

December 12, 2023

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	492		492	
Sales (Rs. m)	7,48,410	8,09,905	7,48,410	8,09,905
% Chng.	-	-	-	-
EBITDA (Rs. m)	2,87,141	3,12,345	2,87,141	3,12,345
% Chng.	-	-	-	-
EPS (Rs.)	18.2	19.8	18.2	19.8
% Chng.	-	-	-	-

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	3.5
RoE (%)	29.0	30.3	31.5	31.8
RoCE (%)	34.5	35.4	37.1	37.6
EV/Sales (x)	8.2	7.9	7.2	6.6
EV/EBITDA (x)	22.7	20.8	18.8	17.2
PE (x)	30.1	27.2	24.9	22.9
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	69,551 / 20,906
Market Cap	Rs.5,652bn/ \$ 67,774m
Shares Outstanding	12,473m
3M Avg. Daily Value	Rs.4345.61m

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	3.3	3.7	32.8
Relative	(3.0)	(6.5)	18.7

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Making right moves for sustainable growth

ITC's Investor meet highlighted growth imperative led by broad based growth across business segments enabled by 1) Innovation 2) Efficient and agile supply chain 3) Digital/ smart ecosystem and 4) cost optimization. ITC continues to innovate and improve GTM initiatives even as cigarette business growth seems to be a function of taxation policy. ITC is aiming for 80-100bps margin expansion in New FMCG business led by premiumisation, scale and cost optimization. Hotels business is in for strong growth with huge scope to grow and rising ARR/occupancy. We found Food Tech and Nicotine derivative exports as two exciting businesses with a scope to create strong moats in long term. We continue to believe that FMCG and IT Services will create huge value for shareholders over the years.

We remain positive innovation and digitization led strategy with sustained growth and 100% jump in ROCE of non-cigarette businesses and overall Rs947bn cash generation in last 10 years. ITC trades at 24.9/22.9x FY25/FY26 EPS with ~3% dividend yield and 9.7% EPS CAGR over FY23-26. Maintain Accumulate with SOTP based target price of Rs492.

Key Highlights:

- **Demand:** Urban remains resilient however rural is still under pressure although some green shoots are emerging. Next two quarters to see better trajectory
- **New FMCG** – ITC is targeting 80bps-100bps margin improvement every year led by premiumisation (30/40bps), scale (20bps), 100bps over time in ICML, freight and cost optimisation
- **Foods** - New experience business/sunrise/noodles continue to see market share gain with current market share being 60%/53%(north east and WB)/20%. ITC sees huge opportunity in premium food product led by protein bar, yoga bar will be distributed with existing distributors network.
- **Personal care** remains challenging segment with difficult in scaling this business. Turnaround is likely in medium term with portfolio refresh & exploring new segments and innovations.
- **Paper and Paperboard** – The business is looking at capacity expansion and sustainable packaging, profitability should improve as pricing pressure due to Chinese dumping and low waste paper price seems over
- **Hotels** – ITC is poised for sustained growth given strong trends in ARR/Occupancy, 20% capacity with less than 5-year lineage, target to open 25 hotels in 2 years and target of 200 hotels with 18000 rooms with 2/3rd managed hotels.
- **Agri Business** – Agri business has identified Nicotine as a big export opportunity with huge demand supply gap and 50% contribution margin.
- **ITC Infotech** – ITC Infotech has 18-20% margins and bagged two big deals from BAT and PTC last year, Digitisation and emerging segments are likely to be key growth drivers while inorganic acquisitions will boost growth.

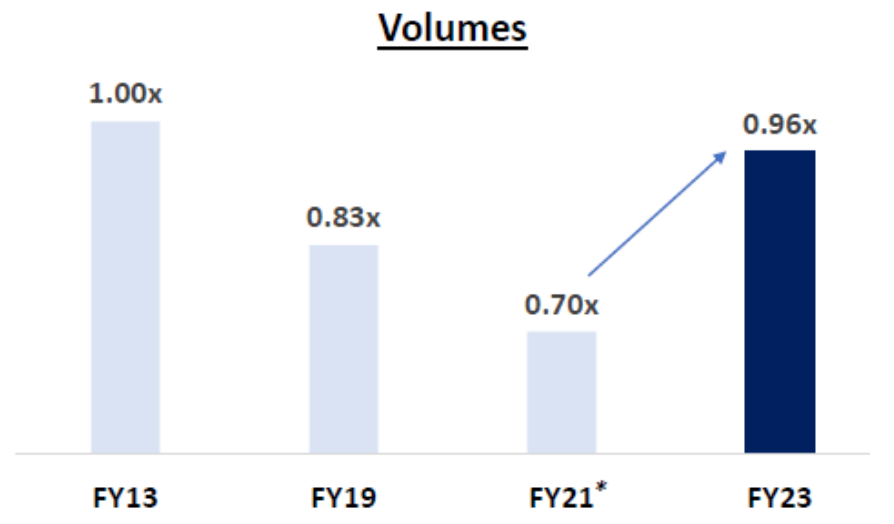
- **Food tech** – ITC's pilot in Food tech segment under 3 brands of ITC Master Chef, Sunfeast Baked creations and Aashirvaad soul creations has been a success with more than 1mn orders in Bangalore. ITC has now entered Chennai market and plans to enter in other metros gradually.
- ITC is seeing good traction in digital channel/ MT/ in-house app with each contributing 16%/15%/6% to overall trade.
- **Capex** - ITC CAPEX is aimed at 1) innovation 2) new growth vectors 3) sustainable packaging & food tech 4) M&A. Management has guided an annual capex of Rs30-Rs32bn out which ~40%/~35%/25% to be utilized towards FMCG /Paper/ technology and Agri business

Cigarettes – Innovations enable volume recovery

- **Stable taxation environment has led to tax revenue buoyancy:** Historically, there exists a suboptimal correlation between tax increases and tax revenues. Although FY13-20 saw a sharp increase in tax incidence which led to volume decline of 20%. However, post FY 22 onwards stable tax regimes & portfolio fortification helped keep illicit trade under check thereby benefitting exchequer
- **Legal Cigarettes contribute 9% volumes, 80% of tax revenues:** Legal cigarettes contribute ~9/10% of total tobacco consumption in India, they contribute 80% of government tobacco tax revenues. Stability in tax rates & stricter enforcement would further increase share of legal cigarettes.
- **Key strategic levers:** ITC is focussing on maximizing cigarette potential within tobacco basket (~9% currently), counter illicit trade and reinforce market standing. key strategic levers going forward are **1)** focus on future ready portfolio powered by new variety & premiumisation **2)** agile innovation led by multiple vectors of differentiation & Intellectual property **3)** integrated seed to smoke value chain with focus on Make in India and **4)** excellence in execution through product superiority & manufacturing excellence
- **Leading industry recovery post Covid:** Post second wave, with increased mobility, volumes have crossed pre covid levels. FY 23 volume growth of 0.96x is back to FY 13 levels (1x). Product mix too has become richer backed by innovation and last mile execution of assortment.
- **Rising contribution from new launches:** innovations have been a success and driving growth. Within the classic brand (40-year-old), 5 new variants launched over the last 5 years contribute 17% of the portfolio.
- **Seed to Smoke Value chain:** ITC captures value at every stage from Seed to Smoke by leveraging its institutional competencies like **1)** Leaf growing & Processing **2)** Paperboards & Packaging **3)** Product development **4)** Indigenous capabilities (including capsule) **5)** Machine development 6) Final product development and 7) Last mile execution. This has enabled consistent superior product quality over its peers. Cigarettes are available through an extensive direct network of 1.4 lac markets, 10,000+ re-distribution channel partners and 8200+ mobile units.

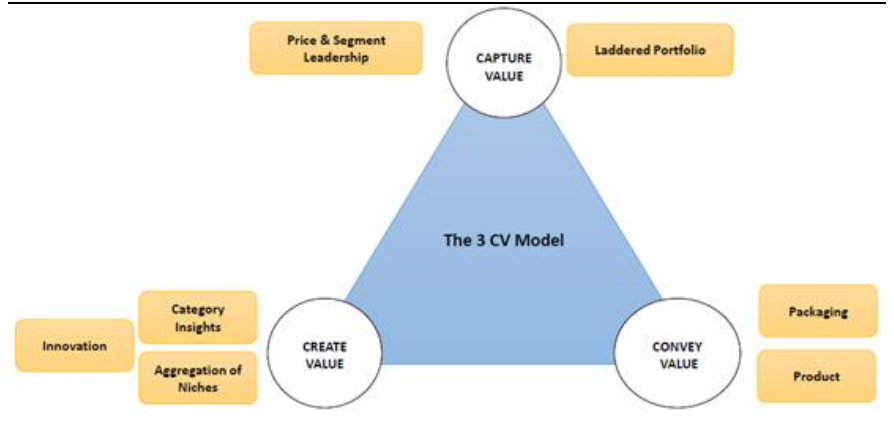
- Reinforced market standing & expanding category share by 1) leveraging institutional strengths of leaf procurement 2) Strengthening the portfolio on the basis of superior category & micro market strategies 3) Capitalizing technological & manufacturing leadership and 4) maintaining competitive advantage through differentiated portfolio, superior product quality and unmatched last mile execution

Exhibit 1: Robust recovery in cigarette volumes



Source: Company, PL

Exhibit 2: Integrated operations from Seed to Smoke



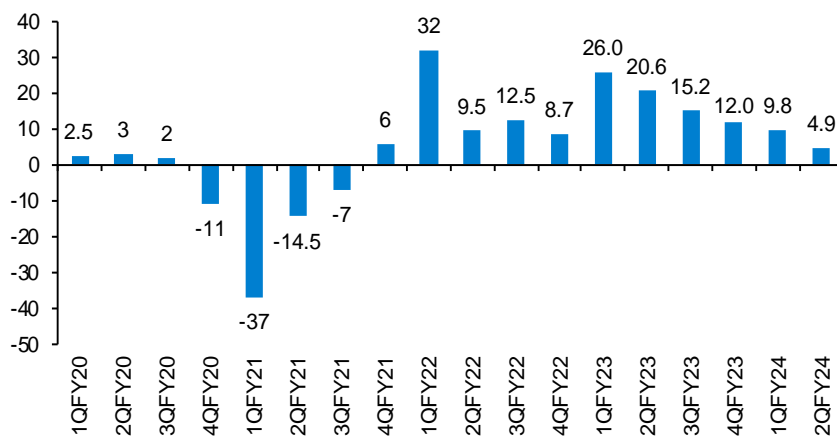
Source: Company, PL

Exhibit 3: Strong and vibrant Cigarette portfolio

<div style="background-color: #c8e6c9; padding: 5px; border-radius: 10px; display: inline-block;">50 + Brands</div>	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)		
<div style="background-color: #fff9c4; padding: 5px; border-radius: 10px; display: inline-block;">100+ Innovative launches in 5 years</div>	Gold Flake (11 Offers)		Bristol (2 Offers)		Duke (2 Offers)		Berkeley (2 Offers)		Scissors (1 Offer)	Capstan (3 Offers)	Silk Cut (3 Offer)
	Rs.40 – Rs.60	Flake (8 Offers)		Player's (2 Offers)		Navy Cut (3 Offers)		Royal (4 Offers)			

Source: Company, PL

Exhibit 1: Cigarettes: Volumes up 4.9%



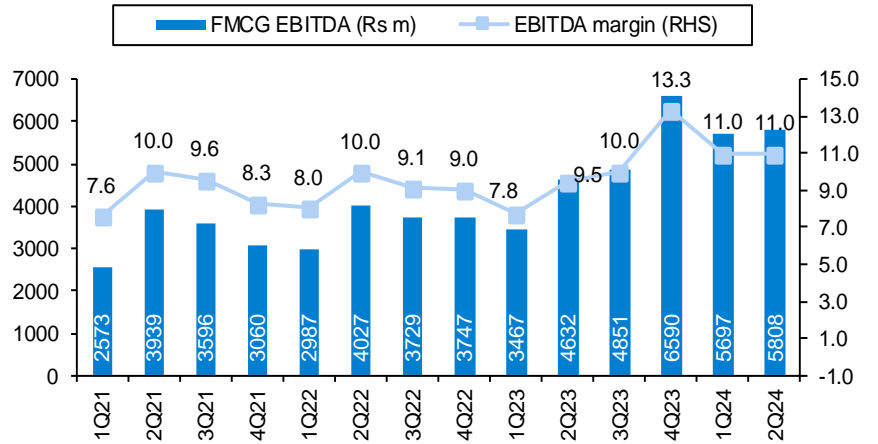
Source: Company, PL

FMCG: Focus on Innovation & Premiumisation

- FMCG Portfolio perspective:** Presence in 20+ food categories. ITC aims to fortifying the core brands viz. Aashirvaad, Sunfeast, Bingo, classmate, Mangaldeep etc. along with addressing adjacencies viz Aashirvaad instant meal. Aashirvaad salt, Sunfeast, Fiamma showergel etc., to leverage Mother Brands even at the state level and launched nimyle, MasterChef, dermafique, Fabelle etc to progressively scaling up at PAN India level for future growth. New growth vectors include categories such as milkshakes, shower gel, frozen bread, smoothies etc. ITC has launched 300+ products in the last 3 years
- EBITDA Margins:** EBITDA margins have improved by 300bps in the last 3 years despite unprecedented inflations & rise in commodity prices. Margin expansion was led by rising scale and cost optimisation gains.

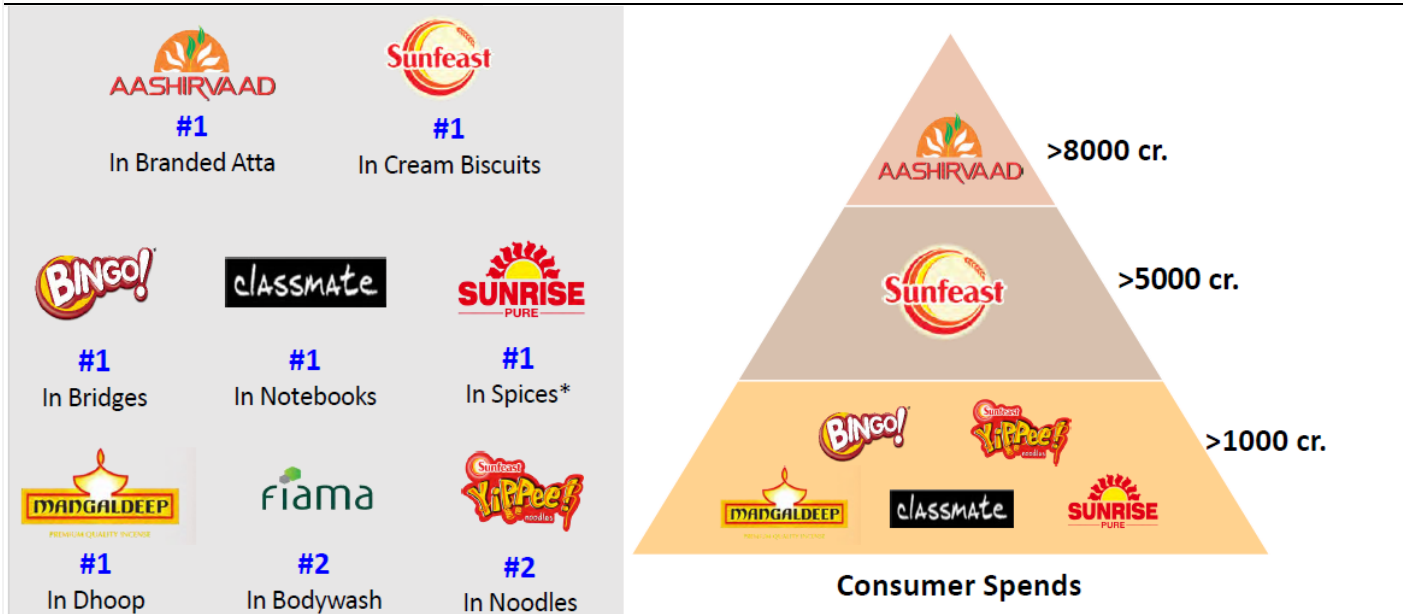
- **Aashirvaad:** ranks #1 in branded Atta category. ITC is looking at bringing more consumers in branded fold and increasing sales of value added adjacencies like sugar release control Atta, value added atta like Ragi, spices, organic pulses & breakfast solutions. ITC also ventured into dairy (grown 1.6x over last year) products with Milk, paneer, Ghee and Lassi.
- **Sunfeast:** ITC holds 26% share in premium biscuit market maintaining leadership with 1.5x times the largest competitor in Biscuits. Strategy is to differentiate consumer offers to drive growth & cont. focus on long term premiumisation trend. It accounts for consumer spends >Rs 50bn
- **Personal Care & Hygiene:** aims to grow ahead of category growth rate specifically for Products whose demand surged have during covid. Deo, pocket fragrances, Body wash, Handwash, Disinfectant Spray,: Under penetrated Sector with higher margins and high growth potential. Personal wash & Liquids (CAGR 18-19% in India vs soaps which is hardly grown in recent past). Margins in liquid is 1.4x than soaps. Soap dealers grew 2.3x while Handwash dealers grew by 400x over the period of 6 years.
- **D2C:** ITC will invest in Ecommerce. Creating Own D2C Platform to enables direct & sharper engagement with consumers. Partnering with Startups – through Direct and Indirect Investment
- **Distribution:** Presence in 7mn outlets with a direct reach of 2.6mn with presence in 3 out of 4 households. ITC has developed a smart omni channel network consisting of General Trade, Modern Trade, E-com, D2C, Quick com, Insti/Air/Rail and Cash & Carry to offer convenience and accessibility via multiple touchpoints. Integrated Consumer Manufacturing & Logistic (ICML) facilitate distribution across all the channels. Various steps have been taken to increase the value proposition of General trade.
- **Digital Ecosystem to create future ready innovations** through inorganic partnerships & learning grounds for ITC & In-house capability building and premium innovations on D2C
- **Market development strategy** includes 1) Building brands with a purpose 2) First in Category innovations 3) Superior Product Quality and 4) Premiumisation. ITC has developed Culture Centric Marketing (CCM) to gain customer insights and understand regional demand & requirements.

Exhibit 2: FMCG EBITDA margins at 11%, up by ~150bps YoY



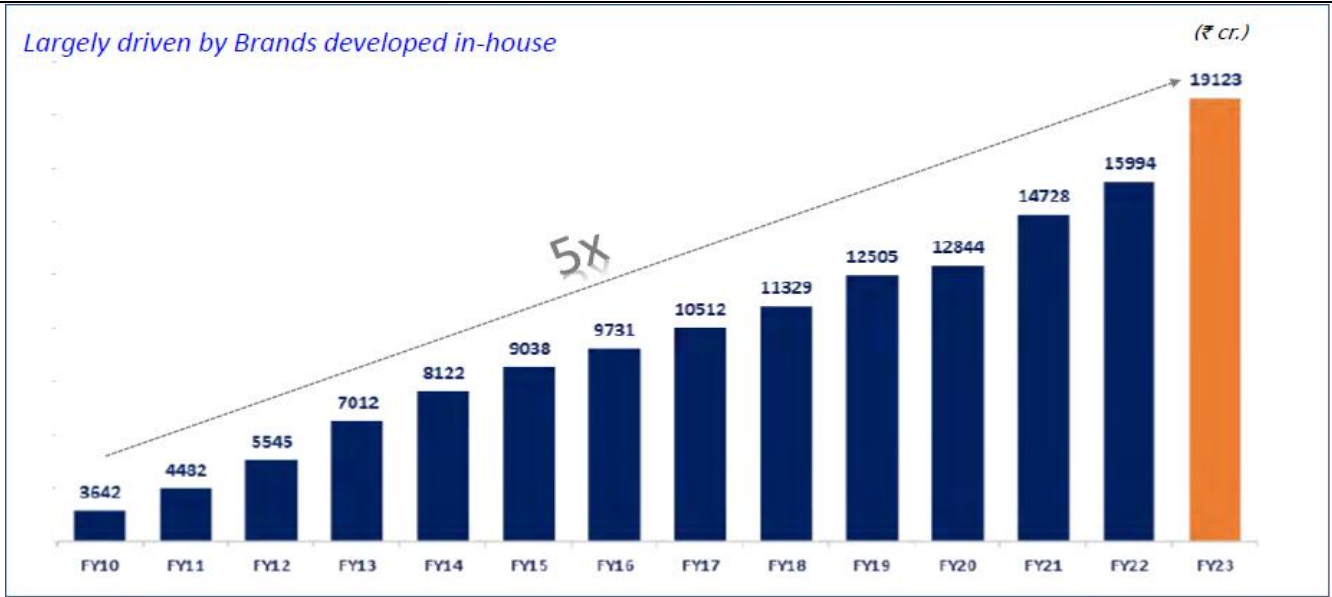
Source: Company, PL

Exhibit 3: Powerful mother brands



Source: Company, PL

Exhibit 4: In-house brand outperforms



Achieving such scale inorganically would have been > 3x as expensive as per analysts

Source: Company, PL

Exhibit 5: Strong growth across brands

Fortifying the Core

Addressing Adjacencies

New Growth Vectors

Source: Company, PL

Exhibit 6: Beverages & premium skin care to foster new verticals of growth

Beverages

Homecare

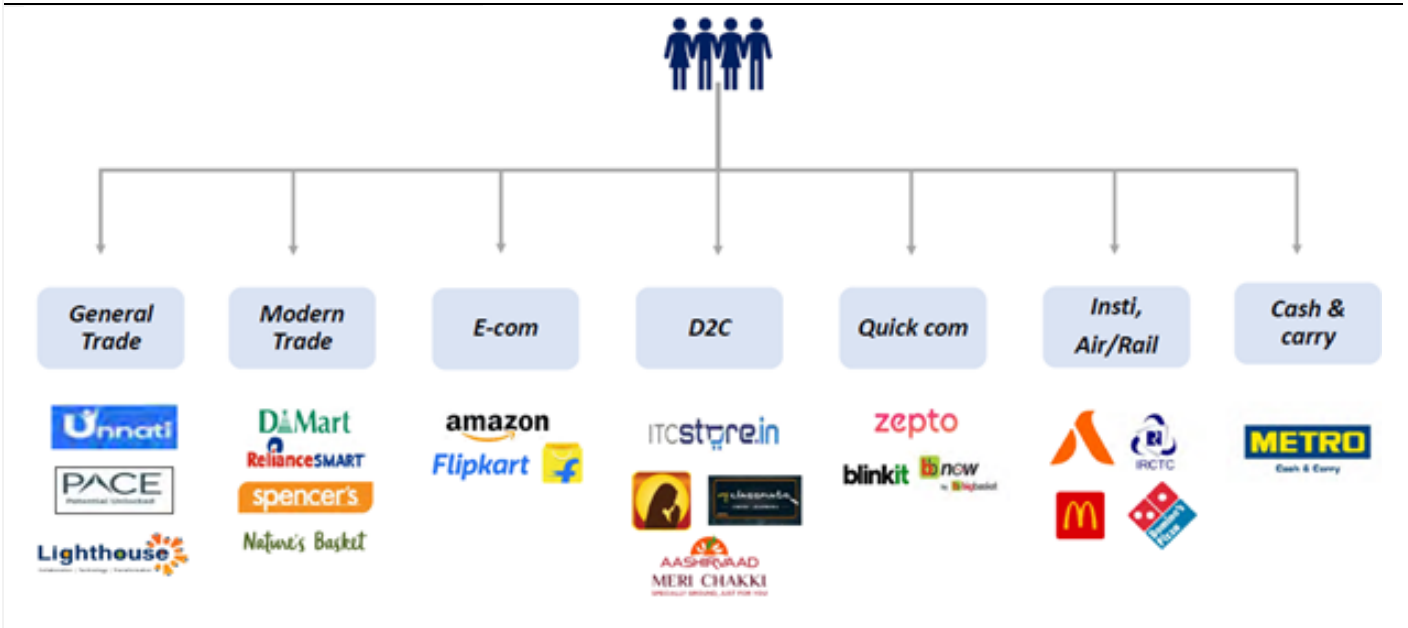
Premium Skin Care

Chocolates

Frozen Snacks

Source: Company, PL

Exhibit 7: MT/E-COMM outperform GT



Source: Company, PL

Agri – Capturing the entire value chain

- Agri strategy focuses on two components 1) Value added products in agri through nicotine in tobacco & spices and 2) ITC MAARS which B2F (business to farmers)
- Nicotine is a \$500mn market. New Opportunity in Value Added Tobacco- 1) Indian tobacco is at a sweet spot 2) Growth variants using High-end Nicotine products dominated by big players 3) High barriers to entry for high end nicotine supply 4) Conventional exporters at commodity end and 5) Supply of high end nicotine won't keep pace with rapidly growing demand
- Co strategy for Value Added Agri products 1) Need discovery through deeper engagement with select customers 2) Product development capability 3) Investments in State-of-the-Art processing facilities and 4) Unique model of backward integration through ITCMAARS
- Agri portfolio has two horizons- 1) Spices/Shrimps/Wheat based and 2) Coffee/Fruits & Vegetables/ Medicinal & aromatic plant extracts

Exhibit 8: Nicotine & its derivative a new opportunity in value-added tobacco



Source: Company, PL

Exhibit 9: Servicing 100+ customer across 35+ countries



Source: Company, PL

Paperboards, Paper & Packaging – Worst seems over

- Market leader in scale, profitability and sustainability. Will invest 30-35% of total capex to expand capacity
- Being a cyclical industry, downfall has been sharper this season with pre-covid performance being better. However, the worst seems to be over and can expect improvement going further.
- Boom in real estate & inflation in overall prices are affecting paper industry.

- ITC is looking for sites to expand capacities
- Key strategic pillars **1)** one-stop packaging solutions provider **2)** sustainability 2.0 **3)** sustainable paperboard/ packaging solutions **4)** leverage industry 4.0 and digital **5)** augment renewable and cost-competitive chains and **6)** scale up value added product portfolio.

Exhibit 10: Sustainability at the core



Source: PL, Company

Exhibit 11: Increasing the scale with adding new capacity

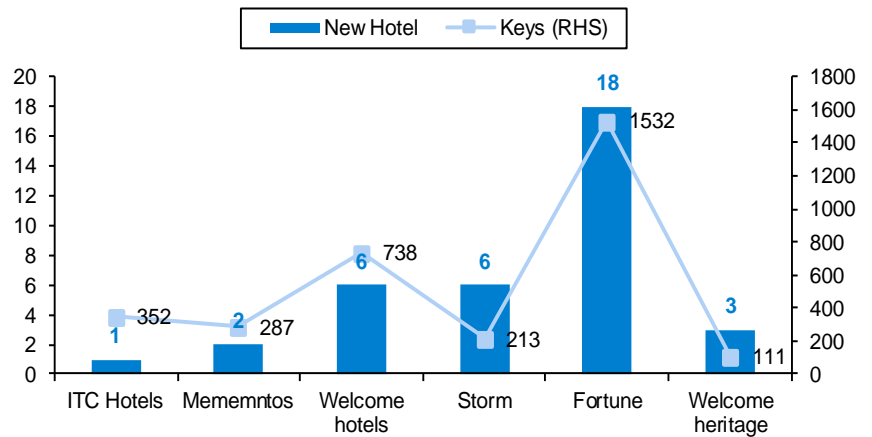


Source: Company, PL

Hotels – 32k+ new keys in next 5 years

- Hotel business has 35 new hotels in pipeline with 3200+ keys.
- ITC opened 22 new hotels over Q4FY23-Q3FY24 with 25 more hotels expected to be opened in the next 24 months
- ITC is targeting to reach a milestone of adding 200 hotels with 18000 keys over FY24-FY29 with 2/3rd keys in the managed portfolio
- Out of this 200 new hotels to be added 50% hotels will be upper midscale to midscale while 30%/20% will be upper upscale/ luxury hotels to ride on premiumisation story
- In the next 5 years premium hotel keys is likely to constitute 45% of total managed portfolio up by ~1500bps from what is 30% today

Exhibit 12: Fortune to add most hotels with 1532 keys



Source: Company, PL

Exhibit 13: Catering to all type of consumers

ITC Hotels Group
India's Pre-eminent Hospitality Chain

131 Hotels | 80 Destinations | 12000 Rooms

Luxury	Upper Upscale	Boutique	Mid to Upscale	Heritage	
 ITC HOTELS <small>RESPONSIBLE LUXURY</small>	 MEMENTOS <small>BY ITC HOTELS</small>	 WELCOMHOTEL <small>BY ITC HOTELS</small>	 STORM <small>BY ITC HOTELS</small>	 FORTUNE <small>Member ITC's hotel group</small>	 WelcomHeritage <small>Palaces • Forts • Havellis • Resorts</small>
 ITC Grand Chola				 ITC Narmada	

Hotels that define the destinations

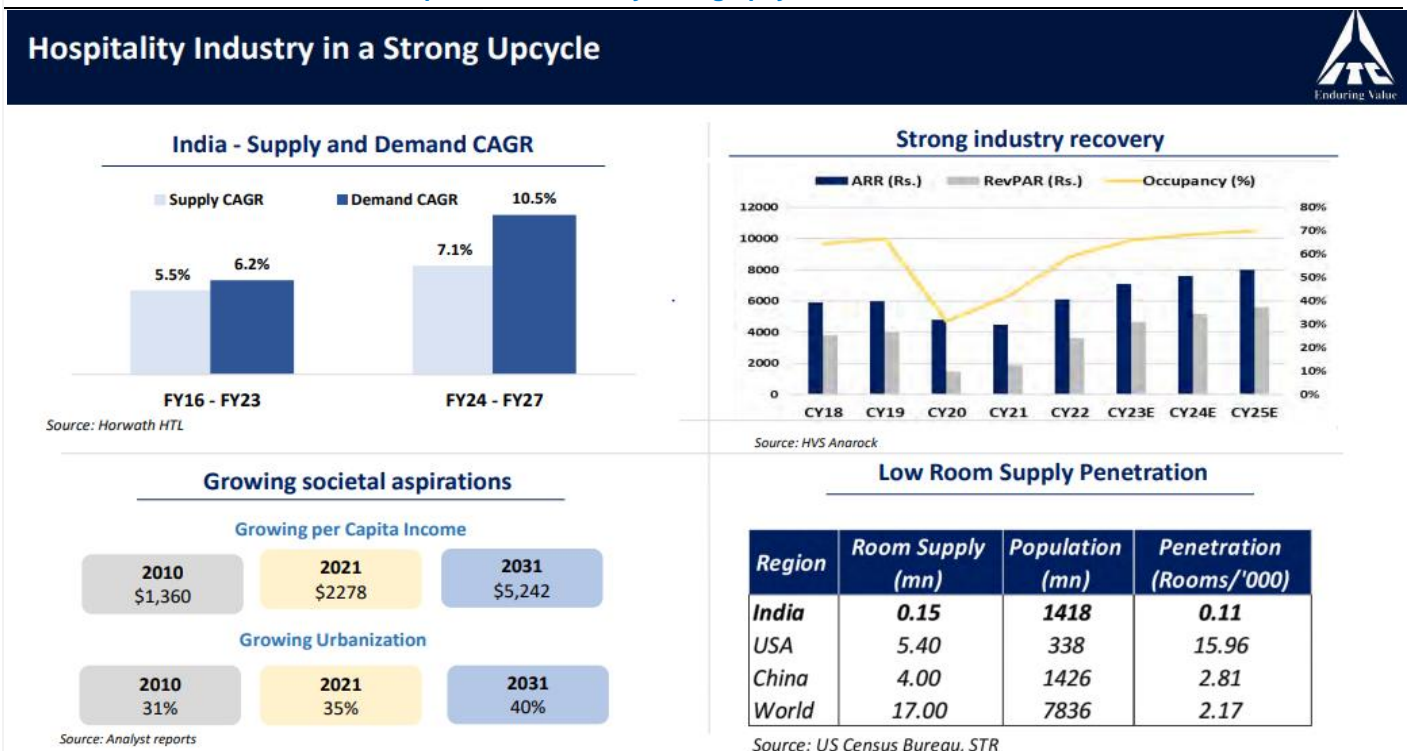
Source: Company, PL

Exhibit 14: Strong pipeline of new hotels



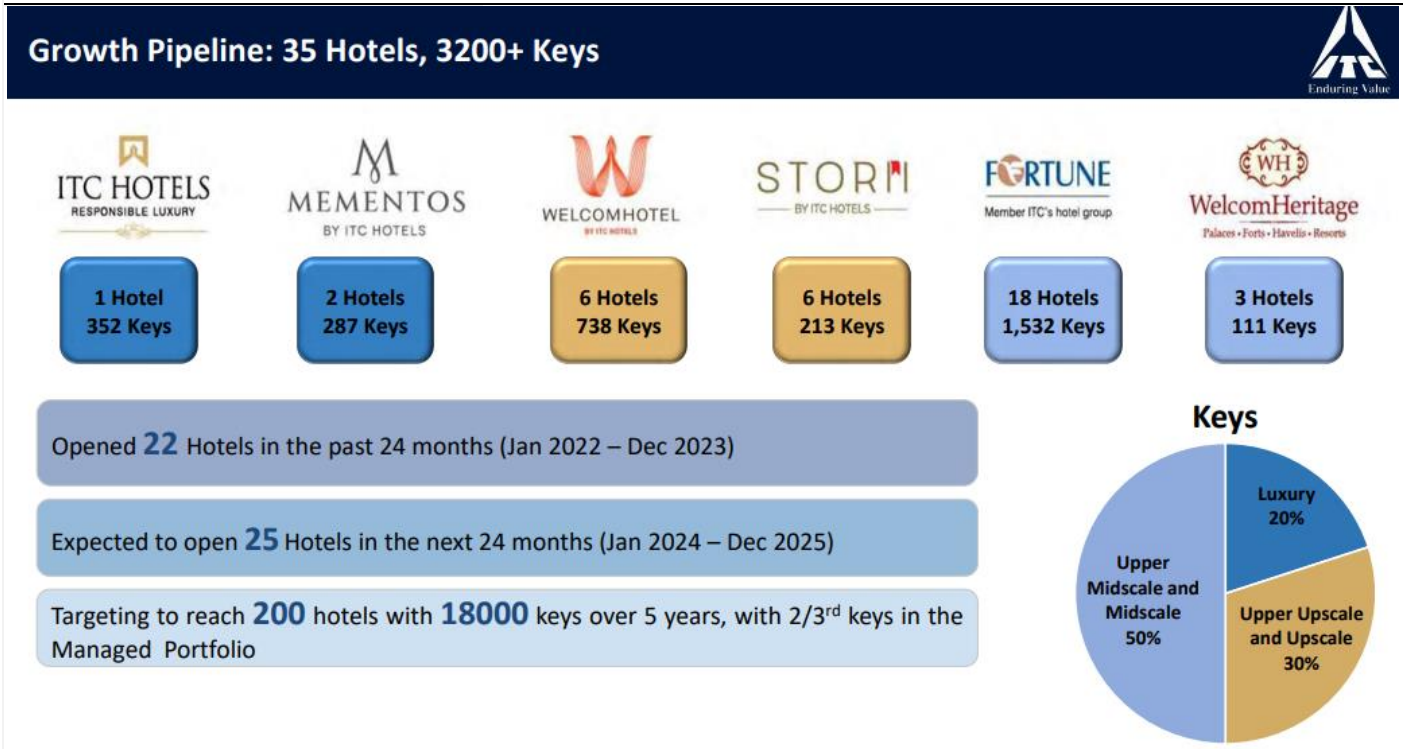
Source: Company, PL

Exhibit 15: Hotels to continue its outperformance led by strong upcycle



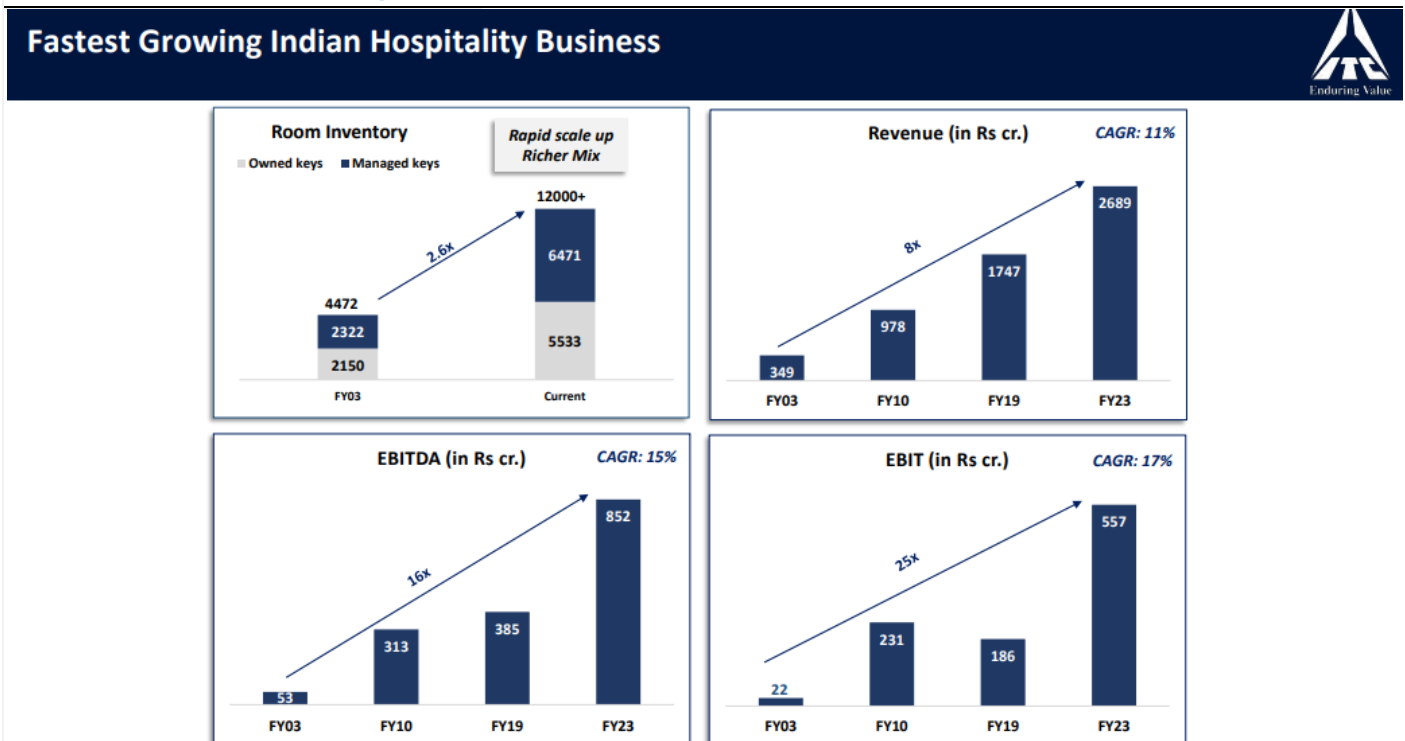
Source: Company, PL

Exhibit 16: 35 new hotels in pipeline with 3200+ keys



Source: Company, PL

Exhibit 17: Hotel business seeing robust utilization



Source: Company, PL

Exhibit 18: New hotels moving faster towards profitability

Accelerating Path to Profitability



ITC Kohenur - 274 Rooms

- Revenue leader in market within 2 years of Launch
- EBITDA Positive – Year 1
- PBT Positive – Year 2



* Except Covid impacted period



ITC Royal Bengal - 456 Rooms

- Revenue leader in market within 2 years of Launch
- EBITDA positive – Year 1
- PBT Positive – Year 2*

ITC Narmada - 291 Rooms

- ARR leader in market
- EBITDA Positive - Year 1



Source: Company, PL

ITC Infotech: Expect inorganic forays

- Infotech continue to see good traction with big deals on its plate like a big deal from PTC USA.
- It is looking to build capabilities in newer areas of cloud computing
- Delivering business friendly solutions to clients across 29 countries, including 60+ fortune listed clients.
- New leadership team to focus on **1) Strategic accounts 2) large deals 3) domain and technology 4) superior delivery 5) nurturing talent**
- Remains open to inorganic opportunities.

Food tech : Cloud kitchen to aid further growth

- ITC's pilot in Food tech segment under 3 brands of ITC Master Chef, Sunfeast Baked creations and Aashirvaad soul creations has been a success
- It has 19 cloud kitchens in Bangalore with a sales throughput of ~Rs3-4mn/kitchen/month
- These kitchens are common to all the three brands
- It has delivered more than 1mn orders in Bangalore.
- ITC has now entered Chennai market and plans to enter in other metros gradually.

Exhibit 19: Q2FY24 Result Overview: Net Sales up 2.6%, Adj. PAT up 10.3%

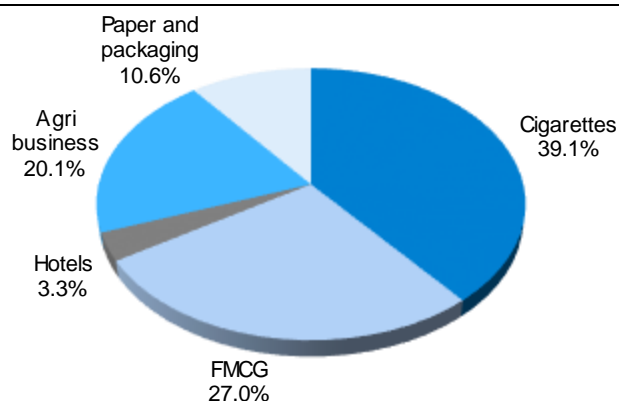
Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	1HFY24	1HFY23	YoY gr. (%)
Net Sales	165,501	161,299	2.6	158,282	323,783	334,196	(3.1)
EBITDA	60,416	58,643	3.0	62,501	122,917	115,119	6.8
<i>Margins (%)</i>	<i>36.5</i>	<i>36.4</i>	<i>0.1</i>	<i>39.5</i>	<i>38.0</i>	<i>34.4</i>	<i>3.5</i>
Depreciation	4,132	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
PBT	65,135	59,385	9.7	65,456	130,591	114,781	13.8
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>
Adjusted PAT	49,270	44,661	10.3	49,027	98,297	86,354	13.8

Source: Company, PL

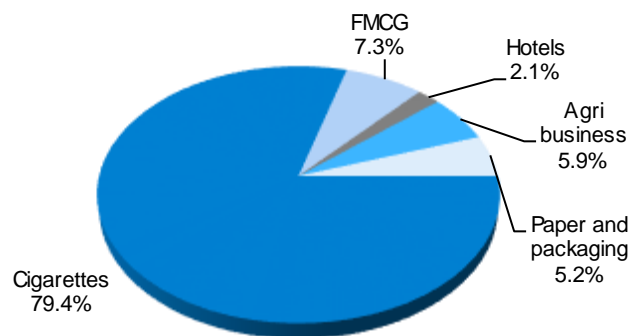
Exhibit 20: Cigarette volumes grew 4.9%, FMCG margins at 8.3%

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Cigarette Volume gr %	26.0	20.6	15.2	12.0	9.8	4.9
Sales (INR m)	213,555	186,591	182,713	188,821	210,576	195,995
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
Sales growth (YoY)	45.8	28.0	2.6	7.7	-1.4	5.0
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)
EBIT (INR m)	54,020	58,088	61,116	61,424	60,466	60,186
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
EBIT growth (YoY)	41.0	28.7	22.6	22.6	11.9	3.6
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)
EBIT Margin (%)						
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 21: Sales Mix: Cigarettes 39.1%, FMCG 27%


Source: Company, PL

Exhibit 22: Cigarettes are 79.4% of EBIT


Source: Company, PL

Exhibit 23: We have assigned SOTP based TP of Rs492

SOTP (Sept '25)	Basis	X	EV	PAT (Rs mn)	% of PAT	EPS	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	P/E	20		6588		0.5	11
Business Value						17.3	457
Cash and Invst			441565				35
Total Value/share							492

Source: Company, PL

Exhibit 24: Cigarettes and FMCG to drive growth over FY23-26

	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales (Rs m)						
Cigarettes	1,73,976	2,00,748	2,41,527	2,65,960	2,82,050	2,96,266
FMCG	1,47,086	1,59,648	1,90,815	2,15,903	2,45,208	2,77,441
Hotel	6,236	12,793	25,732	29,944	32,167	33,654
Agri	1,25,822	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
Sales Growth (%)						
Cigarettes	(13.6)	15.4	20.3	10.1	6.0	5.0
FMCG	14.8	8.5	19.5	13.1	13.6	13.1
Hotel	(65.8)	105.2	101.1	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
EBIT (Rs m)						
Cigarettes	1,27,204	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
EBIT Margin (%)						
Cigarettes	62.6	63.4	63.6	63.0	63.5	63.5
FMCG	5.7	5.8	7.2	8.7	9.5	10.5
Hotel	-85.8	-14.3	21.1	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
EBIT Growth (%)						
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	-396.0	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

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	6,60,433	6,86,706	7,48,410	8,09,905
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
EBITDA	2,39,445	2,60,651	2,87,141	3,12,345
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
EBIT	2,22,817	2,42,463	2,67,570	2,91,398
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
Profit Before Tax	2,46,775	2,75,328	3,01,370	3,28,112
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
Profit after tax	1,86,804	2,07,322	2,26,932	2,47,068
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,86,804	2,07,322	2,26,932	2,47,068
YoY gr. (%)	24.1	11.0	9.5	8.9
Margin (%)	28.3	30.2	30.3	30.5
Extra Ord. Income / (Exp)	729	-	-	-
Reported PAT	1,87,533	2,07,322	2,26,932	2,47,068
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
Equity Shares O/s (m)	12,428	12,441	12,454	12,465
EPS (Rs)	15.0	16.7	18.2	19.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	3,28,360	3,53,560	3,80,760	4,07,960
Tangibles	3,05,362	3,30,362	3,57,362	3,84,362
Intangibles	22,998	23,198	23,398	23,598
Acc: Dep / Amortization	99,399	1,16,175	1,34,305	1,53,787
Tangibles	96,775	1,13,204	1,30,982	1,50,110
Intangibles	2,624	2,972	3,323	3,677
Net fixed assets	2,28,961	2,37,385	2,46,456	2,54,173
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
Current Assets				
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
Total Assets	8,22,617	8,47,580	9,11,134	9,77,349
Equity				
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
Total Network	6,75,938	6,93,442	7,47,954	8,03,620
Non-Current Liabilities				
Long Term borrowings	33	33	33	33
Provisions	2,018	2,132	2,321	2,473
Other non current liabilities	-	-	-	-
Current Liabilities				
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
Total Equity & Liabilities	8,22,617	8,47,580	9,11,134	9,77,348

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)
Net cash from Op. activities	1,51,052	2,24,095	2,13,100	2,32,338
Capital expenditures	(18,437)	(29,797)	(28,641)	(28,664)
Interest / Dividend Income	-	-	-	-
Others	(7,062)	(8,098)	(11,855)	(12,934)
Net Cash from Inv. activities	(25,499)	(37,895)	(40,496)	(41,598)
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)
Net cash from Fin. activities	(1,25,185)	(1,90,042)	(1,72,993)	(1,92,006)
Net change in cash	368	(3,842)	(389)	(1,266)
Free Cash Flow	1,32,615	1,94,298	1,84,459	2,03,674

Source: Company Data, PL Research

Quarterly Financials (Rs m)

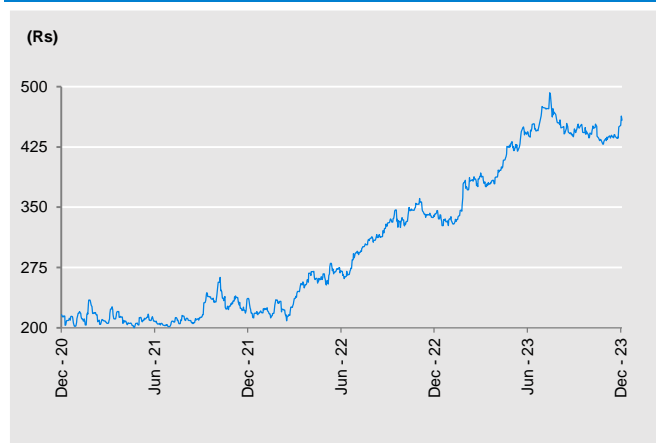
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	1,62,257	1,63,980	1,58,282	1,65,501
YoY gr. (%)	2.3	5.6	(8.5)	2.6
Raw Material Expenses	66,712	67,941	64,155	70,642
Gross Profit	95,545	96,038	94,127	94,858
Margin (%)	58.9	58.6	59.5	57.3
EBITDA	62,232	62,094	62,501	60,416
YoY gr. (%)	22.0	18.9	10.7	3.0
Margin (%)	38.4	37.9	39.5	36.5
Depreciation / Depletion	4,072	4,219	4,025	4,132
EBIT	58,160	57,875	58,476	56,284
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
Profit before Tax	66,775	65,219	65,456	65,135
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
Profit after Tax	50,310	50,140	49,027	49,270
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	50,310	50,140	49,027	49,270
YoY gr. (%)	21.0	19.6	17.6	10.3
Margin (%)	31.0	30.6	31.0	29.8
Extra Ord. Income / (Exp)	-	729	-	-
Reported PAT	50,310	50,869	49,027	49,270
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
Total Comprehensive Income	49,938	49,590	53,257	50,176
Avg. Shares O/s (m)	12,309	12,309	12,309	12,309
EPS (Rs)	4.1	4.1	4.0	4.0

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
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
Return Ratio(%)				
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
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	47	47	46	45
Valuation(x)				
PER	30.1	27.2	24.9	22.9
P/B	8.3	8.1	7.5	7.0
P/CEPS	16.4	18.1	19.8	21.5
EV/EBITDA	22.7	20.8	18.8	17.2
EV/Sales	8.2	7.9	7.2	6.6
Dividend Yield (%)	3.4	3.0	3.3	3.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	20-Oct-23	Accumulate	492	450
2	07-Oct-23	Accumulate	475	442
3	15-Aug-23	Accumulate	478	449
4	28-Jul-23	Accumulate	478	465
5	06-Jul-23	Accumulate	455	474
6	18-May-23	Accumulate	455	420
7	11-Apr-23	Accumulate	444	389
8	03-Feb-23	Accumulate	438	381
9	06-Jan-23	Accumulate	365	335

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,801	4,527
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	530
6	Emami	Accumulate	564	519
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	370	330
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	918	882
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,644	2,458
16	Restaurant Brands Asia	Accumulate	145	114
17	Titan Company	Accumulate	3,387	3,275
18	Westlife Foodworld	Hold	844	883

PL's Recommendation Nomenclature (Absolute Performance)

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

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