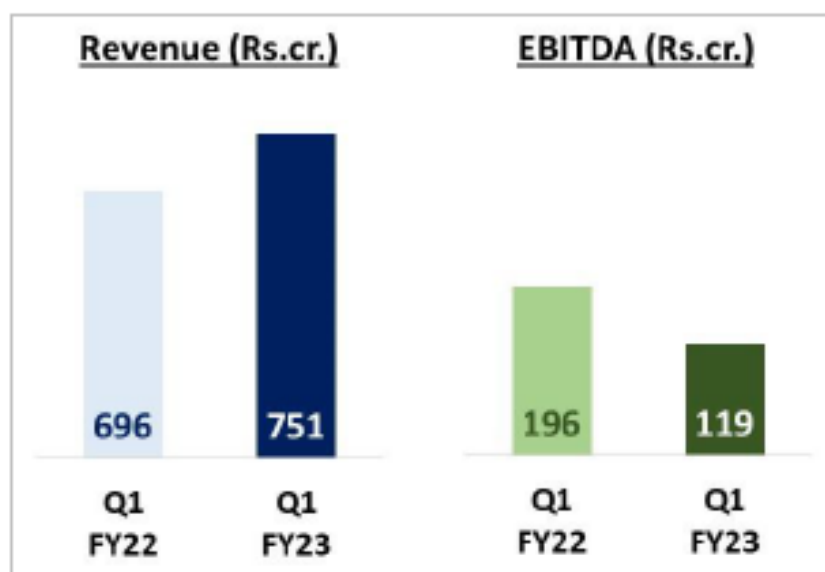


**Jelimals ImmunoZ**  
Vitamin C + Zinc

Source: PL, Company

**Exhibit 11: Commodity prices still at elevated levels**


Source: Company, PL

**Exhibit 12: ITC Infotech – Revenues up 8%, EBITDA down 39% YoY**


Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>4,54,851</b>	<b>5,58,853</b>	<b>6,53,528</b>	<b>6,84,414</b>
YoY gr. (%)	(0.3)	22.9	16.9	4.7
Cost of Goods Sold	1,99,746	2,43,773	2,86,151	3,01,945
Gross Profit	2,55,105	3,15,080	3,67,377	3,82,468
Margin (%)	56.1	56.4	56.2	55.9
Employee Cost	28,210	32,969	38,129	39,539
Other Expenses	35,618	43,115	49,472	50,756
<b>EBITDA</b>	<b>1,55,225</b>	<b>1,90,785</b>	<b>2,23,805</b>	<b>2,33,816</b>
YoY gr. (%)	(13.3)	22.9	17.3	4.5
Margin (%)	34.1	34.1	34.2	34.2
Depreciation and Amortization	15,618	16,380	17,060	18,277
<b>EBIT</b>	<b>1,39,606</b>	<b>1,74,405</b>	<b>2,06,745</b>	<b>2,15,539</b>
Margin (%)	30.7	31.2	31.6	31.5
Net Interest	475	480	480	480
Other Income	32,510	25,290	23,758	27,317
<b>Profit Before Tax</b>	<b>1,71,641</b>	<b>1,99,216</b>	<b>2,30,023</b>	<b>2,42,377</b>
Margin (%)	37.7	35.6	35.2	35.4
Total Tax	41,288	49,306	57,506	60,594
Effective tax rate (%)	24.1	24.8	25.0	25.0
<b>Profit after tax</b>	<b>1,30,353</b>	<b>1,49,910</b>	<b>1,72,517</b>	<b>1,81,783</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,30,353</b>	<b>1,49,910</b>	<b>1,72,517</b>	<b>1,81,783</b>
YoY gr. (%)	(14.6)	15.0	15.1	5.4
Margin (%)	28.7	26.8	26.4	26.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,30,353</b>	<b>1,49,910</b>	<b>1,72,517</b>	<b>1,81,783</b>
YoY gr. (%)	(13.9)	15.0	15.1	5.4
Margin (%)	28.7	26.8	26.4	26.6
Other Comprehensive Income	2,463	-	-	-
Total Comprehensive Income	1,32,816	1,49,910	1,72,517	1,81,783
<b>Equity Shares O/s (m)</b>	<b>12,309</b>	<b>12,343</b>	<b>12,374</b>	<b>12,404</b>
<b>EPS (Rs)</b>	<b>10.6</b>	<b>12.1</b>	<b>13.9</b>	<b>14.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,58,060</b>	<b>3,88,260</b>	<b>4,18,460</b>	<b>4,48,660</b>
Tangibles	3,32,577	3,62,577	3,92,577	4,22,577
Intangibles	25,483	25,683	25,883	26,083
<b>Acc: Dep / Amortization</b>	<b>1,49,317</b>	<b>1,65,025</b>	<b>1,81,400</b>	<b>1,98,982</b>
Tangibles	1,43,877	1,58,814	1,74,413	1,91,213
Intangibles	5,440	6,210	6,987	7,769
<b>Net fixed assets</b>	<b>2,08,743</b>	<b>2,23,236</b>	<b>2,37,060</b>	<b>2,49,678</b>
Tangibles	1,88,700	2,03,763	2,18,164	2,31,365
Intangibles	20,043	19,473	18,896	18,314
Capital Work In Progress	33,300	25,000	25,000	25,000
Goodwill	5,772	5,772	5,772	5,772
Non-Current Investments	1,29,528	1,39,072	1,49,503	1,60,907
Net Deferred tax assets	(17,277)	(16,413)	(15,593)	(14,813)
Other Non-Current Assets	20,309	24,924	27,891	28,946
<b>Current Assets</b>				
Investments	1,40,467	1,21,178	1,20,877	1,24,224
Inventories	94,709	98,691	1,15,426	1,20,831
Trade receivables	20,904	30,366	35,516	37,179
Cash & Bank Balance	40,015	48,967	54,875	63,867
Other Current Assets	10,061	11,177	13,071	13,688
<b>Total Assets</b>	<b>7,15,805</b>	<b>7,42,179</b>	<b>8,00,853</b>	<b>8,48,331</b>
<b>Equity</b>				
Equity Share Capital	12,309	12,343	12,374	12,404
Other Equity	5,77,737	5,98,319	6,40,192	6,82,035
<b>Total Network</b>	<b>5,90,046</b>	<b>6,10,661</b>	<b>6,52,567</b>	<b>6,94,438</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	53	-	-	-
Provisions	1,571	1,720	1,998	2,079
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	41,195	43,782	50,370	52,964
Other current liabilities	60,546	64,558	75,189	78,778
<b>Total Equity &amp; Liabilities</b>	<b>7,15,805</b>	<b>7,42,179</b>	<b>8,00,853</b>	<b>8,48,331</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	1,71,641	1,99,216	2,30,023	2,42,377
Add. Depreciation	15,618	16,380	17,060	18,277
Add. Interest	475	480	480	480
Less Financial Other Income	32,510	25,290	23,758	27,317
Add. Other	9,409	(4,925)	(3,120)	(1,336)
Op. profit before WC changes	1,97,144	2,11,150	2,44,442	2,59,798
Net Changes-WC	52,776	3,873	(14,828)	(14,705)
Direct tax	(41,288)	(49,306)	(57,506)	(60,594)
<b>Net cash from Op. activities</b>	<b>2,08,632</b>	<b>1,65,718</b>	<b>1,72,109</b>	<b>1,84,499</b>
Capital expenditures	(37,724)	(22,573)	(30,884)	(30,896)
Interest / Dividend Income	-	-	-	-
Others	5,052	(9,544)	(10,430)	(11,403)
<b>Net Cash from Inv. activities</b>	<b>(32,672)</b>	<b>(32,116)</b>	<b>(41,314)</b>	<b>(42,299)</b>
Issue of share cap. / premium	(55,833)	3,025	5,775	5,487
Debt changes	128	(53)	-	-
Dividend paid	(1,24,766)	(1,32,320)	(1,36,387)	(1,45,397)
Interest paid	(475)	(480)	(480)	(480)
Others	-	(477)	(299)	(297)
<b>Net cash from Fin. activities</b>	<b>(1,80,946)</b>	<b>(1,30,304)</b>	<b>(1,31,391)</b>	<b>(1,40,688)</b>
<b>Net change in cash</b>	<b>(4,986)</b>	<b>3,297</b>	<b>(596)</b>	<b>1,512</b>
Free Cash Flow	1,70,908	1,43,145	1,41,225	1,53,603

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	10.6	12.1	13.9	14.7
CEPS	11.9	13.5	15.3	16.1
BVPS	47.9	49.5	52.7	56.0
FCF	13.9	11.6	11.4	12.4
DPS	10.8	11.1	11.8	12.8
<b>Return Ratio(%)</b>				
RoCE	22.7	29.0	32.7	32.0
ROIC	26.1	30.5	33.1	32.6
RoE	21.2	25.0	27.3	27.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	60	56	56	56
<b>Valuation(x)</b>				
PER	29.1	25.3	22.1	21.0
P/B	6.4	6.2	5.8	5.5
P/CEPS	11.9	13.5	15.3	16.1
EV/EBITDA	23.2	19.0	16.2	15.5
EV/Sales	7.9	6.5	5.6	5.3
Dividend Yield (%)	3.5	3.6	3.8	4.1

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Net Revenue</b>	<b>1,27,310</b>	<b>1,58,623</b>	<b>1,55,309</b>	<b>1,72,897</b>
YoY gr. (%)	13.8	34.6	16.8	41.5
Raw Material Expenses	54,462	77,204	72,799	84,768
Gross Profit	72,848	81,420	82,510	88,128
Margin (%)	57.2	51.3	53.1	51.0
<b>EBITDA</b>	<b>46,150</b>	<b>51,021</b>	<b>52,244</b>	<b>56,475</b>
YoY gr. (%)	13.7	19.2	16.8	41.5
Margin (%)	36.3	32.2	33.6	32.7
Depreciation / Depletion	4,015	4,093	4,459	4,115
<b>EBIT</b>	<b>42,136</b>	<b>46,928</b>	<b>47,784</b>	<b>52,360</b>
Margin (%)	33.1	29.6	30.8	30.3
Net Interest	105	107	105	91
Other Income	6,770	8,099	6,741	3,127
<b>Profit before Tax</b>	<b>48,801</b>	<b>54,920</b>	<b>54,420</b>	<b>55,396</b>
Margin (%)	38.3	34.6	35.0	32.0
Total Tax	11,829	13,358	12,511	13,702
Effective tax rate (%)	24.2	24.3	23.0	24.7
<b>Profit after Tax</b>	<b>36,972</b>	<b>41,562</b>	<b>41,910</b>	<b>41,694</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>36,972</b>	<b>41,562</b>	<b>41,910</b>	<b>41,694</b>
YoY gr. (%)	14.4	13.5	11.8	38.4
Margin (%)	29.0	26.2	27.0	24.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>36,972</b>	<b>41,562</b>	<b>41,910</b>	<b>41,694</b>
YoY gr. (%)	14.4	13.5	11.8	38.4
Margin (%)	29.0	26.2	27.0	24.1
Other Comprehensive Income	1,514	(233)	-	(3,357)
<b>Total Comprehensive Income</b>	<b>38,485</b>	<b>41,329</b>	<b>41,910</b>	<b>38,337</b>
Avg. Shares O/s (m)	12,320	12,323	12,292	12,309
<b>EPS (Rs)</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>

Source: Company Data, PL Research

## Price Chart



## Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	BUY	305	292
2	19-May-22	BUY	305	267
3	08-Apr-22	BUY	285	268
4	04-Feb-22	BUY	284	234
5	06-Jan-22	BUY	270	221
6	14-Dec-21	BUY	270	229
7	28-Oct-21	BUY	270	238
8	06-Oct-21	BUY	271	231

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	3,942
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,701	1,564
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	452
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	BUY	305	292
9	Jubilant FoodWorks	BUY	700	565
10	Kansai Nerolac Paints	BUY	513	396
11	Marico	Accumulate	544	499
12	Mold-tec Packaging	Accumulate	830	765
13	Nestle India	Accumulate	19,721	19,112
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	781	589

## PL's Recommendation Nomenclature (Absolute Performance)

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

## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Ms. Aashi Rara- CA, B.Com Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Amnish Aggarwal- MBA, CFA, Mr. Harish Advani- PGDM Finance, Ms. Aashi Rara- CA, B.Com Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**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

[www.plindia.com](http://www.plindia.com)