

BSE SENSEX  
69,551

S&P CNX  
20,906

CMP: INR453

TP: INR535 (+18%)

Buy



Bloomberg	ITC IN
Equity Shares (m)	12259
M.Cap.(INRb)/(USD\$b)	5651.5 / 67.8
52-Week Range (INR)	500 / 323
1, 6, 12 Rel. Per (%)	-4/-9/19
12M Avg Val (INR M)	4760

#### Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	660.4	682.5	759.4
Sales Gr. (%)	17.2	3.3	11.3
EBITDA	239.8	261.1	297.0
EBITDA mrg. (%)	36.3	38.3	39.1
Adj. PAT	186.8	206.3	236.6
Adj. EPS (INR)	15.0	16.6	19.0
EPS Gr. (%)	23.0	10.5	14.7
BV/Sh.(INR)	54.4	57.2	60.4

#### Ratios

RoE (%)	29.0	29.8	32.4
RoCE (%)	28.2	29.0	31.6
Payout (%)	102.7	85.0	85.0

#### Valuations

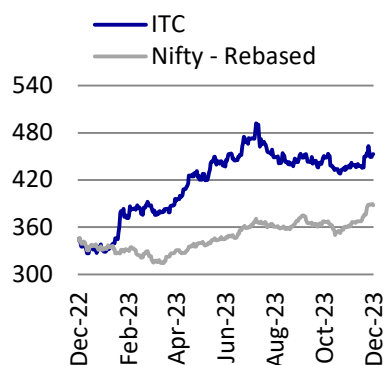
P/E (x)	30.1	27.3	23.8
P/BV (x)	8.3	7.9	7.5
EV/EBITDA (x)	21.7	19.8	17.3
Div. Yield (%)	3.4	3.1	3.6

#### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	0.0	0.0	0.0
DII	41.9	38.8	42.4
FII	43.4	46.8	42.7
Others	14.7	14.4	14.9

FII Includes depository receipts

#### Stock performance (one-year)



## Earning visibility continues to drive performance

The management of ITC held an analyst meeting where each business head and the senior management team delivered a comprehensive overview of their respective businesses.

- Despite the challenges posed by the pandemic, inflation, and taxation, ITC demonstrated better performance, achieving a revenue CAGR of 10% and PAT CAGR of 11.6% over FY18-23.
- The overall consumption growth in the industry has been better in urban areas than the rural regions. Although there are signs of improvement in rural markets, its sustainability remains uncertain. The premium portfolio is thriving, particularly in urban settings.
- Non-Cigarette Business Outperformance:** The non-cigarette segment outperformed, exhibiting a robust Revenue CAGR of 14% and a remarkable PAT CAGR of 20% over FY18-23. This impressive performance was accompanied by a notable improvement in EBITDA margin contribution, which increased 920bp to 27.3%. Return on Capital Employed (RoCE) doubled, reaching 22% from an initial 11% in FY18.
- Growth Drivers and Market Trends:** The growth narrative is shaped by various drivers, including urbanization, nuclearization, an aging population with increased spending capacity, the rise of online shoppers, expanding internet penetration, and a growing per capita income.
- Strategic Growth Framework:** ITC adopts a three-pronged horizon growth framework: a) Extending and defending the core business. b) Building emerging businesses, such as beverages, frozen foods, liquid wash, homecare, and nicotine, and c) Creating visible options for future growth opportunities, including chocolates, premium skincare, and food tech.
- Cost Optimization and Productivity Enhancement:** The company is committed to optimizing costs and enhancing productivity through strategic initiatives, including ICMLs, vertical integration, import substitution, digitalization, and the utilization of renewable energy sources.
- Omni-channel Network Strengthening:** ITC boasts a smart omni-channel network, consolidating a robust presence in general trade, modern trade, and e-commerce. The coverage in the general trade market experienced a threefold surge and the stockiest network expanded by eightfold, comparing FY23 to FY18. The company also scaled up in modern trade and e-commerce, increasing the share to 25% in FY23 from 17% in FY20.
- Capex plan** - Capital allocation is a strategic process that entails investing in driving business innovation, nurturing future business generations such as food tech, and capitalizing on inorganic or M&A opportunities. ~35% of investments are in FMCG, 30-35% in the paper business, and the rest in agri/tech and sustainability.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Key components of its growth strategy

- **Cigarette** - The cigarette market has experienced a prolonged period of stagnancy, witnessing a decline from 100 in FY13 to 83 in FY19, a further dip to 70 in FY21, and a recent recovery to 96 in FY23, a decade marked by varying volumes. It also contributes to the government tax revenues. Despite India constituting 18% of the world's population, its share of global cigarette consumption remains below 2%, highlighting a significant gap. Legal cigarettes, constituting 9% of total tobacco consumption, contribute a substantial 80% to tobacco tax revenues in India, underscoring the fiscal significance of this segment. Illicit cigarettes command a noteworthy one-third share of the legal market in India, positioning the country as the third-largest illicit cigarette market globally.
- **FMCG** - ITC Foods emerges as the most rapidly expanding entity in the food industry, achieving a remarkable growth rate of 1.8x that of the industry. Over the past three years, the company has demonstrated a robust revenue growth, registering a CAGR of 14%, coupled with a commendable expansion in EBITDA margin by 310bp. The company introduced an impressive 300 new products over the last three years. ITC Foods has firmly established its presence in three out of four households in India. The company's distribution network extends to an impressive 7 million outlets, with a significant direct reach to 2.6 million points. Presently, it operates 11 ICMLs units, underscoring its commitment to operational efficiency and robust manufacturing infrastructure. Its strengthens its growth by reinforcing core product lines, expanding into adjacent product categories, and introducing innovative value addition vectors.
- **Agri Business** – Agri business has seen the revenue stress in FY24 due to a ban on the exports of wheat and rice. However, value-added tobacco unlocks opportunities, particularly in nicotine and derivatives, alongside other agri products. The opportunity to add value in spices is significant, considering the company is the largest producer globally, contributing to 42% of the market. Furthermore, it leads in key spices such as chili, turmeric, and cumin, holding a substantial market share of 60-80%.
- **Paperboards, Paper & Packaging business** - In the current fiscal year, the performance was adversely impacted by low price Chinese supplies in the global markets and also a sharp reduction in the global pulp prices. There are also some near-term headwinds in domestic wood prices due to the uptick in real estate activity. However, global pulp prices are expected to stabilize, showing initial signs of demand recovery. The EBIT margin in 1HFY24 came at 19% from 25% in FY23.
- **ITC Hotels** - ITC boasts a robust hotel portfolio, comprising 131 establishments spanning 80 destinations, with a cumulative room count of 12,000. Post-pandemic, ITC has demonstrated superior competitive performance, evident in both Average Room Rate (ARR) and Revenue per Available Room (RevPAR). ITC drives margin expansion through heightened productivity and cost-optimization measures.
- **Sustainability**- Sustainability 2.0 Strategy focuses on creating enduring value for all stakeholders through a comprehensive approach. Decarbonization and Climate Resilience are key pillars, with renewable energy accounting for 43% to date and a targeted increase to 50% by 2030. Green Infrastructure initiatives

include the ground-breaking achievement of 40 Platinum Green Buildings globally, with the distinction of having the world's first 12 LEED Zero Carbon Hotels.

### Valuation and view

- The analyst meeting was a welcome move by the management as it provided a platform for a comprehensive discussion on the prospects and concerns of its various businesses.
- ITC has benefited from a consistent and stable tax environment for cigarettes in recent years. This stability has empowered the company to carefully adjust pricing strategies, avoiding disruptions in demand. We anticipate this trend to persist, leading to enhanced cigarette volumes and improved earnings visibility in the medium term.
- ITC benefits from the extensive range of FMCG products in its portfolio, providing an edge in a dynamically evolving demand landscape. The company's leadership in specific categories not only allows it to wield pricing power, but also enable the exploration of value-added adjacencies and the promotion of premiumization strategies.
- The resilient nature of its core business, amid an uncertain environment in the sector, and 3-4% dividend yield makes it a good defensive bet in the ongoing volatile interest rate environment.
- Earning CAGR at the PBT level stood at 8.5% over FY18-23. We expect ITC to post 13% earnings CAGR over FY23-25.
- We believe the premium multiples are justified, given its strong visibility over the medium-term and the defensive nature of its business, especially in a volatile macro environment. We reiterate our BUY rating with a TP of **INR535, based on 28x FY25E EPS.**

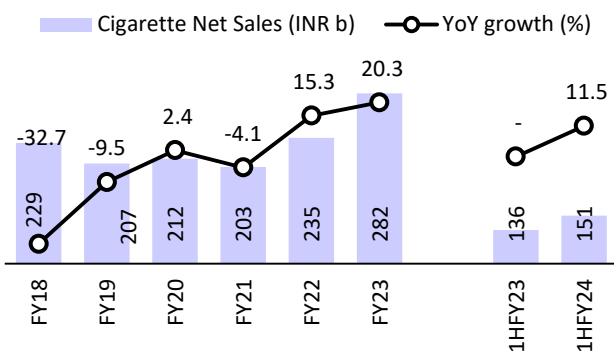
### Key Takeaways from the meeting

#### Cigarette Business

- The cigarette market has experienced a prolonged period of stagnancy, witnessing a decline from 100 in FY13 to 83 in FY19, a further dip to 70 in FY21, and a recent recovery to 96 in FY23, a decade marked by varying volumes. It also contributes to the government tax revenues.
- Despite India constituting 18% of the world's population, its share of global cigarette consumption remains below 2%, highlighting a significant gap.
- Legal cigarettes, constituting 9% of total tobacco consumption, contribute a substantial 80% to tobacco tax revenues in India, underscoring the fiscal significance of this segment.
- Illicit cigarettes command a noteworthy one-third share of legal market in India, positioning the country as the third-largest illicit cigarette market globally.
- The growth trajectory is propelled by a commitment to innovation and premiumization, with new launches experiencing over a fivefold increase in the past five years, now accounting for approximately 17% of the overall volumes. It also serves as a strategic counter measure against illegal and illicit trade, solidifying its position among legal players.

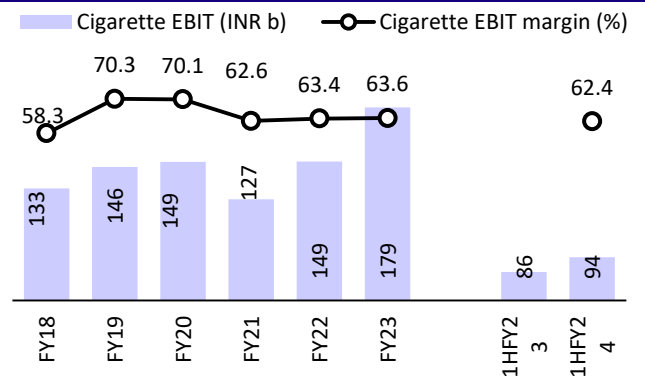
- Classic, a prominent King-size trademark, launches four new variants in the last five years, which collectively contribute to approximately 25% of portfolio.
- Gold Flake, the largest trademark spanning multiple segments, geographies, and price points. Its launches in the last five years constitutes 19% of the portfolio.
- ITC's brands are available in over 7 million outlets, with a diverse product portfolio comprising around 120 SKUs. Servicing 640,000 outlets daily, this is made possible through an expansive network, including over 10,000 redistribution channels, 8,200 mobile units reaching 'Bharat,' and a direct network spanning over 140,000 markets.

**Exhibit 1: Cigarette revenue grew from FY22 onwards...**



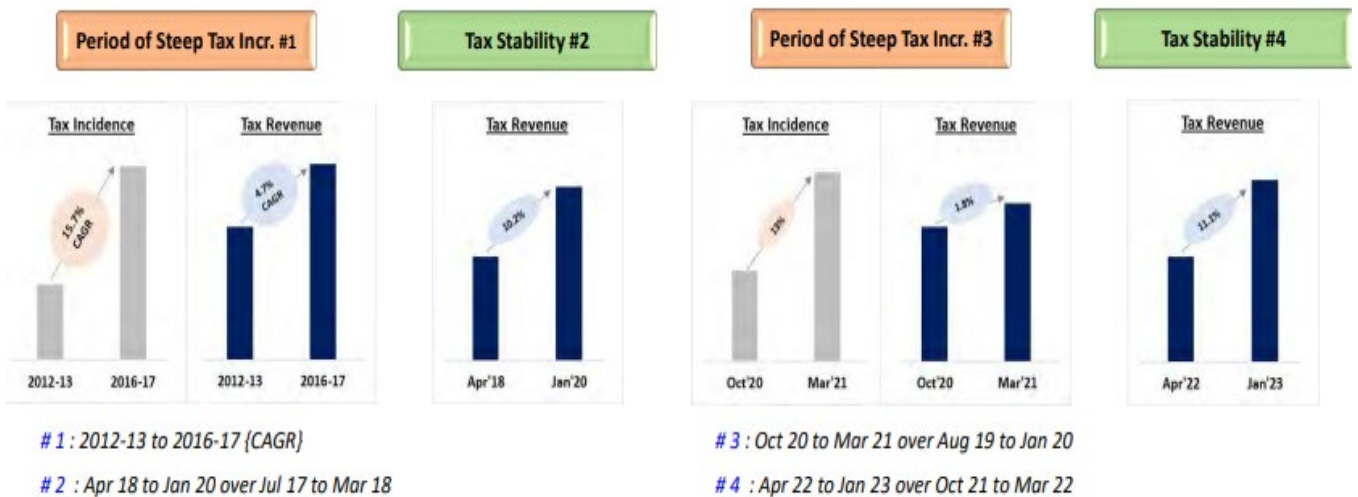
Source: Company, MOFSL

**Exhibit 2: ...with contraction in the EBIT margin**



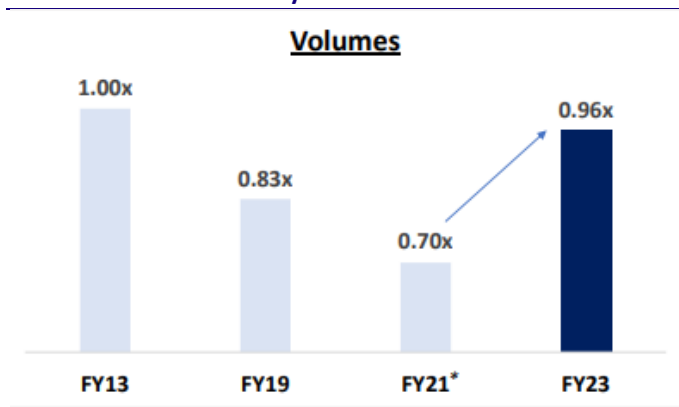
Source: Company, MOFSL

**Exhibit 3: Recouping volume from illicit trade**



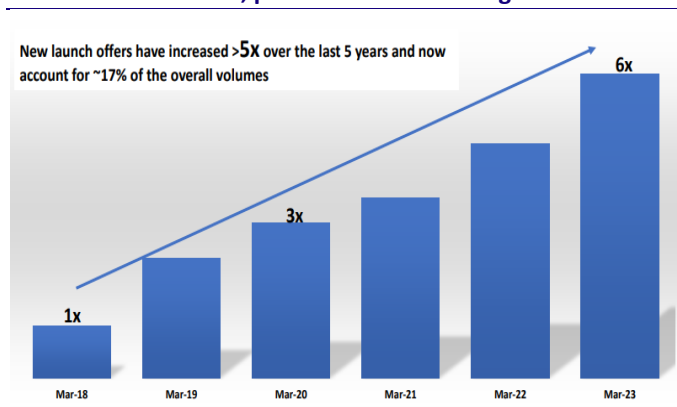
Source: Company

Exhibit 4: Robust recovery in volume



Source: Company, MOFSL

Exhibit 5: Innovation, premiumization drive growth



Source: Company, MOFSL

Exhibit 6: Strong and vibrant portfolio

Price Band	Insignia   Classic Blue Leaf   Classic Connect   Gold Flake Neo							
	Rs.150 & above	Classic (8 Offers)		Gold Flake (7 offers)		India Kings (2 Offers)		B&H   555 (3 Offers)
Rs.110 – Rs.140	Classic (2 Offers)		Gold Flake (2 Offers)		American Club (7 Offers)		Wills   Navy Cut (2 Offers)	
Rs.70 – Rs.100	Gold Flake (13 Offers)	Wave (5 Offers)	Wills   Navy Cut (6 Offers)	Player's (6 Offers)	Flake   Bristol (10 Offers)	Scissors (2 Offers)	Capstan (4 Offers)	Lucky Strike (1 Offer)
Rs.40 – Rs.60	Gold Flake (11 Offers)		Bristol (2 Offers)	Duke (2 Offers)	Berkeley (2 Offers)	Scissors (1 Offer)	Capstan (3 Offers)	Silk Cut (3 Offer)
	Flake (8 Offers)		Player's (2 Offers)	Navy Cut (3 Offers)	Royal (4 Offers)			

Source: Company

**FMCG - Others**

**Food and Beverages**

- ITC Foods stands out as the fastest-growing food company, achieving a remarkable 1.8x growth compared to the broader food industry. Impressively, it has secured a presence in 75% of retailers, with three out of four Indian households regularly consuming ITC food products.
- ITC's future growth trajectory is driven by a consumer shift toward branded products, seeking benefits such as hygiene, consistent quality, and ease of access through e-commerce and direct-to-consumer channels. ITC leverages its brand conversion expertise, deep understanding of the staples category, and access to high-quality raw materials to capitalize on this trend.
- Armed with an expansive distribution network and a robust product development strategy, ITC is poised to penetrate emerging markets.
- The company is broadening its avenues by elevating its e-commerce presence, venturing into the cold chain product segment to prolong product shelf life, extending its exports to 68 countries, and strategically acquiring key players such as Sunrise and Yoga Bar.

- ITC is expanding the presence of Aashirvaad in kitchens through new adjacency products, including the recent launch of besan. The company is also elevating customer engagement by introducing novel value addition vectors.
- It is capturing markets for brands such as Sunrise and Sunfeast through a Culture-Centric Marketing (CCM) approach. This involves gathering region-specific cultural insights, developing market-specific products, and crafting culturally relevant communications for maximum impact.

#### Exhibit 7: FMCG growth platforms



Source: Company

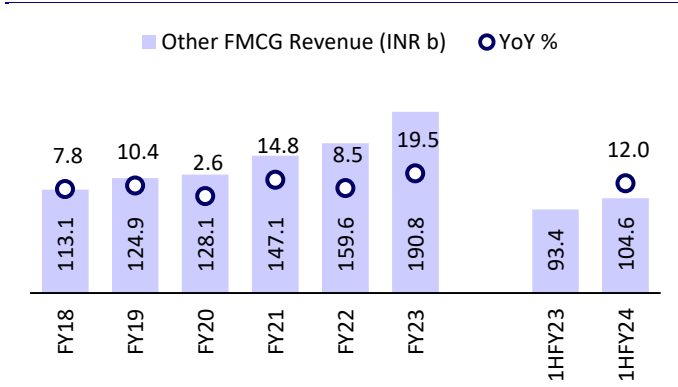
- ITC has identified and nurtured the millets segment through the ITC Millets Mission. Addressing customer unfamiliarity, knowledge gaps about recipes, and skepticism about taste and digestion, ITC is aligning its efforts with the increasing interest in millets, driven by external tailwinds from entities such as the UN and the Government of India.
- Aligned with its mission to "Help India Eat Better," ITC has ascended from the 9th position in FY20 to the top spot in the Access to Nutrition Initiative (ATNI) rankings.
- With 117 distributed manufacturing units, including 11 Integrated Consumer Goods Manufacturing and Logistics (ICML) units, ITC has embraced digitalization in its value chain system to enhance efficiency and market serviceability.
- ITC places a strategic emphasis on premiumization across its existing offerings and in the development of a newer portfolio, with one-third of its product portfolio already premiumized.

#### Personal care

- The personal wash industry, valued at INR 24,000 crores, operates within a highly competitive landscape, where substantial market size coexists with notable margin pressures.
- Fiamo soap, a distinctive player in the market, introduces a novel approach to bathing by employing liquid crystal freezing technology, creating a unique 'Joy of Bathing' experience. The patented product design and packaging further contribute to its exclusivity.
- Fiamo's market presence is fortified through its availability in multi-variant packs, with a notable overindexing on key channels such as E-commerce (Ecom), Direct-to-Consumer (D2C), and Modern Trade (MT). Additionally, the 'Feel Good with Fiamo' program emphasizes the brand's commitment to well-being.
- The acquisition of Savlon in FY15 brought a distinctive proposition to the market with a "no burn" differentiator in its handwash segment.

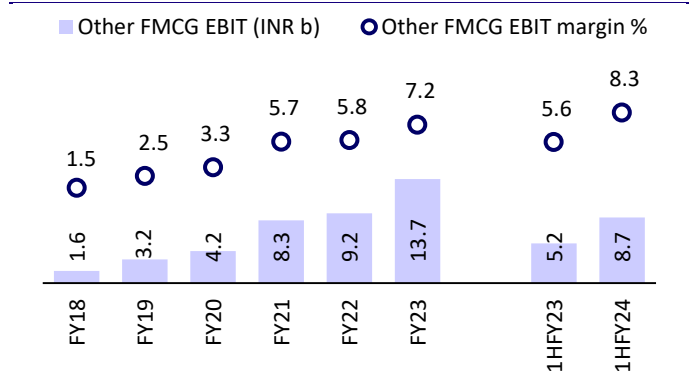
- Strategic levers for market development within the personal wash industry hinge on brand purpose, continuous innovation, superior product quality, and a focus on premiumization. These elements collectively contribute to navigating the challenging competitive landscape and addressing evolving consumer preferences.

**Exhibit 8: FMCG others revenue registered a CAGR of 11% over FY18-23...**



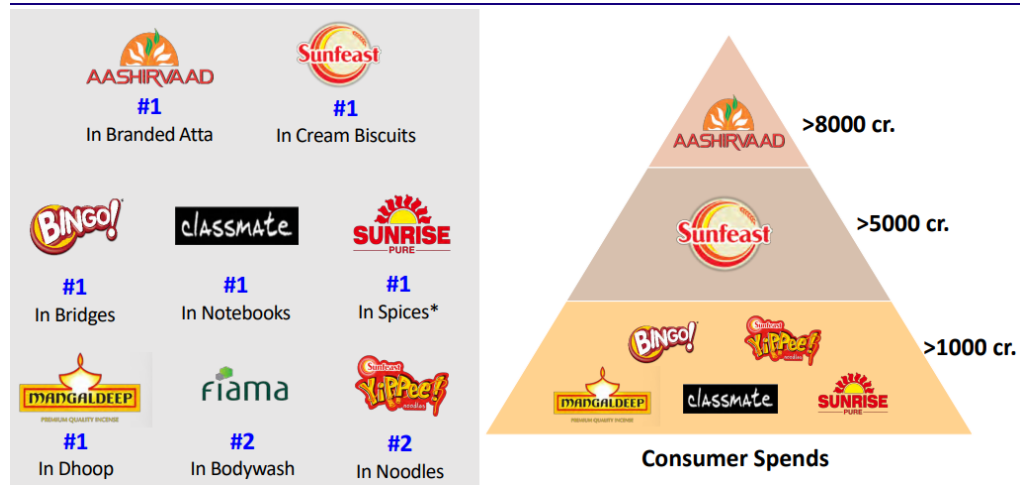
Source: Company, MOFSL

**Exhibit 9: ..delivering an impressive EBIT with CAGR of 53%**



Source: Company, MOFSL

**Exhibit 10: ITC FMCG powerful mother brands**



Source: Company

**Agriculture Business**

- Value-added tobacco unlocks opportunities, particularly in nicotine and derivatives alongside other agri products.
- The market for nicotine and derivatives is on the rise, hitting USD 500m, with a slight 2-3% decrease in prices hinting at potential demand growth.
- Big players dominate the high-end nicotine sector, shaping growth variants in the market.
- Conventional nicotine at 95% purity remains a stable supplier to the end market, signalling a need for differentiation.
- High entry barriers in the high-end nicotine market stress the need for a sustainable backend and complex processing, with formidable barriers arising from sustainability in backend processes and complex extraction methods. The

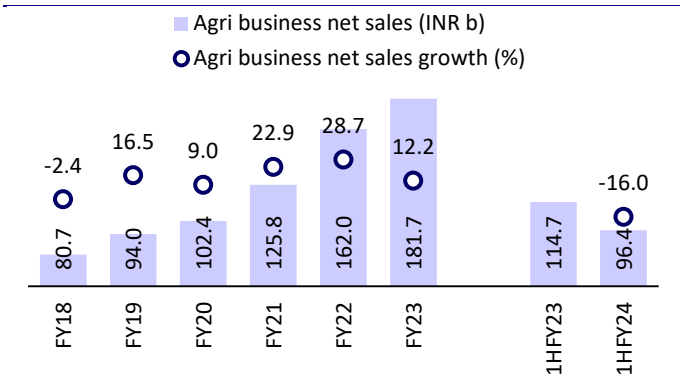
supply struggle is evident, projecting a 50% gap in 2027 compared to the 2022 total market demand.

- ITC stands to capitalize on this demand-supply gap, presenting a significant market opportunity.

**Spices**

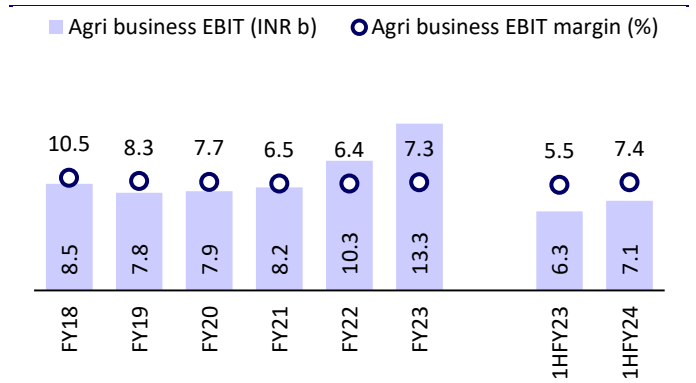
- The opportunity to add value in spices is significant, considering the company is the largest producer globally, contributing to 42% of the market. Furthermore, it leads in key spices such as chilli, turmeric, and cumin, holding a substantial market share of 60-80%.
- Food safety regulations, particularly in the USA, EU, and Japan, have tightened, focusing on pesticides and microbial contaminants in spices. This aligns with growing consumer awareness regarding health, emphasizing spices for immunity building.
- The company's commitment to environmental sustainability and traceability enhances its position in the market. Private label packaging ranging from 0.7gm to 5 kg further diversifies the product offering. Notably, all the spices are organic, reflecting the company's dedication to maintaining high-quality standards, showcased through its in-house project.

**Exhibit 11: Revenue decline in 1HFY24 due to ban on exports...**



Source: Company, MOFSL

**Exhibit 12: ...however, showing margin improvement**



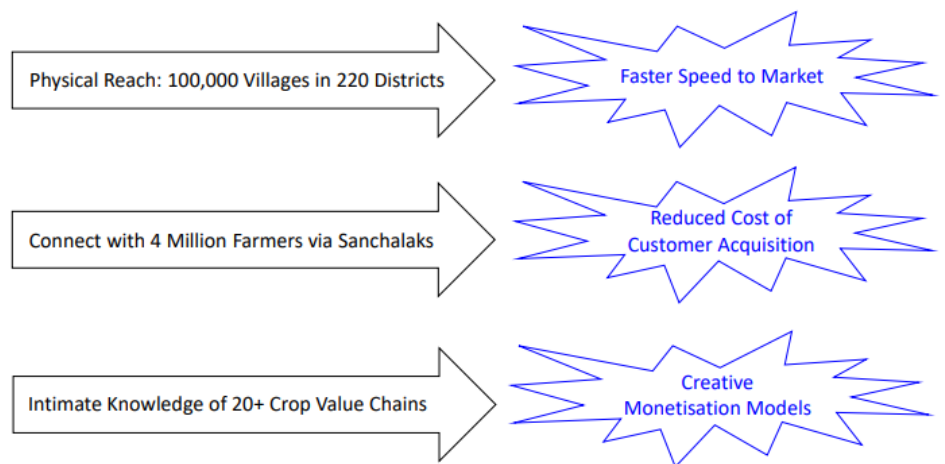
Source: Company, MOFSL

**Exhibit 13: Strategy to the agri business market development**



Source: Company



**Exhibit 14: ITC MAARS**

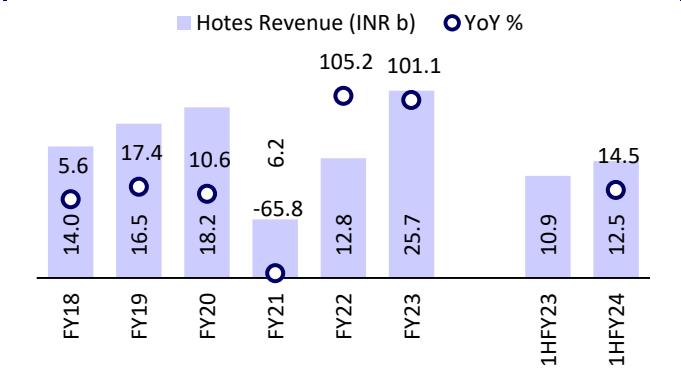
Source: Company

**Hotel Business**

- ITC boasts a robust hotel portfolio, comprising 131 establishments spanning 80 destinations, with a cumulative room count of 12,000.
- As a prominent player in the luxury hospitality sector, ITC commands 38% of the total keys. Additionally, it holds a considerable presence in the upscale (23% of keys), mid-market, and heritage segments (39% of keys).
- ITC's commitment to brand enhancement is evident through strategic investments. Noteworthy offerings include renowned cuisines such as Royal Vega, Yi Jing, Avartana, and a specialized sleep service for guests.
- ITC has seamlessly integrated sustainability and luxury under the banner of "Responsible Luxury." All owned hotels are LEED platinum certified, with over half of the electricity consumption sourced from renewable avenues.
- Adhering to an Asset-right strategy, ITC anticipates growth in the Indian hospitality sector. The country's hospitality industry holds growth potential, with foreign tourist arrivals at 85% of pre-pandemic levels.
- Positive industry dynamics are further fueled by government initiatives such as the Tourism Mission, UDAN, Swadesh Darshan Scheme, airport development, and a forthcoming national tourism policy.
- Approximately 20% of ITC's hotel inventory is in the gestation phase (less than five years old), boasting a higher occupancy rate of 72% compared to the overall 56%, indicative of growth potential in RevPar.
- With 35 hotels and 3200+ keys in the pipeline, ITC is keen on accelerating growth in the premium segment. The goal is to increase the share of the total managed portfolio in the premium category from 30% to 45%.
- ITC is exploring new revenue streams through initiatives such as Sleep Boutiques (offering luxury sleep merchandise), Gourmet Couch (delivering high-quality cuisine to homes), and ITC Club Prive.
- Post-pandemic, ITC has demonstrated superior competitive performance, evident in both Average Room Rate (ARR) and Revenue per Available Room (RevPAR).

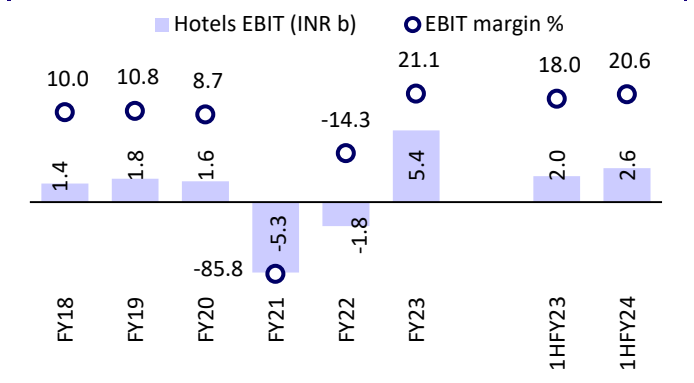
- ITC drives margin expansion through heightened productivity and cost-optimization measures.

**Exhibit 15: Hotel delivered impressive growth in the last two years...**



Source: Company, MOFSL

**Exhibit 16: ..with the improvement in margin**



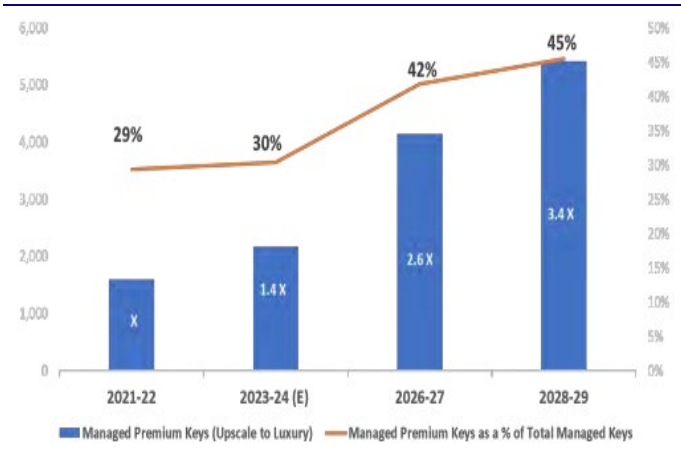
Source: Company, MOFSL

**Exhibit 17: Hotel growth pipeline; 35 Hotels, 3200+ Keys**



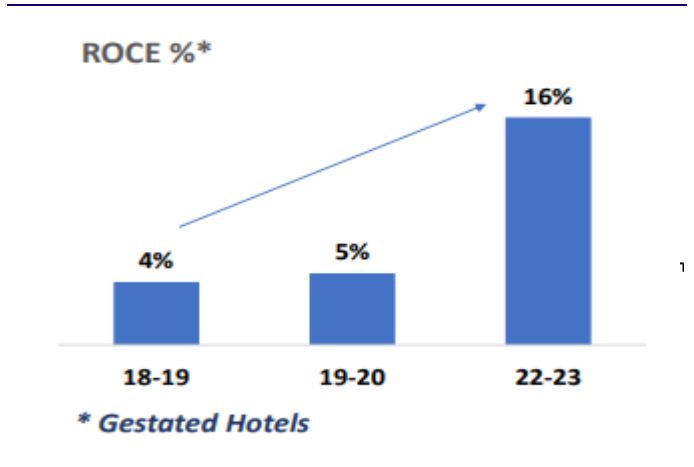
Source: Company

**Exhibit 18: Accelerating growth in the premium segment...**



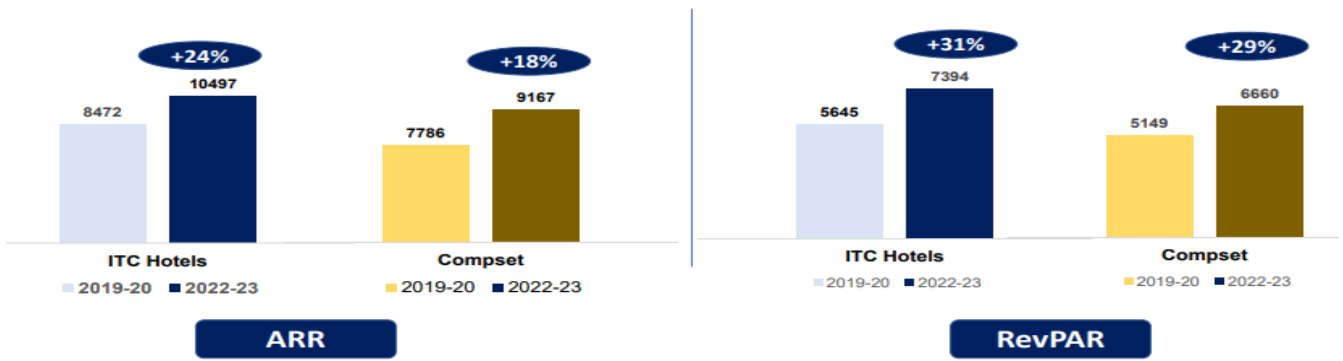
Source: Company, MOFSL

**Exhibit 19: Delivering good capital efficiency**



Source: Company, MOFSL

Exhibit 20: Superior competitive performance post pandemic



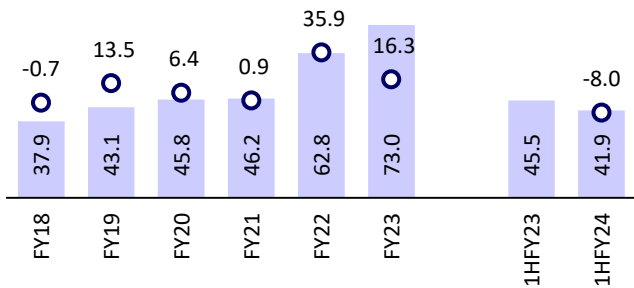
Source: Company

**Paperboards, Paper & Packaging business**

- In FY24, the company’s performance was adversely impacted by the low price Chinese supplies in the global markets and also sharp reduction in the global pulp prices. There is also near-term headwinds in domestic wood prices due to an uptick in real estate activity. However, global pulp prices are expected to stabilize, showing initial signs of demand recovery. The EBIT margin in 1HFY24 came at 19% from 25% in FY23.

Exhibit 21: Segment faces revenue decline due to low price Chinese supplies ...

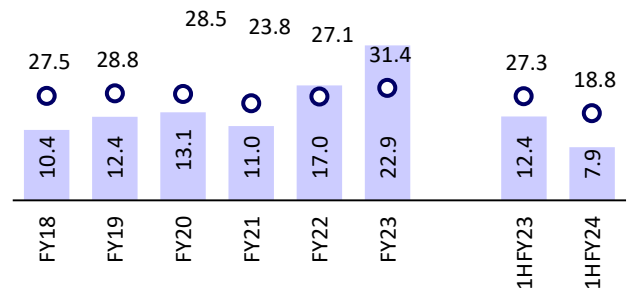
Paper and paperboards Revenue (INR b) YoY %



Source: Company, MOFSL

Exhibit 22: Sharp decline in margin to 19%

Paper and paperboards EBIT (INR b) Paper and paperboards EBIT margin %



Source: Company, MOFSL

**Other takeaways**

- The industry’s consumption growth demonstrates stronger performance in urban areas compared to rural regions. Although there are signs of improvement in rural markets, their sustainability remains uncertain. The premium portfolio is thriving, particularly in urban settings.
- Policy makers and regulators are aware that one-third of the market constitutes the legal market in India. Tax fluctuations impact revenue, with stable taxes in recent years leading to double-digit growth. High taxes result in a shift to more illicit cigarettes, causing revenue loss, reaching 2013 volume in 2023.
- FMCG and other businesses can expect an 80 to 100bp improvement annually in margins. This improvement stems from scaling up, cost efficiency, digitalization, and savings in various operational aspects.

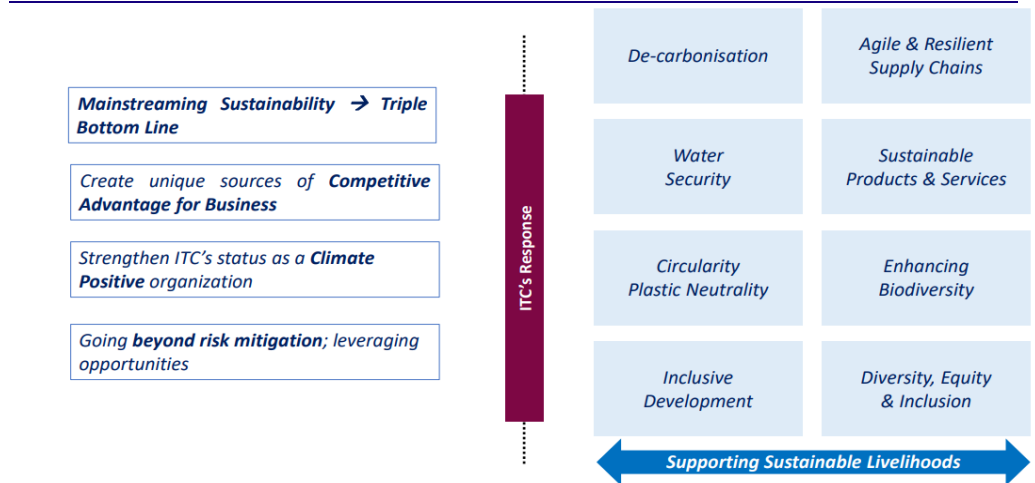
- ITC's return on invested capital (ROIC) is lower than other industry players due to investments in future capacity. As utilization increases, ROIC is expected to improve.
- Market share has improved in various subcategories over the past year. Aashirvaad atta gained a 190bp market share. In cream biscuits, ITC maintained a 25% market share, while in noodles, it held a 20% market share with increased penetration. The recently acquired brand, Sunrise, also showed improved market share.
- While ITC traditionally lagged in the personal care segment, recent portfolio refreshes align with market trends. The company continues to invest in the personal care business.
- Yoga Bar, a recently acquired nutrition brand, operates through an omnichannel model, available at all ITC premium distribution points.
- In the food tech space, the Indian online food ordering market is substantial. Online share is expected to reach 15-17% in 2025, growing to USD35-40b by 2030 with a 19% CAGR. ITC operates 19 cloud kitchens in Bangalore, 4 in Chennai, and plans to expand to Hyderabad and Mumbai.
- Nicotine represents a high-margin business for ITC, distinct from other agri-commodities. The market is niche, growing, and ITC is investing in additional capacity due to the demand-supply gap for nicotine in India.
- Capital allocation is a strategic process that entails investing in driving business innovation, nurturing future business generations such as food tech, and capitalizing on inorganic or M&A opportunities. ~35% of investments are in FMCG, 30-35% in the paper business, and the rest in agri/tech and sustainability.
- ITC Infotech has achieved margin improvement and won two mega deals in the US market. The company is exploring M&A opportunities to accelerate growth in this space.

### Sustainability 2.0 Strategy

- Sustainability 2.0 Strategy focuses on creating enduring value for all stakeholders through a comprehensive approach.
- Decarbonization and Climate Resilience are key pillars, with renewable energy accounting for 43% to date and a targeted increase to 50% by 2030.
- Green Infrastructure initiatives include the ground-breaking achievement of 40 Platinum Green Buildings globally, with the distinction of having the world's first 12 LEED Zero Carbon Hotels.
- Afforestation efforts have successfully covered 1m acres to date, with a commitment to reach 1.5m acres by 2030.
- Ensuring Water Security for All involves Rainwater Harvesting, achieving 49m kl to date and aiming for 60m kl by 2030. In agriculture, Water Use Efficiency has saved 480m kl annually, with a bold target of 2,000m kl by 2030. The commitment extends to achieving AWS Platinum Certification for all water-stressed sites by 2035, with two already certified.
- Embracing Circularity and Plastic Neutrality, the company has implemented Source Segregation Programmes benefiting 8m households nationwide. Plastic Waste Collection has reached 60,000 MT in the FY22-23, contributing to Plastic Neutral Collections since FY22.

- Biodiversity Conservation efforts have covered 290,000 acres to date, with a goal to reach 1m acres by 2030.
- Commitment to sustainable packaging is evident, with a pledge to make 100% of packaging recyclable, reusable, compostable, or biodegradable by 2028.

**Exhibit 23: ITC sustainability 2.0 strategy**



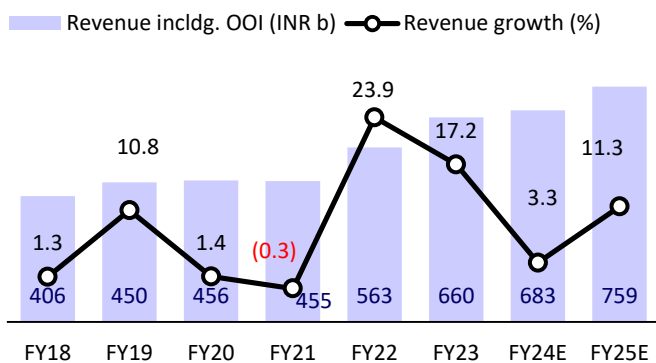
Source: Company

**Valuation and view**

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- ITC has benefited from a consistent and stable tax environment for cigarettes in recent years. This stability has empowered the company to carefully adjust pricing strategies, avoiding disruptions in demand. We anticipate this trend to persist, leading to enhanced cigarette volumes and improved earnings visibility in the medium term.
- ITC benefits from the extensive range of FMCG products in its portfolio, providing an edge in a dynamically evolving demand landscape. The company's leadership in specific categories not only allows it to wield pricing power, but also enables the exploration of value-added adjacencies and the promotion of premiumization strategies.
- The resilient nature of its core business, amid an uncertain environment in the sector, and 3-4% dividend yield makes it a good defensive bet in the ongoing volatile interest rate environment.
- Earning CAGR at the PBT level stood at 8.5% over FY18-23. We expect ITC to post 13% earnings CAGR over FY23-25.
- We believe the premium multiples are justified, given its strong visibility over the medium-term and the defensive nature of its business, especially in a volatile macro environment. We reiterate our BUY rating with a TP of **INR535, based on 28x FY25E EPS.**

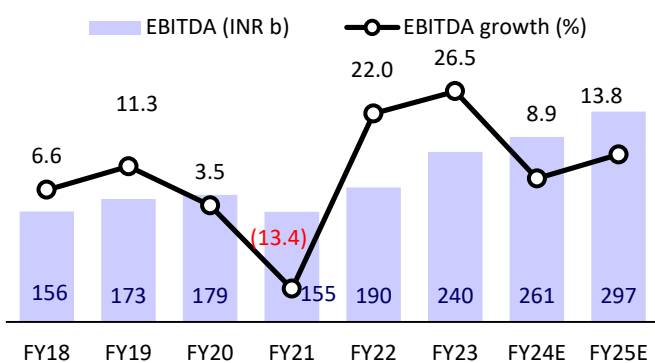
Story in charts

Exhibit 24: Revenue CAGR of 10% over FY18-23



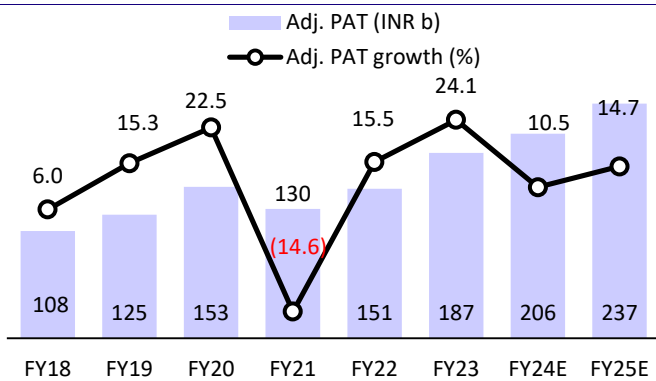
Source: Company, MOFSL

Exhibit 25: ...with EBITA CAGR of 9%



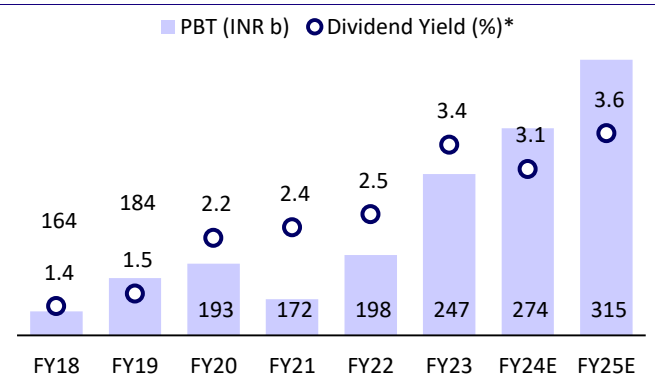
Source: Company, MOFSL

Exhibit 26: Adj. PAT registered a CAGR of 11.6% over FY18-23



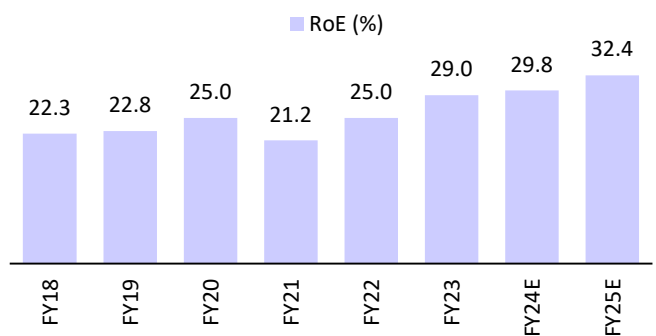
Source: Company, MOFSL

Exhibit 27: PBT has improved consistently alongside dividend yield



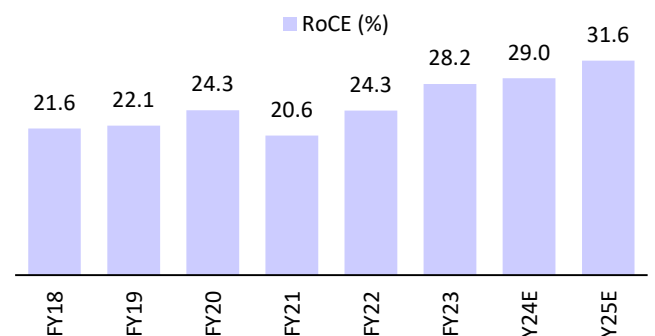
Source: Company, MOFSL

Exhibit 28: Robust delivery in RoE...



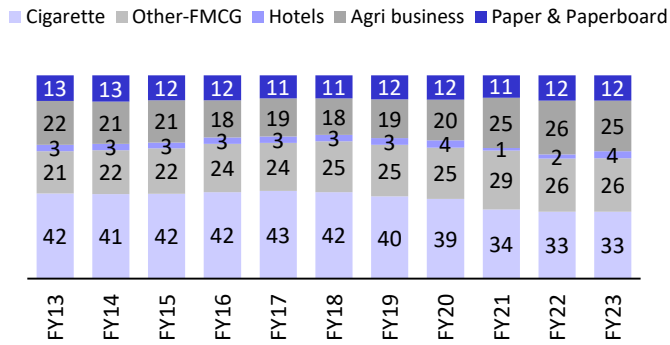
Source: Company, MOFSL

Exhibit 29: ...along with the delivery of RoCE



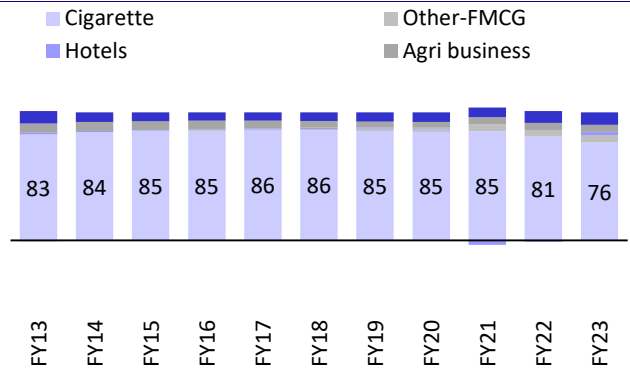
Source: Company, MOFSL

**Exhibit 30: Non-cigarette business contribution to revenue improving**



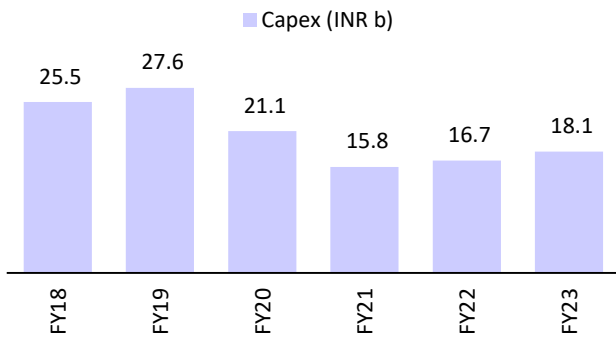
Source: Company, MOFSL

**Exhibit 31: Margin contraction in the cigarette EBIT**



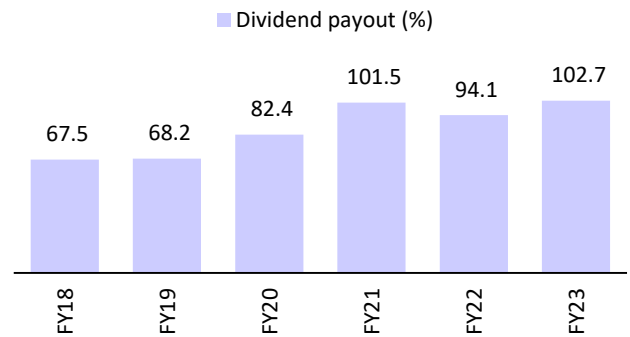
Source: Company, MOFSL

**Exhibit 32: Capex decline with hotel asset-right strategy**



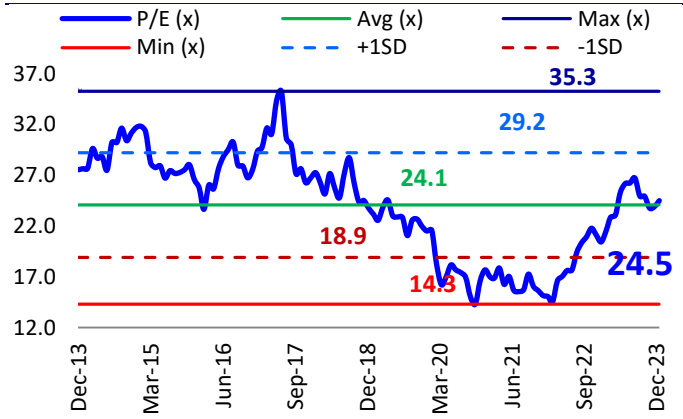
Source: Company, MOFSL

**Exhibit 33: Impressive dividend payout ratio**



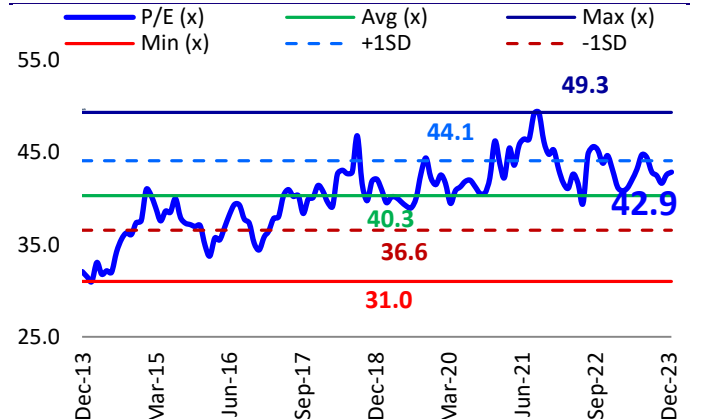
Source: Company, MOFSL

**Exhibit 34: ITC's P/E (x)**



Source: Company, MOFSL

**Exhibit 35: Consumer sector's P/E**



Source: Company, MOFSL

## Financials and Valuations

Income Statement								(INR b)
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Net Sales</b>	<b>402.5</b>	<b>444.3</b>	<b>451.4</b>	<b>451.1</b>	<b>557.0</b>	<b>652.7</b>	<b>674.4</b>	<b>750.9</b>
Operational Income	3.7	5.6	4.8	3.7	6.4	7.7	8.1	8.5
<b>Total Revenue</b>	<b>406.3</b>	<b>450.0</b>	<b>456.2</b>	<b>454.9</b>	<b>563.4</b>	<b>660.4</b>	<b>682.5</b>	<b>759.4</b>
Change (%)	1.3	10.8	1.4	-0.3	23.9	17.2	3.3	11.3
<b>Gross Profit</b>	<b>240.1</b>	<b>268.3</b>	<b>275.5</b>	<b>248.4</b>	<b>292.9</b>	<b>362.2</b>	<b>399.3</b>	<b>454.9</b>
Margin (%)	59.1	59.6	60.4	54.6	52.0	54.8	58.5	59.9
Other operating expenditure	84.5	95.0	96.2	93.0	103.4	122.5	138.2	158.0
<b>EBITDA</b>	<b>155.6</b>	<b>173.3</b>	<b>179.3</b>	<b>155.3</b>	<b>189.5</b>	<b>239.8</b>	<b>261.1</b>	<b>297.0</b>
Change (%)	6.6	11.3	3.5	-13.4	22.0	26.5	8.9	13.8
Margin (%)	38.3	38.5	39.3	34.2	33.6	36.3	38.3	39.1
Depreciation	11.5	13.1	15.6	15.6	16.5	16.6	17.0	17.8
Int. and Fin. Charges	1.1	0.6	0.8	0.6	0.6	0.7	0.8	0.8
Other Inc. - Recurring	21.3	24.8	30.1	32.5	25.9	24.4	31.1	37.1
<b>Profit before Taxes</b>	<b>164.4</b>	<b>184.4</b>	<b>193.0</b>	<b>171.6</b>	<b>198.3</b>	<b>246.8</b>	<b>274.4</b>	<b>315.4</b>
Change (%)	6.0	12.2	4.6	-11.1	15.5	24.4	11.2	15.0
Margin (%)	40.5	41.0	42.3	37.7	35.2	37.4	40.2	41.5
Tax	56.0	58.5	44.4	40.4	48.3	60.3	68.0	78.9
Deferred Tax	0.3	1.3	-4.1	1.0	-0.6	-0.3	0.0	0.0
Tax Rate (%)	34.2	32.4	20.9	24.1	24.1	24.3	24.8	25.0
<b>Profit after Taxes</b>	<b>108.1</b>	<b>124.6</b>	<b>152.7</b>	<b>130.3</b>	<b>150.6</b>	<b>186.8</b>	<b>206.3</b>	<b>236.6</b>
Change (%)	6.0	15.3	22.5	-14.6	15.5	24.1	10.5	14.7
Margin (%)	26.6	27.7	33.5	28.7	26.7	28.3	30.2	31.2
<b>Reported PAT</b>	<b>112.2</b>	<b>124.6</b>	<b>151.4</b>	<b>130.3</b>	<b>150.6</b>	<b>187.5</b>	<b>206.3</b>	<b>236.6</b>

Balance Sheet								(INR b)
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Share Capital	12.2	12.3	12.3	12.3	12.3	12.4	12.4	12.4
Reserves	501.8	567.2	628.0	577.7	601.7	663.5	698.5	737.9
<b>Net Worth</b>	<b>514.0</b>	<b>579.5</b>	<b>640.3</b>	<b>590.0</b>	<b>614.0</b>	<b>675.9</b>	<b>710.9</b>	<b>750.4</b>
Loans	0.1	0.0	3.3	3.3	3.1	3.2	2.8	2.8
Deferred Liability	19.2	20.4	16.2	17.3	16.7	16.2	16.2	16.2
<b>Capital Employed</b>	<b>533.2</b>	<b>600.0</b>	<b>659.8</b>	<b>610.6</b>	<b>633.8</b>	<b>695.4</b>	<b>729.9</b>	<b>769.4</b>
Gross Block	258.1	300.4	336.3	362.7	389.7	415.8	445.8	475.8
Less: Accum. Depn.	102.3	115.5	131.1	146.7	163.2	179.9	196.9	214.7
<b>Net Fixed Assets</b>	<b>155.7</b>	<b>185.0</b>	<b>205.2</b>	<b>216.0</b>	<b>226.4</b>	<b>236.0</b>	<b>248.9</b>	<b>261.1</b>
Capital WIP	50.2	33.9	27.8	33.3	24.7	17.0	17.0	17.0
Goodwill	0.0	0.0	0.0	5.8	5.8	5.8	5.8	5.8
<b>Investments</b>	<b>234.0</b>	<b>265.8</b>	<b>306.3</b>	<b>270.0</b>	<b>272.8</b>	<b>327.2</b>	<b>320.5</b>	<b>325.0</b>
<b>Curr. Assets, L&amp;A</b>	<b>183.9</b>	<b>213.3</b>	<b>213.1</b>	<b>190.8</b>	<b>221.2</b>	<b>236.7</b>	<b>287.2</b>	<b>323.2</b>
Inventory	72.4	75.9	80.4	94.7	100.0	105.9	117.8	128.0
Account Receivables	23.6	36.5	20.9	20.9	19.5	23.2	31.4	35.0
Cash and Bank Balance	25.9	37.7	68.4	40.0	38.8	38.3	65.2	83.9
Others	62.0	63.3	43.3	35.1	63.0	69.2	72.7	76.3
<b>Curr. Liab. and Prov.</b>	<b>90.6</b>	<b>98.0</b>	<b>92.6</b>	<b>105.2</b>	<b>117.1</b>	<b>127.2</b>	<b>149.5</b>	<b>162.7</b>
Account Payables	33.8	33.7	34.5	41.2	42.2	43.5	57.7	62.0
Other Liabilities	56.7	64.3	58.1	64.0	74.9	83.7	91.8	100.7
<b>Net Current Assets</b>	<b>93.4</b>	<b>115.3</b>	<b>120.5</b>	<b>85.6</b>	<b>104.1</b>	<b>109.5</b>	<b>137.7</b>	<b>160.6</b>
<b>Application of Funds</b>	<b>533.2</b>	<b>600.0</b>	<b>659.8</b>	<b>610.6</b>	<b>633.8</b>	<b>695.4</b>	<b>729.9</b>	<b>769.4</b>

E: MOFSL Estimates



## Financials and Valuations

### Ratios

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>Basic (INR)</b>								
EPS	8.9	10.2	12.4	10.6	12.2	15.0	16.6	19.0
Cash EPS	9.8	11.2	13.7	11.9	13.6	16.4	18.0	20.5
BV/Share	42.1	47.3	52.1	47.9	49.8	54.4	57.2	60.4
DPS	6.2	6.9	10.2	10.8	11.5	15.5	14.1	16.2
Payout %	68	68	82	102	94	103	85	85

### Valuation (x)

P/E	51.1	44.6	36.5	42.8	37.1	30.1	27.3	23.8
Cash P/E	46.2	40.3	33.1	38.2	33.4	27.7	25.2	22.1
EV/Sales	13.1	11.8	11.5	11.6	9.4	8.0	7.7	6.9
EV/EBITDA	34.0	30.3	28.9	33.8	27.7	21.7	19.8	17.3
P/BV	10.8	9.6	8.7	9.4	9.1	8.3	7.9	7.5
Dividend Yield (%)	1.4	1.5	2.2	2.4	2.5	3.4	3.1	3.6

### Return Ratios (%)

RoE	22.3	22.8	25.0	21.2	25.0	29.0	29.8	32.4
RoCE	21.6	22.1	24.3	20.6	24.3	28.2	29.0	31.6
RoIC	42.4	44.6	49.8	40.4	46.5	55.3	57.3	62.4

### Working Capital Ratios

Debtor (Days)	21	25	23	17	13	12	15	16
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.9	0.9	0.9	1.0

### Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
<b>(INR b)</b>								
OP/(loss) before Tax	168.5	184.4	191.7	171.6	198.3	247.5	274.4	315.4
Financial other income	7.2	8.1	13.1	17.0	13.9	8.6	31.1	37.1
Depreciation and Amort.	11.5	13.1	15.6	15.6	16.5	16.6	17.0	17.8
Interest Paid	-8.3	-12.1	-13.8	-11.8	-9.6	-13.9	0.8	0.8
Direct Taxes Paid	57.2	54.9	46.5	39.6	45.1	58.0	68.0	78.9
Incr in WC	-19.2	5.0	-4.2	3.9	-1.8	4.4	1.3	4.2
<b>CF from Operations</b>	<b>126.5</b>	<b>117.5</b>	<b>138.1</b>	<b>114.9</b>	<b>148.1</b>	<b>179.1</b>	<b>191.7</b>	<b>213.9</b>
Other items	-7.6	3.2	44.6	-30.8	12.4	5.3	49.0	12.0
Incr Decr in FA	25.5	27.6	21.1	15.8	16.7	18.1	30.0	30.0
<b>Free Cash Flow</b>	<b>101.0</b>	<b>89.9</b>	<b>116.9</b>	<b>99.1</b>	<b>131.3</b>	<b>161.0</b>	<b>161.7</b>	<b>183.9</b>
Pur of Investments	34.8	15.3	51.9	-87.0	11.6	39.5	-6.7	4.4
<b>CF from Invest.</b>	<b>-67.8</b>	<b>-39.7</b>	<b>-28.4</b>	<b>40.4</b>	<b>-15.9</b>	<b>-52.3</b>	<b>25.7</b>	<b>-22.4</b>
Issue of shares	9.1	9.7	6.3	2.9	2.9	24.8	3.0	3.0
Incr in Debt	-0.1	-0.1	-0.5	-0.5	-0.5	-0.5	-0.5	0.0
Net Interest Paid	0.5	0.9	0.5	0.4	0.4	0.4	0.8	0.8
Dividend Paid	57.7	62.9	84.2	186.2	135.5	151.5	192.6	175.4
Others	-11.1	-11.9	0.0	0.4	0.2	0.4	0.4	0.4
<b>CF from Fin. Activity</b>	<b>-60.2</b>	<b>-66.0</b>	<b>-78.9</b>	<b>-183.8</b>	<b>-133.4</b>	<b>-127.3</b>	<b>-190.5</b>	<b>-172.8</b>
<b>Incr of Cash</b>	<b>-1.5</b>	<b>11.7</b>	<b>30.7</b>	<b>-28.4</b>	<b>-1.2</b>	<b>-0.5</b>	<b>26.9</b>	<b>18.7</b>
Add: Opening Balance	27.5	25.9	37.7	68.4	40.0	38.8	38.3	65.2
<b>Closing Balance</b>	<b>25.9</b>	<b>37.7</b>	<b>68.4</b>	<b>40.0</b>	<b>38.8</b>	<b>38.3</b>	<b>65.2</b>	<b>83.9</b>

E: MOFSL Estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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