

October 20, 2023

## Q2FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|               | Current    |          | Previous   |          |
|---------------|------------|----------|------------|----------|
|               | FY24E      | FY25E    | FY24E      | FY25E    |
| Rating        | ACCUMULATE |          | ACCUMULATE |          |
| Target Price  | 492        |          | 475        |          |
| Sales (Rs.m)  | 6,86,706   | 7,48,410 | 6,78,436   | 7,39,348 |
| % Chng.       | 1.2        | 1.2      |            |          |
| EBITDA (Rs.m) | 2,60,651   | 2,87,141 | 2,62,834   | 2,89,095 |
| % Chng.       | (0.8)      | (0.7)    |            |          |
| EPS (Rs.)     | 16.7       | 18.2     | 16.7       | 18.3     |
| % Chng.       | (0.2)      | (0.3)    |            |          |

### Key Financials - Standalone

| Y/e Mar         | FY23 | FY24E | FY25E | FY26E |
|-----------------|------|-------|-------|-------|
| Sales (Rs. bn)  | 660  | 687   | 748   | 810   |
| EBITDA (Rs. bn) | 239  | 261   | 287   | 312   |
| Margin (%)      | 36.3 | 38.0  | 38.4  | 38.6  |
| PAT (Rs. bn)    | 187  | 207   | 227   | 247   |
| EPS (Rs.)       | 15.0 | 16.7  | 18.2  | 19.8  |
| Gr. (%)         | 23.0 | 10.9  | 9.3   | 8.8   |
| DPS (Rs.)       | 15.4 | 13.5  | 15.0  | 16.0  |
| Yield (%)       | 3.4  | 3.0   | 3.3   | 3.6   |
| RoE (%)         | 29.0 | 30.3  | 31.5  | 31.8  |
| RoCE (%)        | 34.5 | 35.4  | 37.1  | 37.6  |
| EV/Sales (x)    | 8.2  | 7.8   | 7.2   | 6.6   |
| EV/EBITDA (x)   | 22.5 | 20.6  | 18.7  | 17.1  |
| PE (x)          | 30.0 | 27.0  | 24.7  | 22.7  |
| P/BV (x)        | 8.3  | 8.1   | 7.5   | 7.0   |

### Key Data

|                     | ITC.BO   ITC IN        |
|---------------------|------------------------|
| 52-W High / Low     | Rs.500 / Rs.323        |
| Sensex / Nifty      | 65,629 / 19,625        |
| Market Cap          | Rs.5,617bn/ \$ 67,477m |
| Shares Outstanding  | 12,471m                |
| 3M Avg. Daily Value | Rs.5292.62m            |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | -     |
| Foreign                 | 12.88 |
| Domestic Institution    | 41.93 |
| Public & Others         | 45.19 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M    | 6M   | 12M  |
|----------|-------|------|------|
| Absolute | (0.4) | 13.7 | 30.9 |
| Relative | 2.6   | 3.2  | 17.9 |

### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

### Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

### Harish Advani

harishadvani@plindia.com | 91-22-66322242

## Steady performance, expect back ended returns

### Quick Pointers:

- Cig volumes up 4.9%, FMCG sales grow 8.3% with margins up 173bps YoY
- Hotel outlook remains strong with higher ARR

**ITC EBIDTA growth at 3% was below estimates due to sharp decline in Paperboard segment EBIT by ~50% and moderation in cigarette volume growth to 4.9% on a normalized and high base. FMCG EBIDTA margins of 11% (36.8% EBIT growth) and 49.6% EBIT growth in hotels have been positive. We expect cigarette volume growth to moderate to 4-5% range in 2H24. FMCG business is expected to gain from festive season, expected uptick in rural demand and scale economies. We believe Paper and Paperboard business is near bottom and expect QoQ margin improvement in coming quarters. We expect strong growth from Hotels and FMCG to sustain given benign input costs and strong demand outlook for both domestic and foreign travel.**

**We are largely retaining our estimates and introduce FY26 EPS. we estimate 9.7% EPS CAGR over FY23-26. We believe FMCG and IT services will add significant shareholder value over coming few years. ITC trades at 23.6x Sept FY25 EPS with ROE/ROCE of 32.8/42.3% and ~80%+ dividend payout. We assign SOTP based target price of Rs492 (Rs475 earlier) as we roll forward to Sept25. Valuations limit major downside, expect for any punitive cigarette taxes in future. We expect back ended returns post sharp appreciation over past couple of years. Retain Accumulate.**

**2Q PAT up 10.3%:** Revenues grew by 2.6% YoY to Rs165.5bn. EBITDA grew 3% YoY to Rs60.4bn (PLe: Rs 63.5bn); Margins expanded by 15bps YoY/-298bps QoQ to 36.5% (PLe:38.6%). Adj PAT grew by 10.3% YoY to Rs49.3bn (PLe: Rs49.9bn).

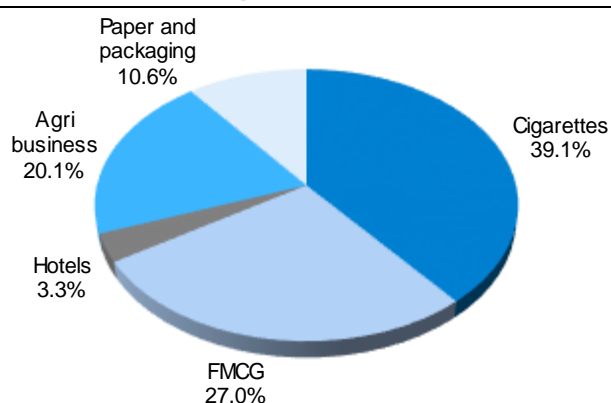
### 2QFY24 Segment Wise Performance

- Cigarette Revenues grew 10.1% YoY to Rs76.6bn; EBIT grew 8% YoY to 47.8bn. Margins contracted 125bps YoY to 62.4%. Cigarettes volume growth of 4.9% (PLe: 6.2%).
- FMCG Revenues grew by 8.3% YoY to Rs52.9bn; EBIT grew by 37% YoY to 4.4bn. Margins expanded by 173bps YoY to 8.3%.
- Hotels Revenues grew by 21.2% YoY to Rs6.5bn; EBIT grew by 50% YoY to 1.3bn. Margins expanded by 370bps YoY to 19.4%.
- Agri Revenues declined by 1.7% YoY to Rs39.3bn; EBIT grew by 3% YoY to 3.6bn. Margins expanded by 44bps YoY to 9.1%.
- Paperboard & Paper Revenues declined by 9.5% YoY to Rs20.7bn; EBIT declined by 50% YoY to 3.2bn. Margins contracted by 1227bps YoY to 15.3%.
- ITC Infotech Revenues grew 13.3% YoY to Rs9.3bn; EBITDA grew by 23.7% YoY to 1.7bn. Margins expanded by 151bps YoY to 18.0%.

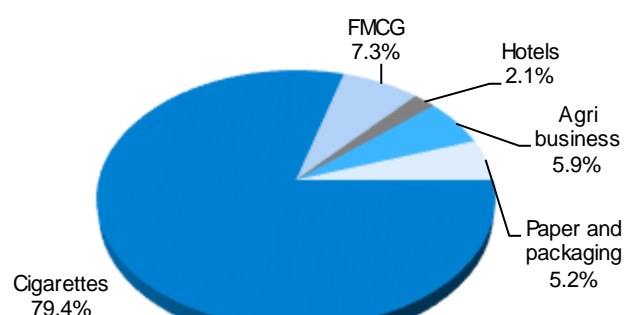
**Exhibit 1: 2QFY24 Result Overview: Net Sales up 2.6%, Adj. PAT up 10.3%**

| Y/e March           | 2QFY24         | 2QFY23         | YoY gr. (%)  | 1QFY24         | 1HFY24         | 1HFY23         | YoY gr. (%)  |
|---------------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|
| <b>Net Sales</b>    | <b>165,501</b> | <b>161,299</b> | <b>2.6</b>   | <b>158,282</b> | <b>323,783</b> | <b>334,196</b> | <b>(3.1)</b> |
| EBITDA              | 60,416         | 58,643         | 3.0          | 62,501         | 122,917        | 115,119        | 6.8          |
| <i>Margins (%)</i>  | <i>36.5</i>    | <i>36.4</i>    | <i>0.1</i>   | <i>39.5</i>    | <i>38.0</i>    | <i>34.4</i>    | <i>3.5</i>   |
| Depreciation        | 4,132          | 4,220          | (2.1)        | 4,025          | 8,157          | 8,336          | (2.1)        |
| Interest            | 105.1          | 106.7          | (1.5)        | 107.2          | 212.3          | 198.0          | 7.2          |
| Other Income        | 8,956          | 5,069          | 76.7         | 7,087          | 16,044         | 8,196          | 95.8         |
| <b>PBT</b>          | <b>65,135</b>  | <b>59,385</b>  | <b>9.7</b>   | <b>65,456</b>  | <b>130,591</b> | <b>114,781</b> | <b>13.8</b>  |
| Tax                 | 15,865         | 14,725         | 7.7          | 16,429         | 32,294         | 28,427         | 13.6         |
| <i>Tax Rate (%)</i> | <i>24.4</i>    | <i>24.8</i>    | <i>(0.4)</i> | <i>25.1</i>    | <i>24.7</i>    | <i>24.8</i>    | <i>(0.0)</i> |
| <b>Adjusted PAT</b> | <b>49,270</b>  | <b>44,661</b>  | <b>10.3</b>  | <b>49,027</b>  | <b>98,297</b>  | <b>86,354</b>  | <b>13.8</b>  |

Source: Company, PL

**Exhibit 2: Sales Mix: Cigarettes 39.1%, FMCG 27.0%**


Source: Company, PL

**Exhibit 3: Cigarettes contribute 79.4% of EBIT**


Source: Company, PL

**Exhibit 4: SOTP on Sep25 - cigarette account of 58% of value**

| SOTP                     | Basis     | X   | EV (Rs mn) | PAT (Rs mn) | % of PAT | EPS (Rs) | Value/Share |
|--------------------------|-----------|-----|------------|-------------|----------|----------|-------------|
| Cigarettes               | P/E       | 22  |            | 161490      | 68.1     | 13.0     | 285         |
| FMCG - Others            | EV/Sales  | 5.0 | 1306622    | 19738       | 8.3      | 1.6      | 105         |
| Hotels                   | EV/EBIDTA | 25  | 3,00,263   | 6446        | 2.7      | 0.5      | 24          |
| Agri business            | P/E       | 15  |            | 13461       | 5.7      | 1.1      | 16          |
| Paper and packaging      | P/E       | 14  |            | 13938       | 5.9      | 1.1      | 16          |
| ITC Infotech             | PE        | 20  |            | 6588        |          | 0.5      | 11          |
| Business Value           |           |     |            |             |          | 17.3     | 457         |
| Cash and Invst           |           |     | 441565     |             |          |          | 35          |
| <b>Total Value/share</b> |           |     |            |             |          |          | <b>492</b>  |

Source: PL

Strong growth in Atta, spices, personal wash and Agarbatti. Notebooks and pens report strong growth.

Rising unorganized competition amidst soft commodity prices, however Wheat, Sugar prices moving up and more up move likely in select products.

FMCG EBIDTA margins at 11% given benefits of input costs, supply chain efficiencies and scale benefits.

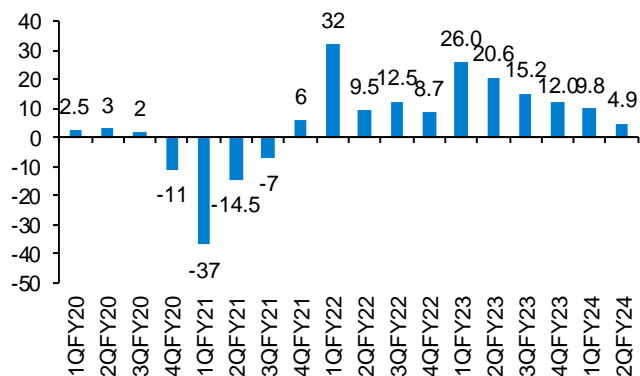
Paper business commissions unit to increase pulp capacity by 20%. Poor demand, cheap pulp prices and dumping impacts margins.

Hotels continue to make headway on higher ARR and Occupancy. Renovation of existing properties to aid growth in 2H24.

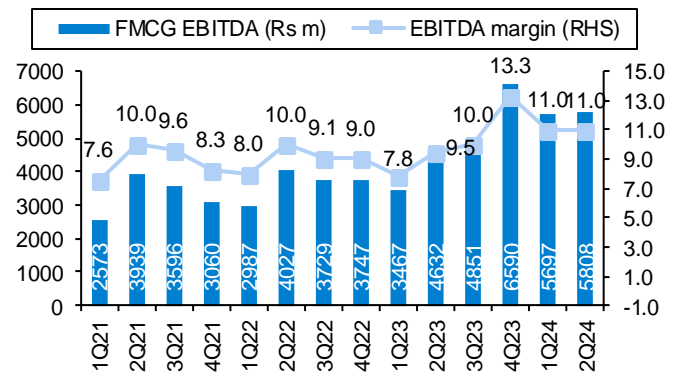
**Exhibit 5: Cigarette volumes grew 4.9%, FMCG margins at 8.3%**

|                              | 1Q23           | 2Q23           | 3Q23           | 4Q23           | 1Q24           | 2Q24            |
|------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>Cigarette Volume gr %</b> | <b>26.0</b>    | <b>20.5</b>    | <b>15.2</b>    | <b>12.0</b>    | <b>9.8</b>     | <b>4.9</b>      |
| <b>Sales (INR m)</b>         | <b>213,555</b> | <b>186,591</b> | <b>182,713</b> | <b>188,821</b> | <b>210,576</b> | <b>1,95,995</b> |
| Cigarettes                   | 66,090         | 69,538         | 72,882         | 73,558         | 74,653         | 76,577          |
| FMCG                         | 44,514         | 48,848         | 48,414         | 49,450         | 51,660         | 52,916          |
| Hotels                       | 5,550          | 5,360          | 7,124          | 7,817          | 6,002          | 6,494           |
| Agri business                | 74,730         | 39,970         | 31,238         | 35,786         | 57,054         | 39,310          |
| Paper and packaging          | 22,672         | 22,876         | 23,055         | 22,210         | 21,208         | 20,699          |
| <b>Sales growth (YoY)</b>    | <b>45.8</b>    | <b>28.0</b>    | <b>2.6</b>     | <b>7.7</b>     | <b>-1.4</b>    | <b>5.0</b>      |
| Cigarettes                   | 29.0           | 23.3           | 16.7           | 14.2           | 13.0           | 10.1            |
| FMCG                         | 19.5           | 21.0           | 18.4           | 19.4           | 16.1           | 8.3             |
| Hotels                       | 336.2          | 81.8           | 50.5           | 100.6          | 8.1            | 21.2            |
| Agri business                | 82.7           | 44.0           | (37.1)         | (18.0)         | (23.7)         | (1.7)           |
| Paper and packaging          | 43.3           | 25.0           | 12.7           | 1.8            | (6.5)          | (9.5)           |
| <b>EBIT (INR m)</b>          | <b>54,020</b>  | <b>58,088</b>  | <b>61,116</b>  | <b>61,424</b>  | <b>60,466</b>  | <b>60,186</b>   |
| Cigarettes                   | 41,889         | 44,293         | 46,197         | 46,891         | 46,561         | 47,817          |
| FMCG                         | 2,039          | 3,206          | 3,481          | 5,016          | 4,309          | 4,386           |
| Hotels                       | 1,122          | 840            | 1,462          | 1,996          | 1,312          | 1,258           |
| Agri business                | 2,840          | 3,452          | 3,915          | 3,071          | 3,560          | 3,567           |
| Paper and packaging          | 6,130          | 6,298          | 6,062          | 4,450          | 4,725          | 3,158           |
| <b>EBIT growth (YoY)</b>     | <b>41.0</b>    | <b>28.7</b>    | <b>22.6</b>    | <b>22.6</b>    | <b>11.9</b>    | <b>3.6</b>      |
| Cigarettes                   | 30.1           | 23.6           | 16.9           | 14.0           | 11.2           | 8.0             |
| FMCG                         | 17.6           | 17.9           | 43.9           | 112.6          | 111.3          | 36.8            |
| Hotels                       | NA             | NA             | 189.1          | NA             | 17.0           | 49.8            |
| Agri business                | 45.1           | 16.6           | 32.6           | 25.9           | 25.3           | 3.3             |
| Paper and packaging          | 56.0           | 54.0           | 35.2           | (1.0)          | (22.9)         | (49.9)          |
| <b>EBIT Margin (%)</b>       |                |                |                |                |                |                 |
| Cigarettes                   | 63.4           | 63.7           | 63.4           | 63.7           | 62.4           | 62.4            |
| FMCG                         | 4.6            | 6.6            | 7.2            | 10.1           | 8.3            | 8.3             |
| Hotels                       | 20.2           | 15.7           | 20.5           | 25.5           | 21.9           | 19.4            |
| Agri business                | 3.8            | 8.6            | 12.5           | 8.6            | 6.2            | 9.1             |
| Paper and packaging          | 27.0           | 27.5           | 26.3           | 20.0           | 22.3           | 15.3            |

Source: Company, PL

**Exhibit 6: Cigarette Volumes up 4.9%**


Source: Company, PL

**Exhibit 7: Margins at 11.0%, Margins increase by 149bps YoY**


Source: Company, PL

- Cigarette volumes grew 4.9%; EBIT up 8.0%:** Revenues grew by 10.1% YoY to Rs76.6bn; EBIT grew by 8% YoY to 47.8bn. Margins contracted by 125bps YoY to 62.4%. New offerings and premium segments in both RSFT and longs grew faster. Relative stability in taxes, backed by deterrent actions by enforcement agencies, enables continued volume recovery from illicit trade.
- FMCG EBITDA margins increase 149bps YoY:** Revenues grew by 8.3% YoY to Rs52.9bn; EBIT grew by 37% YoY to 4.4bn. Margins expanded by 173bps YoY to 8.3%. EBITDA margin up 149bps YoY to 11.0%. FMCG Businesses continued to witness robust growth in both urban and rural markets on a high base, driven by enhanced distribution footprint, deep consumer insights, innovation and portfolio premiumisation. Both traditional and emerging channels (viz. Modern Trade, e-Commerce, Quick Commerce) witnessed robust traction driven by sharp execution of channel-specific business plans, collaborations, format-based assortments. Certain categories such as Biscuits, Snacks, Noodles, popular Soaps witnessed increase in competitive intensity from regional players
- Hotels Revenues up 21.2% YoY:** Revenues grew by 21.2% YoY to Rs6.5bn; EBIT grew by 50% YoY to 1.3bn. Margins expanded by 370bps YoY to 19.4% led by strong growth in ARR's across properties. Occupancy remained flattish YoY mainly due to renovations and relatively fewer wedding dates during the quarter. Outlook remains positive for 2H24.
- Paperboards, Paper & Packaging:** Revenues declined by 9.5% YoY to Rs20.7bn; EBIT declined by 50% YoY to 3.2bn. Margins contracted by 1227bps YoY to 15.3% due to subdued demand, dumping of low cost paper from abroad and impact of cheaper pulp. We believe divisional performance has bottomed out as pulp prices are unlikely to contract and ITC has started unit to enhance in-house pulp capacity by 20%.
- Agri Business:** Revenues declined by 9.5% YoY to Rs20.7bn; EBIT declined by 50% YoY to 3.2bn. Margins contracted by 1227bps YoY to 15.3%. During the quarter, stock limits on wheat, ban on non-basmati rice exports and export duty on parboiled rice, further limited business opportunities for the Agri Business.

**Exhibit 8: Cigarettes and FMCG to drive growth over FY23-26**

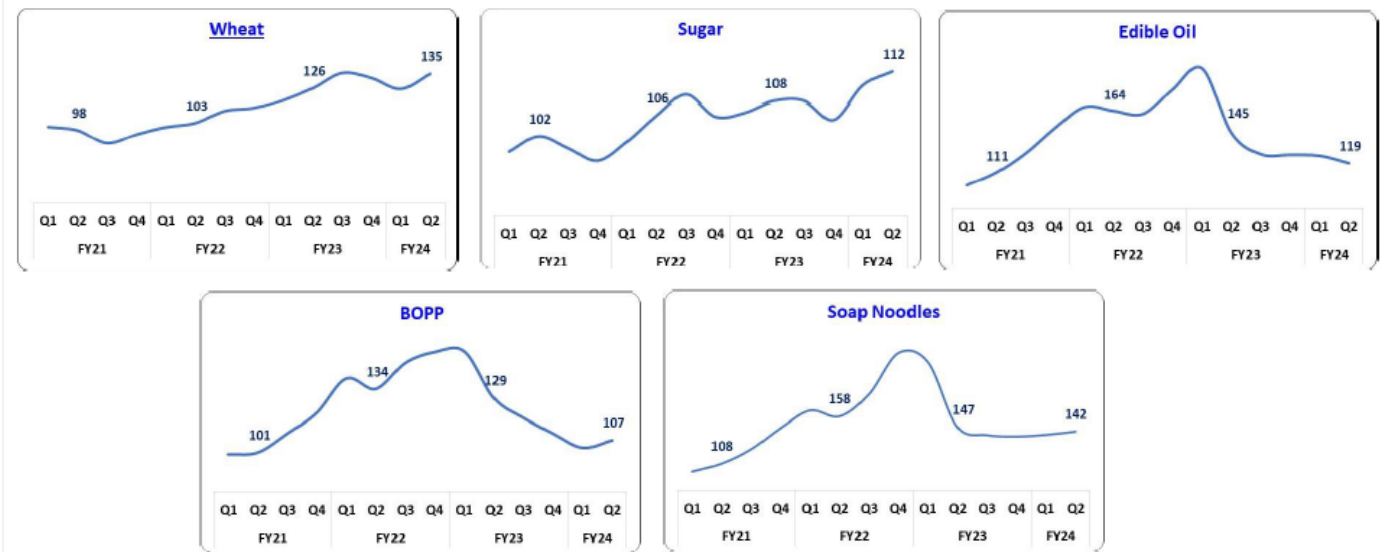
|                         | FY21    | FY22     | FY23     | FY24E    | FY25E    | FY26E    |
|-------------------------|---------|----------|----------|----------|----------|----------|
| <b>Net Sales (Rs m)</b> |         |          |          |          |          |          |
| Cigarettes              | 182,663 | 2,09,598 | 2,39,988 | 2,65,960 | 2,82,050 | 2,96,266 |
| FMCG                    | 147,086 | 1,59,648 | 1,91,225 | 2,15,903 | 2,45,208 | 2,77,441 |
| Hotel                   | 6,236   | 12,793   | 25,850   | 29,944   | 32,167   | 33,654   |
| Agri                    | 125,822 | 1,61,961 | 1,81,723 | 1,67,942 | 1,85,799 | 2,04,248 |
| Paper and Paperboard    | 56,186  | 76,416   | 90,814   | 82,619   | 89,556   | 95,262   |
| <b>Sales Growth (%)</b> |         |          |          |          |          |          |
| Cigarettes              | (9.3)   | 14.7     | 19.7     | 10.1     | 6.0      | 5.0      |
| FMCG                    | 14.8    | 8.5      | 19.6     | 13.1     | 13.6     | 13.1     |
| Hotel                   | (65.8)  | 105.2    | 101.2    | 16.4     | 7.4      | 4.6      |
| Agri                    | 22.9    | 28.7     | 12.2     | (7.6)    | 10.6     | 9.9      |
| Paper and Paperboard    | (8.0)   | 36.0     | 18.8     | (9.0)    | 8.4      | 6.4      |
| <b>EBIT (Rs m)</b>      |         |          |          |          |          |          |
| Cigarettes              | 127,204 | 1,48,691 | 1,79,271 | 1,95,704 | 2,09,191 | 2,19,734 |
| FMCG                    | 8,327   | 9,232    | 13,742   | 18,784   | 23,295   | 29,131   |
| Hotel                   | (5,349) | -1,831   | 5,419    | 7,336    | 8,203    | 8,918    |
| Agri                    | 8,207   | 10,312   | 13,277   | 13,771   | 16,350   | 19,404   |
| Paper and Paperboard    | 10,987  | 17,000   | 22,940   | 14,458   | 17,016   | 20,005   |
| <b>EBIT Margin (%)</b>  |         |          |          |          |          |          |
| Cigarettes              | 62.6    | 63.4     | 74.7     | 63.0     | 63.5     | 63.5     |
| FMCG                    | 5.7     | 5.8      | 7.2      | 8.7      | 9.5      | 10.5     |
| Hotel                   | -85.8   | -14.3    | 21.0     | 24.5     | 25.5     | 26.5     |
| Agri                    | 6.5     | 6.4      | 7.3      | 8.2      | 8.8      | 9.5      |
| Paper and Paperboard    | 19.6    | 22.2     | 25.3     | 17.5     | 19.0     | 21.0     |
| <b>EBIT Growth (%)</b>  |         |          |          |          |          |          |
| Cigarettes              | -14.4   | 16.9     | 20.6     | 9.2      | 6.9      | 5.0      |
| FMCG                    | 96.8    | 10.9     | 48.8     | 36.7     | 24.0     | 25.1     |
| Hotel                   | -439.1  | -65.8    | NA       | 35.4     | 11.8     | 8.7      |
| Agri                    | 4.0     | 25.6     | 28.8     | 3.7      | 18.7     | 18.7     |
| Paper and Paperboard    | -15.8   | 54.7     | 34.9     | -37.0    | 17.7     | 17.6     |

Source: Company, PL

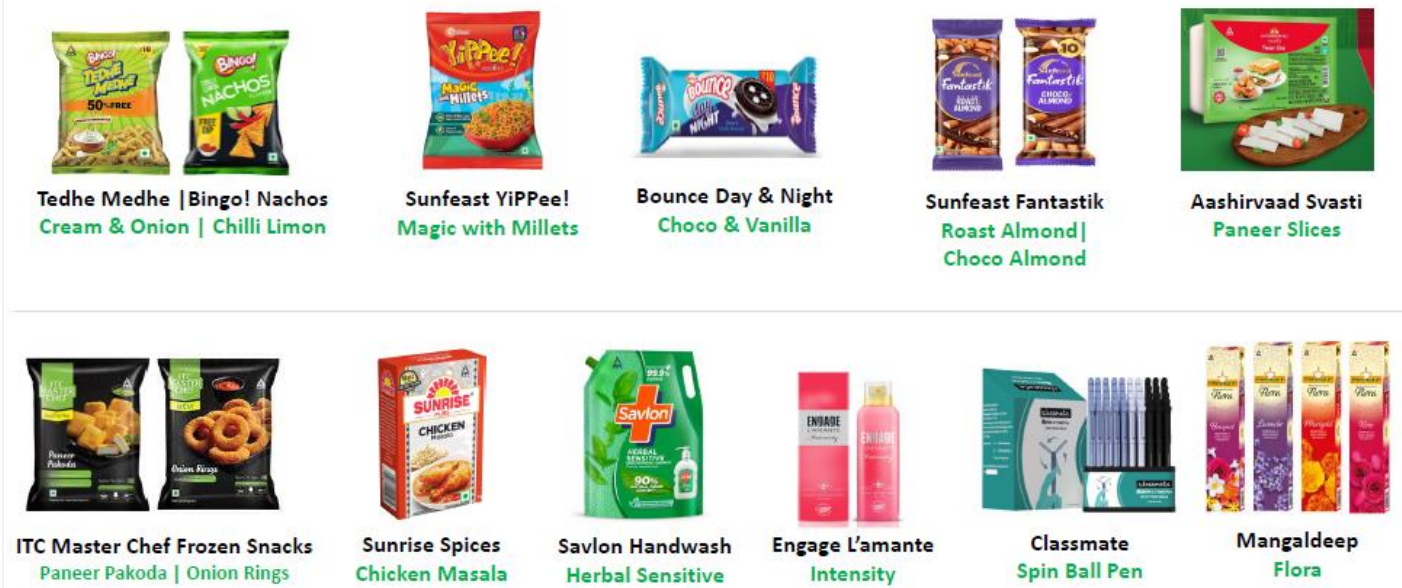
**Exhibit 9: ITC Infotech – Revenues up 13%, EBITDA up 24% YoY**

| (INR m)             | 1Q22  | 2Q22  | 3Q22  | 4Q22  | 1Q23  | 2Q23  | 3Q23  | 4Q23  | 1Q24  | 2Q24  |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| ITC Infotech        | 6,960 | 7,490 | 7,360 | 6,720 | 7,510 | 8,210 | 8,720 | 8,770 | 8,380 | 9,300 |
| Sales growth (YoY)  | 21    | 26    | 17    | 2     | 8     | 10    | 18    | 31    | 12    | 13    |
| EBITDA              | 1,960 | 2,110 | 1,920 | 1,180 | 1,190 | 1,350 | 1,660 | 1,580 | 1,140 | 1,670 |
| EBITDA growth (YoY) | 79    | 50    | 12    | -40   | -39   | -36   | (14)  | 34    | (4)   | 24    |
| Margin (%)          | 28.2  | 28.2  | 26.1  | 17.6  | 15.8  | 16.4  | 19.0  | 18.0  | 13.6  | 18.0  |

Source: Company, PL

**Exhibit 10: Mixed trends across the commodity basket**


Source: PL, Company

**Exhibit 11: Recent launches in FMCG business**


Source: PL, Company



## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY23            | FY24E           | FY25E           | FY26E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Revenues</b>           | <b>6,60,433</b> | <b>6,86,706</b> | <b>7,48,410</b> | <b>8,09,905</b> |
| YoY gr. (%)                   | 17.2            | 4.0             | 9.0             | 8.2             |
| Cost of Goods Sold            | 2,88,802        | 2,90,411        | 3,15,387        | 3,42,274        |
| Gross Profit                  | 3,71,631        | 3,96,295        | 4,33,023        | 4,67,631        |
| Margin (%)                    | 56.3            | 57.7            | 57.9            | 57.7            |
| Employee Cost                 | 35,695          | 37,666          | 40,965          | 43,229          |
| Other Expenses                | 46,079          | 45,767          | 49,282          | 52,002          |
| <b>EBITDA</b>                 | <b>2,39,445</b> | <b>2,60,651</b> | <b>2,87,141</b> | <b>3,12,345</b> |
| YoY gr. (%)                   | 26.5            | 8.9             | 10.2            | 8.8             |
| Margin (%)                    | 36.3            | 38.0            | 38.4            | 38.6            |
| Depreciation and Amortization | 16,627          | 18,188          | 19,570          | 20,947          |
| <b>EBIT</b>                   | <b>2,22,817</b> | <b>2,42,463</b> | <b>2,67,570</b> | <b>2,91,398</b> |
| Margin (%)                    | 33.7            | 35.3            | 35.8            | 36.0            |
| Net Interest                  | 418             | 418             | 418             | 418             |
| Other Income                  | 24,376          | 33,283          | 34,218          | 37,132          |
| <b>Profit Before Tax</b>      | <b>2,46,775</b> | <b>2,75,328</b> | <b>3,01,370</b> | <b>3,28,112</b> |
| Margin (%)                    | 37.4            | 40.1            | 40.3            | 40.5            |
| Total Tax                     | 59,971          | 68,006          | 74,438          | 81,044          |
| Effective tax rate (%)        | 24.3            | 24.7            | 24.7            | 24.7            |
| <b>Profit after tax</b>       | <b>1,86,804</b> | <b>2,07,322</b> | <b>2,26,932</b> | <b>2,47,068</b> |
| Minority interest             | -               | -               | -               | -               |
| Share Profit from Associate   | -               | -               | -               | -               |
| <b>Adjusted PAT</b>           | <b>1,86,804</b> | <b>2,07,322</b> | <b>2,26,932</b> | <b>2,47,068</b> |
| YoY gr. (%)                   | 24.1            | 11.0            | 9.5             | 8.9             |
| Margin (%)                    | 28.3            | 30.2            | 30.3            | 30.5            |
| Extra Ord. Income / (Exp)     | 729             | -               | -               | -               |
| <b>Reported PAT</b>           | <b>1,87,533</b> | <b>2,07,322</b> | <b>2,26,932</b> | <b>2,47,068</b> |
| YoY gr. (%)                   | 24.5            | 10.6            | 9.5             | 8.9             |
| Margin (%)                    | 28.4            | 30.2            | 30.3            | 30.5            |
| Other Comprehensive Income    | 293             | -               | -               | -               |
| Total Comprehensive Income    | 1,87,826        | 2,07,322        | 2,26,932        | 2,47,068        |
| <b>Equity Shares O/s (m)</b>  | <b>12,428</b>   | <b>12,441</b>   | <b>12,454</b>   | <b>12,465</b>   |
| <b>EPS (Rs)</b>               | <b>15.0</b>     | <b>16.7</b>     | <b>18.2</b>     | <b>19.8</b>     |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY23            | FY24E           | FY25E           | FY26E           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-Current Assets</b>             |                 |                 |                 |                 |
| <b>Gross Block</b>                    | <b>3,28,360</b> | <b>3,53,560</b> | <b>3,80,760</b> | <b>4,07,960</b> |
| Tangibles                             | 3,05,362        | 3,30,362        | 3,57,362        | 3,84,362        |
| Intangibles                           | 22,998          | 23,198          | 23,398          | 23,598          |
| <b>Acc: Dep / Amortization</b>        | <b>99,399</b>   | <b>1,16,175</b> | <b>1,34,305</b> | <b>1,53,787</b> |
| Tangibles                             | 96,775          | 1,13,204        | 1,30,982        | 1,50,110        |
| Intangibles                           | 2,624           | 2,972           | 3,323           | 3,677           |
| <b>Net fixed assets</b>               | <b>2,28,961</b> | <b>2,37,385</b> | <b>2,46,456</b> | <b>2,54,173</b> |
| Tangibles                             | 2,08,587        | 2,17,159        | 2,26,380        | 2,34,252        |
| Intangibles                           | 20,374          | 20,226          | 20,075          | 19,921          |
| Capital Work In Progress              | 16,815          | 20,000          | 20,000          | 20,000          |
| Goodwill                              | 5,772           | 5,772           | 5,772           | 5,772           |
| Non-Current Investments               | 1,63,676        | 1,71,776        | 1,83,632        | 1,96,567        |
| Net Deferred tax assets               | (16,211)        | (15,401)        | (14,631)        | (13,899)        |
| Other Non-Current Assets              | 55,359          | 36,514          | 37,998          | 39,510          |
| <b>Current Assets</b>                 |                 |                 |                 |                 |
| Investments                           | 1,63,571        | 2,06,012        | 2,35,749        | 2,67,269        |
| Inventories                           | 1,05,939        | 1,07,774        | 1,15,419        | 1,22,686        |
| Trade receivables                     | 23,213          | 24,156          | 26,324          | 28,481          |
| Cash & Bank Balance                   | 38,313          | 15,590          | 14,668          | 15,079          |
| Other Current Assets                  | 13,881          | 14,421          | 15,717          | 17,008          |
| <b>Total Assets</b>                   | <b>8,22,617</b> | <b>8,47,580</b> | <b>9,11,134</b> | <b>9,77,349</b> |
| <b>Equity</b>                         |                 |                 |                 |                 |
| Equity Share Capital                  | 12,428          | 12,441          | 12,454          | 12,465          |
| Other Equity                          | 6,63,510        | 6,81,001        | 7,35,500        | 7,91,155        |
| <b>Total Networkth</b>                | <b>6,75,938</b> | <b>6,93,442</b> | <b>7,47,954</b> | <b>8,03,620</b> |
| <b>Non-Current Liabilities</b>        |                 |                 |                 |                 |
| Long Term borrowings                  | 33              | 33              | 33              | 33              |
| Provisions                            | 2,018           | 2,132           | 2,321           | 2,473           |
| Other non current liabilities         | -               | -               | -               | -               |
| <b>Current Liabilities</b>            |                 |                 |                 |                 |
| ST Debt / Current of LT Debt          | -               | -               | -               | -               |
| Trade payables                        | 43,513          | 44,333          | 47,979          | 51,838          |
| Other current liabilities             | 80,644          | 87,749          | 93,464          | 1,00,452        |
| <b>Total Equity &amp; Liabilities</b> | <b>8,22,617</b> | <b>8,47,580</b> | <b>9,11,134</b> | <b>9,77,348</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Mar                              | FY23              | FY24E             | FY25E             | FY26E             |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| PBT                                  | 2,46,775          | 2,75,328          | 3,01,370          | 3,28,112          |
| Add. Depreciation                    | 16,629            | 18,188            | 19,570            | 20,947            |
| Add. Interest                        | 418               | 418               | 418               | 418               |
| Less Financial Other Income          | 24,376            | 33,283            | 34,218            | 37,132            |
| Add. Other                           | (19,927)          | 18,182            | (1,649)           | (1,626)           |
| Op. profit before WC changes         | 2,43,894          | 3,12,116          | 3,19,709          | 3,47,850          |
| Net Changes-WC                       | (32,870)          | (20,015)          | (32,171)          | (34,468)          |
| Direct tax                           | (59,971)          | (68,006)          | (74,438)          | (81,044)          |
| <b>Net cash from Op. activities</b>  | <b>1,51,052</b>   | <b>2,24,095</b>   | <b>2,13,100</b>   | <b>2,32,338</b>   |
| Capital expenditures                 | (18,437)          | (29,797)          | (28,641)          | (28,664)          |
| Interest / Dividend Income           | -                 | -                 | -                 | -                 |
| Others                               | (7,062)           | (8,098)           | (11,855)          | (12,934)          |
| <b>Net Cash from Inv. activities</b> | <b>(25,499)</b>   | <b>(37,895)</b>   | <b>(40,496)</b>   | <b>(41,598)</b>   |
| Issue of share cap. / premium        | 10,612            | 1,821             | (4,464)           | (4,596)           |
| Debt changes                         | (13)              | -                 | -                 | -                 |
| Dividend paid                        | (1,35,473)        | (1,91,639)        | (1,67,956)        | (1,86,806)        |
| Interest paid                        | (418)             | (418)             | (418)             | (418)             |
| Others                               | 107               | 194               | (155)             | (186)             |
| <b>Net cash from Fin. activities</b> | <b>(1,25,185)</b> | <b>(1,90,042)</b> | <b>(1,72,993)</b> | <b>(1,92,006)</b> |
| <b>Net change in cash</b>            | <b>368</b>        | <b>(3,842)</b>    | <b>(389)</b>      | <b>(1,266)</b>    |
| Free Cash Flow                       | 1,32,615          | 1,94,298          | 1,84,459          | 2,03,674          |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q3FY23          | Q4FY23          | Q1FY24          | Q2FY24          |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net Revenue</b>                | <b>1,62,257</b> | <b>1,63,980</b> | <b>1,58,282</b> | <b>1,65,501</b> |
| YoY gr. (%)                       | 2.3             | 5.6             | (8.5)           | 2.6             |
| Raw Material Expenses             | 66,712          | 67,941          | 64,155          | 70,642          |
| Gross Profit                      | 95,545          | 96,038          | 94,127          | 94,858          |
| Margin (%)                        | 58.9            | 58.6            | 59.5            | 57.3            |
| <b>EBITDA</b>                     | <b>62,232</b>   | <b>62,094</b>   | <b>62,501</b>   | <b>60,416</b>   |
| YoY gr. (%)                       | 22.0            | 18.9            | 10.7            | 3.0             |
| Margin (%)                        | 38.4            | 37.9            | 39.5            | 36.5            |
| Depreciation / Depletion          | 4,072           | 4,219           | 4,025           | 4,132           |
| <b>EBIT</b>                       | <b>58,160</b>   | <b>57,875</b>   | <b>58,476</b>   | <b>56,284</b>   |
| Margin (%)                        | 35.8            | 35.3            | 36.9            | 34.0            |
| Net Interest                      | 102             | 118             | 107             | 105             |
| Other Income                      | 8,717           | 7,463           | 7,087           | 8,956           |
| <b>Profit before Tax</b>          | <b>66,775</b>   | <b>65,219</b>   | <b>65,456</b>   | <b>65,135</b>   |
| Margin (%)                        | 41.2            | 39.8            | 41.4            | 39.4            |
| Total Tax                         | 16,465          | 15,079          | 16,429          | 15,865          |
| Effective tax rate (%)            | 24.7            | 23.1            | 25.1            | 24.4            |
| <b>Profit after Tax</b>           | <b>50,310</b>   | <b>50,140</b>   | <b>49,027</b>   | <b>49,270</b>   |
| Minority interest                 | -               | -               | -               | -               |
| Share Profit from Associates      | -               | -               | -               | -               |
| <b>Adjusted PAT</b>               | <b>50,310</b>   | <b>50,140</b>   | <b>49,027</b>   | <b>49,270</b>   |
| YoY gr. (%)                       | 21.0            | 19.6            | 17.6            | 10.3            |
| Margin (%)                        | 31.0            | 30.6            | 31.0            | 29.8            |
| Extra Ord. Income / (Exp)         | -               | 729             | -               | -               |
| <b>Reported PAT</b>               | <b>50,310</b>   | <b>50,869</b>   | <b>49,027</b>   | <b>49,270</b>   |
| YoY gr. (%)                       | 21.0            | 21.4            | 17.6            | 10.3            |
| Margin (%)                        | 31.0            | 31.0            | 31.0            | 29.8            |
| Other Comprehensive Income        | (373)           | (1,279)         | 4,230           | 907             |
| <b>Total Comprehensive Income</b> | <b>49,938</b>   | <b>49,590</b>   | <b>53,257</b>   | <b>50,176</b>   |
| Avg. Shares O/s (m)               | 12,309          | 12,309          | 12,309          | 12,309          |
| <b>EPS (Rs)</b>                   | <b>4.1</b>      | <b>4.1</b>      | <b>4.0</b>      | <b>4.0</b>      |

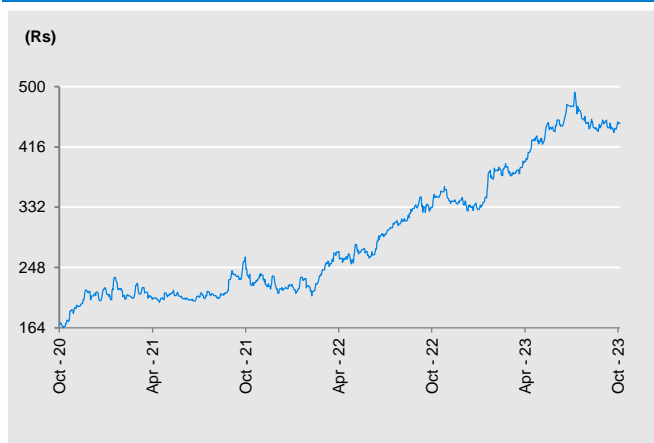
Source: Company Data, PL Research

**Key Financial Metrics**

| Y/e Mar                    | FY23  | FY24E | FY25E | FY26E |
|----------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |       |       |       |       |
| EPS                        | 15.0  | 16.7  | 18.2  | 19.8  |
| CEPS                       | 16.4  | 18.1  | 19.8  | 21.5  |
| BVPS                       | 54.4  | 55.7  | 60.1  | 64.5  |
| FCF                        | 10.7  | 15.6  | 14.8  | 16.3  |
| DPS                        | 15.4  | 13.5  | 15.0  | 16.0  |
| <b>Return Ratio(%)</b>     |       |       |       |       |
| RoCE                       | 34.5  | 35.4  | 37.1  | 37.6  |
| ROIC                       | 35.9  | 38.7  | 40.5  | 41.9  |
| RoE                        | 29.0  | 30.3  | 31.5  | 31.8  |
| <b>Balance Sheet</b>       |       |       |       |       |
| Net Debt : Equity (x)      | (0.3) | (0.3) | (0.3) | (0.4) |
| Net Working Capital (Days) | 47    | 47    | 46    | 45    |
| <b>Valuation(x)</b>        |       |       |       |       |
| PER                        | 30.0  | 27.0  | 24.7  | 22.7  |
| P/B                        | 8.3   | 8.1   | 7.5   | 7.0   |
| P/CEPS                     | 16.4  | 18.1  | 19.8  | 21.5  |
| EV/EBITDA                  | 22.5  | 20.6  | 18.7  | 17.1  |
| EV/Sales                   | 8.2   | 7.8   | 7.2   | 6.6   |
| Dividend Yield (%)         | 3.4   | 3.0   | 3.3   | 3.6   |

Source: Company Data, PL Research



**Price Chart**
**Recommendation History**


| No. | Date      | Rating     | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1   | 07-Oct-23 | Accumulate | 475      | 442               |
| 2   | 15-Aug-23 | Accumulate | 478      | 449               |
| 3   | 28-Jul-23 | Accumulate | 478      | 465               |
| 4   | 06-Jul-23 | Accumulate | 455      | 474               |
| 5   | 18-May-23 | Accumulate | 455      | 420               |
| 6   | 11-Apr-23 | Accumulate | 444      | 389               |
| 7   | 03-Feb-23 | Accumulate | 438      | 381               |
| 8   | 06-Jan-23 | Accumulate | 365      | 335               |

**Analyst Coverage Universe**

| Sr. No. | Company Name           | Rating     | TP (Rs) | Share Price (Rs) |
|---------|------------------------|------------|---------|------------------|
| 1       | Asian Paints           | Accumulate | 3,571   | 3,196            |
| 2       | Avenue Supermarts      | BUY        | 4,724   | 3,920            |
| 3       | Britannia Industries   | Hold       | 4,612   | 4,538            |
| 4       | Colgate Palmolive      | Hold       | 1,869   | 1,993            |
| 5       | Dabur India            | Accumulate | 597     | 547              |
| 6       | Emami                  | Accumulate | 524     | 527              |
| 7       | Hindustan Unilever     | Hold       | 2,837   | 2,499            |
| 8       | ITC                    | Accumulate | 475     | 442              |
| 9       | Jubilant FoodWorks     | Hold       | 490     | 533              |
| 10      | Kansai Nerolac Paints  | Accumulate | 351     | 324              |
| 11      | Marico                 | Hold       | 581     | 537              |
| 12      | Metro Brands           | Accumulate | 1,231   | 1,088            |
| 13      | Mold-tek Packaging     | Hold       | 956     | 892              |
| 14      | Nestle India           | Accumulate | 23,585  | 22,912           |
| 15      | Pidilite Industries    | Hold       | 2,610   | 2,454            |
| 16      | Restaurant Brands Asia | Accumulate | 142     | 125              |
| 17      | Titan Company          | Accumulate | 3,312   | 3,310            |
| 18      | Westlife Foodworld     | Hold       | 958     | 955              |

**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. Vishwa Solanki- PGDM - Finance, Mr. Harish Advani- PGDM Finance 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 a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

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. Vishwa Solanki- PGDM - Finance, Mr. Harish Advani- PGDM Finance 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)