

## Splendid growth continues in cigarettes, FMCG

**About the stock:** ITC is biggest cigarettes & second largest FMCG company in India with ~78% of market share in cigarettes & presence in staples, biscuits, noodles, snacks, chocolate, dairy products & personal care products. The company is also present in paperboard, printing & packaging business, agri & hotels businesses.

- The company has more than 200 manufacturing facilities in India. It has a distribution reach of over 6 million retail outlets across various trade channels & strong 25 brands across various categories

**Q2FY23 Results:** ITC reported splendid growth across segments.

- Sales were up 26.6% YoY, led by 23.3% cigarettes sales growth with cigarette volumes up by ~20% (vs. I-direct estimate of 10% volume growth)
- EBITDA was at ₹ 5864.3 crore, up 27.1% YoY, with margins at 34.2%
- Consequent PAT was at ₹ 4466.1 crore (up 20.8% YoY)

**What should investors do?** ITC's share price gave a return of 30% in last five years (from ₹ 269 in October 2017 to 350 in October 2022) underperforming FMCG index

- We raise our cigarette volumes growth estimate from 10% to 13% for FY23E. We also incorporate higher hotel occupancies and ARR's after factoring in strong H1FY23 performance and future outlook
- We maintain our **BUY** recommendation

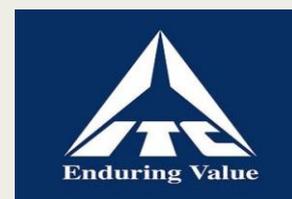
**Target Price and Valuation:** We value the stock at ₹ 405 on SOTP basis valuing cigarettes business 18x FY24 earnings & FMCG business 6x FY24 sales

**Key triggers for future price performance:**

- Stable taxation on cigarettes is expected to maintain current volumes run-rate. The company has been gaining market share in cigarettes from last one year through new premium products & trade promotions
- FMCG business growing at a sustained pace with continuous improvement in margins in last five years. Large opportunity size of existing foods (Atta, Biscuits, Juices, Noodles, snacks, Chocolate & dairy) portfolio would help in growing the business at faster pace compared to other FMCG companies
- Hotels business in occupancy levels has crossed 70% & ARR's are above pre-pandemic levels. We believe it would continue to grow at a faster pace in the near term factoring in pent-up demand

**Alternate Stock Idea:** We also like Dabur in our FMCG coverage.

- Significant shift in consumption towards healthier, natural & Ayurveda based products & aggressively foray in many big categories would be driving growth for Dabur



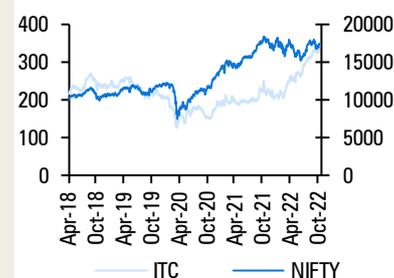
### Particulars

Particulars (₹ crore)	Amount
Market Capitalization	4,29,858.2
Total Debt (FY22)	50.6
Cash and Investments (FY22)	15,502.9
EV	4,14,406.0
52 week H/L (₹)	350 / 207
Equity capital	1,230.9
Face value (₹)	1.0

### Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	0.0	0.0	0.0	0.0
FII	10.8	10.0	12.0	12.7
DII	43.7	43.8	42.8	42.8
Others	45.5	46.2	45.2	44.5

### Price Chart



### Recent event & key risks

- Cigarette business volume growth was robust at 20% in Q2FY23
- Key Risk:** (i) Commodity inflation to keep FMCG margins under check (ii) Any abrupt increase in taxes or duties on cigarettes

### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

### Key Financial Summary

Key Financials	FY20	FY21	FY22	5 Year CAGR (FY17-22E) (%)	FY23E	FY24E	CAGR (FY22-24E)
Net Sales	46323.7	48151.2	59101.1	8.3	70694.4	75552.5	13.1%
EBITDA	17904.3	15522.5	18933.7	5.4	23004.9	26853.4	19.1%
EBITDA Margin %	38.7	32.2	32.0		32.5	35.5	
Net Profit	15136.1	13031.6	15057.8	8.1	17309.8	20243.4	15.9%
EPS (₹)	12.5	10.7	12.4	8.1	14.2	16.7	15.9%
P/E	28.1	32.6	28.2		24.5	21.0	
RoNW %	23.8	22.1	24.5		27.1	29.7	
RoCE (%)	29.4	28.2	31.4		35.3	38.8	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q2FY23 Results: Robust cigarettes volume growth, FMCG business also on growth path

- Revenue witnessed growth of 26.6% to ₹ 17159.6 crore led by splendid growth in cigarettes, FMCG & paperboard segments. Agri & hotels business also grew at stronger pace on the back of lower base quarter sales
- Cigarettes business sales were up 23.3% led by ~20% volume growth & ~3% product mix improvement. Stable taxes & action on illicit cigarettes by enforcement agencies is driving volume growth. Segment profits have grown by 23.6% to ₹ 4429 crore maintaining margins
- Cigarettes volume has been driven by new product launches at premium end and aggressive trade promotions. The growth has been secular across regions & markets
- FMCG business growth of 21% was led by strong performance across categories except hygiene product portfolio. Moreover, fully functional education institutes are also supporting strong growth in education & stationary category
- FMCG margins (EBITDA) contracted by merely 50 bps to 9.5% despite high inflationary pressure. It is important to note that operating margins expanded by 280 bps compared to Q2FY20 (pre-pandemic quarter)
- The company is growing its presence in the e-commerce channels with presence in quick commerce, modern trade & D2C platform. Its D2C platform is now present in 14 cities with 700+ products in 45 categories
- ITC has a strong new product pipeline in existing categories with focus on premiumisation. Its product portfolio includes salt, Vermicelli, Cow Ghee, healthy beverages. The company is leveraging its existing brands for expanding presence in high opportunity size categories
- Paperboard business growth of 25% was largely led by pricing growth in Q2. The end user industries of paperboard business have been clocking higher than pre-pandemic volumes
- Paperboard segment profit for the business has grown 54% to ₹ 630 crore with 518 bps improvement in margin to 27.5%. The state of the art facility in Nadiad, Gujarat commenced operations in Q2
- Hotels business occupancy levels has crossed 70% (except for newer properties). Further average room revenue (ARRs) has been higher than pre-Covid levels. Operating margins (EBITDA) were at 29% higher by 860 bps compared to the Q2FY20 (pre-Covid period)
- ITC Narmada, a luxury 291-key hotel in Ahmedabad was launched in August-22. The company has healthy pipeline of properties under Welcome hotels, Mementos, Storii & Fortune brands, which would be open in phased manner in next few quarters
- Though agri business has grown at 44% YoY on a low base, it is down 47% sequentially after export ban on wheat. However, wheat contracted for exports before the ban were allowed to export during the quarter. Agri exports largely constitutes wheat, rice & leaf tobacco
- ITC would be commencing operations of its Mysuru plant in Q4FY23. The facilities would manufacture Nicotine & Nicotine derivative products for exports. It would also commission spice facility in Guntur soon
- The company maintained its gross & operating margins despite huge commodity pressure in FMCG business. We believe impact of commodity inflation have been offset by operating leverage

- Operating profit grew 27.1% to ₹ 5864.3 crore with sustained operating margin at 34.2% (12 bps up). Other income was down 25.1% to ₹ 506.9 crore given reduction in cash & investments after company adopted the policy of 85% dividend payout. Net profit grew 20.8% to ₹4466.1 crore

Exhibit 1: Peer Comparison

Sector / Company	CMP	TP	M Cap	Sales growth (%)			EBITDA Margins (%)			P/E(x)			RoE (%)			RoCE (%)		
	(₹)	(₹) Rating		(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E
ITC Limited (ITC)	350	405 Buy	429858	23.1	19.4	6.8	32.0	32.5	35.5	28.2	24.5	21.0	24.5	27.1	29.7	31.4	35.3	38.8
Nestle (NESIND)	20061	22400 Hold	190912	10.2	14.3	10.5	24.5	22.3	24.1	90.2	78.4	66.6	111.3	103.6	110.3	58.7	57.1	63.0
VST Industries (VSTIND)	3522	3425 Hold	4937	4.6	8.3	7.5	36.5	36.2	36.2	15.3	14.3	13.0	32.8	35.7	41.2	44.2	47.7	55.1

Source: Company, ICICI Direct Research

ITC continued its growth momentum across categories in Q2FY23. The cigarettes category has been benefited by stable taxation, market share gains with aggressive trade promotions and newly launched premium brands in last one year. FMCG business is witnessing strong growth specifically in underpenetrated foods category & strong traction from education & stationary business (fully functional education institutions have propelled growth after two years). Further, paperboard business is not only benefited by pricing growth but it is also gaining volumes across user industries. Hotels business has been benefited by pent-up demand conditions after two years of Covid impacted occupancies. Given, Q3 is peak quarter for travel, the hotels occupancies & ARRr are likely to remain robust in near future. We believe ITC would continue to grow in its core business of Cigarettes and FMCG with stable taxation & softening of raw material prices. We remain positive on ITC from long term growth perspective. We maintain our BUY recommendation with the revised target price on stock to ₹ 405 / share (earlier 360 /share).

Exhibit 2: Variance Analysis

	Q2FY23	Q2FY22E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Total Operating Income	17,159.6	16,986.6	13,553.5	26.6	18,320.2	-6.3	Revenue grew by 26.6% led by strong cigarettes sales & robust growth in FMCG, paperboard & hotels business
Operating Income	188.4	154.0	197.4	-4.6	156.6	20.3	
Raw Material Expenses	6,938.0	7,084.0	5,446.2	27.4	8,476.8	-18.2	Gross margins only slightly down despite high commodity inflation in FMCG business
Employee Expenses	936.4	879.8	753.2	24.3	862.1	8.6	
Other operating Expenses	2,391.2	2,208.3	1,916.6	24.8	2,303.2	3.8	
EBITDA	5,864.3	5,811.0	4,615.0	27.1	5,647.5	3.8	
EBITDA Margin (%)	34.2	34.2	34.1	12 bps	30.8	335 bps	Operating margins maintained with gross margin dip was offset by operating leverage
Depreciation	422.0	423.1	401.5	5.1	411.5	2.5	
Interest	10.7	11.5	10.5	2.1	9.1	16.9	
Other Income	506.9	346.3	677.0	-25.1	312.7	62.1	Other income down by 25.1% given cash & investments are lower due to higher dividend pay-out by the company
PBT	5,938.5	5,722.7	4,880.1	21.7	5,539.6	7.2	
Tax Outgo	1,472.5	1,442.1	1,182.9	24.5	1,370.2	7.5	
PAT	4,466.1	4,280.6	3,697.2	20.8	4,169.4	7.1	Net profit witnessed a growth of 20.8%
Adjusted PAT	4,466.1	4,280.6	3,697.2	20.8	4,169.4	7.1	
<b>Key Metrics YoY growth (%)</b>							
Cigarette Growth (%)	23.3	16.9	10.2		29.0		Cigarettes volume grew by robust 20% (much ahead of our estimates)
FMCG (Others) Growth (%)	21.0	10.7	2.9		336.2		FMCG growth was driven by foods & stationary business
Hotels Growth (%)	81.8	98.4	463.5		82.7		Hotels occupancies are above 70% & ARR above pre-Covid levels
Agri Business Growth (%)	44.0	58.0	-7.0		43.3		Agri business grew on low base, down 47% sequentially after ban on wheat exports
Paperboards Growth (%)	25.0	22.1	25.4		19.5		Strong volume from user industries & pricing growth continues

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Sales	69,556.3	70,694.4	1.6	74433.5	75552.5	1.5	We increase our cigarette & hotels business sales after strong cigarette volumes & robust hotel occupancies in H1
EBITDA	22478.9	23004.9	2.3	26284.2	26853.4	2.2	
EBITDA Margin (%)	32.3	32.5	22 bps	35.3	35.5	23 bps	
PAT	17240.7	17309.8	0.4	19875.7	20243.4	1.9	
EPS (₹)	14.0	14.0	0.4	16.1	16.4	1.9	

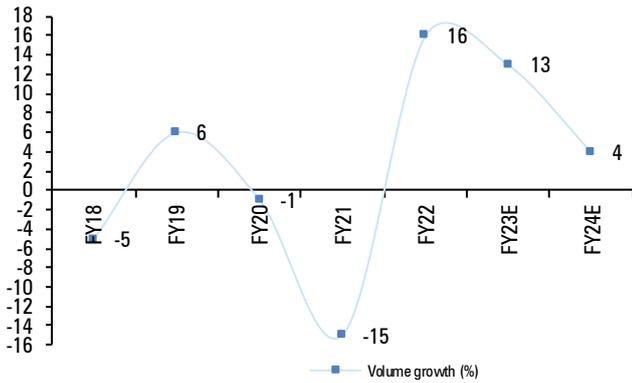
Source: ICICI Direct Research

Exhibit 4: Assumptions

	Current				Earlier				Comments
	FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY23E	FY24E	
Cigarettes (₹ cr)	20,713.0	21,201.7	20,333.1	23,206.0	27,008.1	28,650.1	26,163.9	27,754.5	
Cigarette Vol. Growth (%)	6	-1	-15	16	13	4	10	4	We increase our cigarette volume estimates from 10% to 13%
Cigarette Price Growth (%)	10	4	10	1	3	2	3	2	
FMCG - Others (₹ cr)	12,505.3	12,844.2	14,728.2	16,021.5	18,396.3	20,946.3	18,241.6	20,770.2	Slight increase in FMCG sales
Hotels (₹ cr)	1,665.5	1,837.3	627.5	1,323.8	2,155.1	2,244.7	2,016.0	2,197.4	We increase our hotels business sales estimate given stronger occupancies & ARR
Paperboards (₹ cr)	5860.2	6107.2	5826.4	7592.6	8934.4	10018.9	8934.4	10018.9	

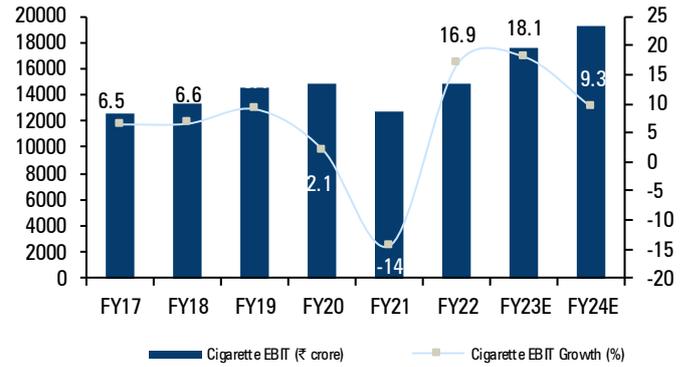
Source: ICICI Direct Research

Exhibit 1: Cigarette volume growth trend



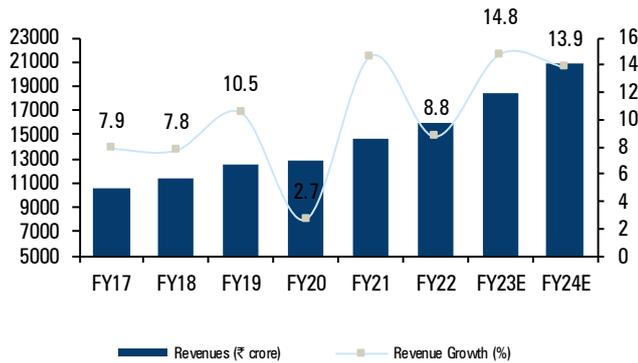
Source: ICICI Direct Research, Company

Exhibit 2: Cigarette EBIT growth trend



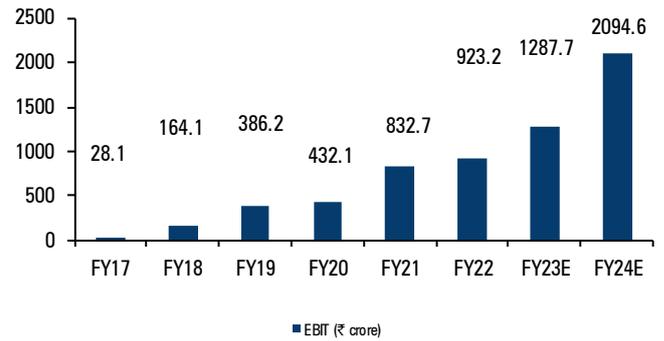
Source: ICICI Direct Research, Company

Exhibit 3: FMCG revenue (₹ crore) and growth (%) trend



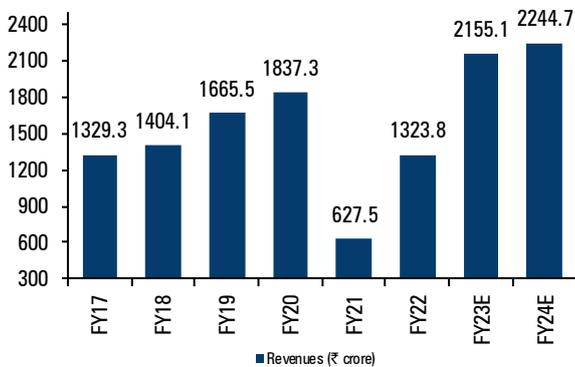
Source: ICICI Direct Research, Company

Exhibit 4: FMCG EBIT (₹ crore) trend



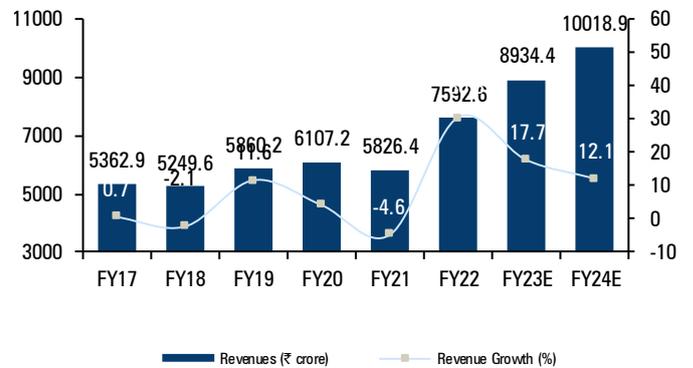
Source: ICICI Direct Research, Company

Exhibit 5: Hotel revenue (₹ crore) and growth (%) trend



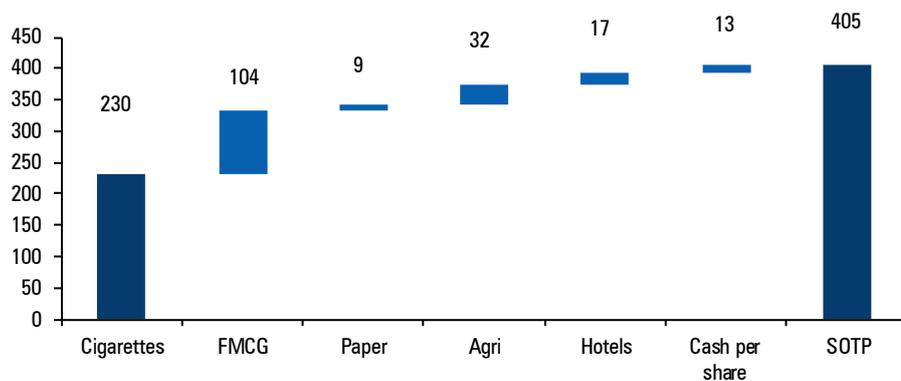
Source: ICICI Direct Research, Company

Exhibit 6: Paperboards revenue (₹ crore) and growth (%) trend



Source: ICICI Direct Research, Company

Exhibit 7: Sum of the part valuation



Source: Company, ICICI Direct Research

Exhibit 8: Valuations

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	48151.2	3.9	10.7	-13.9	32.6	27.4	22.1	28.2
FY22	59101.1	22.7	12.4	15.5	28.2	22.5	24.5	31.4
FY23E	70694.4	19.6	14.2	15.0	24.5	18.6	27.1	35.3
FY24E	75552.5	6.9	16.7	16.9	21.0	15.9	29.7	38.8

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Total operating income</b>	<b>48,524.5</b>	<b>59,745.6</b>	<b>71,310.2</b>	<b>76,174.6</b>
Growth (%)	3.7	23.1	19.4	6.8
Raw Material Expenses	19,974.6	26,232.5	31,176.4	30,652.8
Employee Expenses	2,821.0	3,062.0	3,470.5	3,934.5
Marketing Expenses	0.0	0.0	1,178.7	1,216.1
Administrative Expenses	0.0	0.0	2,226.3	2,003.0
Excise Duty	3039.4	3404.3	3574.5	3932.0
Other expenses	7,167.1	8,113.1	6,679.0	7,582.8
Total Operating Expenditure	33,002.1	40,811.9	48,305.4	49,321.1
<b>EBITDA</b>	<b>15,522.5</b>	<b>18,933.7</b>	<b>23,004.9</b>	<b>26,853.4</b>
Growth (%)	-13.3	22.0	21.5	16.7
Depreciation	1,561.8	1,652.2	1,692.4	1,739.9
Interest	47.5	42.0	46.6	74.7
Other Income	3,251.0	2,590.0	1,875.6	2,024.6
PBT	17,164.2	19,829.5	23,141.5	27,063.4
Total Tax	4,132.5	4,771.7	5,831.7	6,820.0
<b>PAT</b>	<b>13,031.6</b>	<b>15,057.8</b>	<b>17,309.8</b>	<b>20,243.4</b>
Growth (%)	-13.9	15.5	15.0	16.9
EPS (₹)	10.7	12.4	14.2	16.7

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit After Tax	13,207.5	15,319.5	17,309.8	20,243.4
Add: Depreciation	1,561.8	1,652.2	1,692.4	1,739.9
(Inc)/dec in Current Assets	-1,450.3	-762.3	-2,581.4	-1,238.4
Inc/(dec) in CL and Provisions	1,055.4	946.4	1,417.6	883.0
<b>CF from operating activities</b>	<b>11,494.0</b>	<b>14,807.8</b>	<b>17,838.4</b>	<b>21,628.0</b>
(Inc)/dec in Investments	0.0	0.0	-3,300.7	-1,410.9
(Inc)/dec in LT loans & advance	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-2,176.3	-1,674.8	-2,020.0	-2,020.0
Others	0.0	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>6,497.9</b>	<b>-1,517.1</b>	<b>-5,319.7</b>	<b>-5,530.9</b>
Issue/(Buy back) of Equity	-2.3	-0.4	0.0	0.0
Inc/(dec) in loan funds	-52.0	-81.4	10.0	10.0
Dividend paid & dividend tax	-18,629.3	-13,547.1	-14,788.0	-16,020.3
Others	14.0	0.0	20.8	35.2
<b>CF from financing activities</b>	<b>-18,378.9</b>	<b>-13,337.0</b>	<b>-14,757.1</b>	<b>-15,975.1</b>
Net Cash flow	-387.1	-46.3	-2,238.4	122.1
Opening Cash	561.4	231.3	185.0	-2,053.4
Cash with Bank	3,827.2	3,693.0	3,693.0	3,693.0
<b>Closing Cash</b>	<b>4,001.5</b>	<b>3,877.9</b>	<b>1,639.6</b>	<b>1,761.6</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	1,230.9	1,232.3	1,232.3	1,232.3
Reserve and Surplus	57,773.7	60,167.2	62,689.1	66,912.3
Total Shareholders funds	59,004.6	61,399.6	63,921.4	68,144.6
LT Borrowings & Provisions	5.3	4.5	14.5	24.5
Deferred Tax Liability	1,727.7	1,667.1	1,667.1	1,667.1
Others Non-current Liabilities	396.4	283.4	304.2	339.4
<b>Total Liabilities</b>	<b>61,134.0</b>	<b>63,354.6</b>	<b>65,907.3</b>	<b>70,175.7</b>
<b>Assets</b>				
Gross Block	33,299.5	36,020.8	38,463.2	40,463.2
Less: Acc Depreciation	14,809.5	16,461.7	18,154.1	19,894.0
Net Block	18,489.9	19,559.2	20,309.1	20,569.2
Capital WIP	3,330.0	2,442.3	2,000.0	2,000.0
Net Intangible Assets	2,731.2	2,720.1	2,740.1	2,760.1
Non-current Investments	12,950.4	17,229.7	20,530.4	21,941.3
LT loans & advances	2.4	5.1	5.1	5.1
<b>Current Assets</b>				
Inventory	9,470.9	9,997.8	11,814.7	12,626.6
Debtors	2,090.4	1,952.5	2,324.2	2,483.9
Loans and Advances	2.8	5.7	8.0	8.5
Other Current Assets	2,203.2	3,483.1	3,873.7	4,139.9
Cash	4,001.5	3,877.9	1,639.6	1,761.6
Current Investments	14,046.7	11,625.0	12,125.0	14,125.0
Current Liabilities	10,174.2	11,478.1	12,895.7	13,778.7
Creditors	4,119.5	4,223.4	5,035.8	5,381.8
Provisions	169.1	55.6	66.5	71.1
Short term debt & other CL	5,885.6	7,199.1	7,793.4	8,325.8
<b>Application of Funds</b>	<b>61,134.0</b>	<b>63,354.6</b>	<b>65,907.3</b>	<b>70,175.7</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	10.7	12.4	14.2	16.7
Cash EPS	12.0	13.8	15.6	18.1
BV	48.6	50.5	52.6	56.1
DPS	10.8	12.0	13.0	15.0
Cash Per Share	3.3	3.2	1.3	1.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	32.0	31.7	32.3	35.3
PBT / Total Operating income	35.4	33.2	32.5	35.5
PAT Margin	26.9	25.2	24.3	26.6
Inventory days	71.8	61.7	61.0	61.0
Debtor days	15.8	12.1	12.0	12.0
Creditor days	31.2	26.1	26.0	26.0
<b>Return Ratios (%)</b>				
RoE	22.1	24.5	27.1	29.7
RoCE	28.2	31.4	35.3	38.8
RoIC	26.4	31.3	35.2	38.9
<b>Valuation Ratios (x)</b>				
P/E	32.6	28.2	24.5	21.0
EV / EBITDA	27.4	22.5	18.6	15.9
EV / Net Sales	8.8	7.2	6.1	5.7
Market Cap / Sales	8.9	7.3	6.1	5.7
Price to Book Value	7.2	6.9	6.6	6.2
<b>Solvency Ratios</b>				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.7	2.4	2.3	2.4
Quick Ratio	1.8	1.5	1.4	1.5

Source: Company, ICICI Direct Research

**Exhibit 13: ICICI Direct coverage universe (FMCG)**

	CMP	TP	M Cap	EPS (₹)			P/E (x)			Price/Sales (x)			RoCE (%)			RoE (%)			
	(₹)	(₹) Rating		(₹ Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Colgate (COLPAL)	1,603	1,610	Hold	43,606	39.6	38.6	42.3	40.4	41.5	37.9	8.6	8.2	7.5	77.8	82.6	92.7	62.2	62.9	70.8
Dabur India (DABIND)	536	700	Buy	1,01,458	9.9	11.2	12.8	54.4	47.9	41.7	9.3	8.3	7.5	24.9	25.2	26.7	20.8	21.9	22.7
Hindustan Unilever (HINLEV)	2,601	2,700	Hold	6,10,844	37.5	40.9	44.8	69.3	63.6	58.0	12.1	10.8	10.1	20.2	22.5	24.6	18.1	19.7	21.5
ITC Limited (ITC)	350	405	Buy	4,29,858	12.4	14.2	16.7	28.2	24.5	21.0	7.3	6.1	5.7	31.4	35.3	38.8	24.5	27.1	29.7
Jyothy Lab (JYOLAB)	201	145	Hold	6,077	4.3	5.6	6.4	47.3	36.0	31.6	2.8	2.5	2.3	18.7	24.2	27.7	16.6	21.2	23.8
Marico (MARLIM)	524	515	Hold	67,645	9.7	10.3	11.4	53.9	50.9	45.9	7.1	7.0	6.4	41.2	43.8	47.0	37.5	38.5	41.2
Nestle (NESIND)	20,061	22,400	Hold	1,90,912	222.4	255.8	301.1	90.2	78.4	66.6	13.0	11.4	10.3	58.7	57.1	63.0	111.3	103.6	110.3
Patanjali Foods (RUCSOY)	1,425	1,750	Buy	50,721	27.3	30.9	43.5	52.3	46.1	32.8	2.1	1.7	1.5	13.2	15.6	17.3	13.1	11.3	14.2
Tata Consumer Products (TAT)	771	950	Buy	71,261	11.0	14.5	17.4	70.0	53.2	44.4	5.7	5.1	4.6	8.4	9.8	11.2	7.0	8.5	9.8
Varun Beverage (VARBEV)	1,020	1,100	Buy	60,171	17.2	20.6	23.4	59.2	49.5	43.6	6.8	4.9	4.3	17.1	28.1	30.8	18.3	26.3	25.3
VST Industries (VSTIND)	3,522	3,425	Hold	4,937	207.4	229.3	252.9	17.0	15.4	13.9	4.2	3.8	3.5	39.2	44.6	50.6	30.0	33.4	37.8
Zydus Wellness (ZYDWEL)	1,737	2,100	Buy	10,254	48.5	57.5	71.0	35.8	30.2	24.5	5.1	4.5	4.1	6.1	7.1	8.4	6.4	7.3	8.7

Source: Bloomberg, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Sanjay Manyal MBA (FINANCE) Research Analyst, 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. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customer simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by an recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

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

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

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

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.