

ITC LTD
Feb-21
Industry: FMCG
Target Rs. 277
Recommendation: Accumulate
Accumulation Range Rs: 180-200
Key Data

Date	18.2.21
BSE Code	500875
NSE Code	ITC
52 Week High (Rs)	239
52 Week Low (Rs)	135
Market Cap (Rs Cr)	267703
Face Value	1
Cmp Rs	218

Q3FY21 Result Update:
FMCG-Others Segment sustains double-digit topline growth:

Segmental revenue came at Rs 3562 Cr up 11% YoY in Q3FY21 mainly driven by surge in the demand for Staples and Convenience Foods. Demand for Health & Hygiene products remained elevated with Discretionary/ out-of-home categories posting smart recovery due to increased availability across channels. On operational front segment EBITDA was up by 28% helping the margins expand by 150 bps to 9.2%. This was driven by higher operating leverage, enhanced operational efficiencies, portfolio premiumisation and product mix enrichment. With aggressive new product launches(100 product launches), market share gains in many packaged foods should drive the growth moving forward.

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Progressive improvement in Hotel biz:

ITC's hotel segment witnessed progressive recovery with improvement in Room and F&B business across most locations. Revenue increased from Rs 82 Cr to Rs 235 Cr with occupancy improving to ~40% in Q3 from ~18% in Q2. Wedding business, staycations, leisure destinations and healthcare/quarantine related business were the key drivers. This segment turned EBITDA positive in Q3FY21.

Shareholding Dec 2020

Promoters	0%
Public	100%

Promoters/ Management

Mr. Sanjiv Puri	Chairman/MD
Mr. Supratim Dutta	CFO
Mr. Nakul Anand	Ex Director
Mr. Rajiv Tandon	Ex Director
Mr. Sumant Bhargavan	Ex Director

Key Ratios

P/E	20.60
ROE	23%
P/Bv	4.67

Price Chart

Research Team
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Mview:

We remain optimistic on overall business growth and our view is largely unchanged. We believe consistent improvement in non-cigarette FMCG margins along with normalisation of cigarette volume to pre-Covid levels would be key re-rating trigger for the stock. ITC also gained good traction in markets post budget as there was no mention of higher taxes on tobacco products in the Union Budget 2021-22. No taxes on cigarette was a breather for the business as lion share of ITC's revenues come from the tobacco business while accounts for 80% of its profits are accounted from the tobacco business. We also expect Hotel business to come back on track in coming financial year. FMCG is also getting strong tractions across the product segments amid the pandemic situation and expect it would continue to flourish in coming quarters. Hence looking at the faster improved segmental performance, strong cash flows and any developments in demerger or value-unlocking story ITC can deliver superior returns on long term, we recommend investors to 'Hold with a Target of Rs 277'.

About the Company:

ITC Ltd is one of the India's foremost private sector companies, headquartered in Kolkata. It has diversified presence in FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. ITC enjoys market leading position in cigarette business. It's FMCG portfolio consists of packaged food, personal care, education and stationery, lifestyle retailing, agarbattis and safety matches. Key brands include; Aashirvad, Sunfeast, Bingo, Yippee!, Candyman, Fiama, Vivel, Classmate, Mangaldeep. In 1975 ITC ventured into Hotel segment and currently operates more than 100 hotels in 70+ destinations across India.

FINANCIAL OVERVIEW

Profit & Loss Statement (Rs Cr)

Particulars	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ	9MFY21	9MFY20	YoY
Revenue from operations	14124	13307	6.14%	13148	7%	37751	38833	-3%
Expenses								
Cost of raw materials	3532	3828	-8%	3637	-3%	10256	10414	-2%
change in inventories	1705	860		1124		3738	2895	
employee benefit expense	1143	1085	5%	1070	7%	3319	3200	4%
excise duty	1045	405		1071		2820	1211	
other expenses	1914	2153	-11%	1844	4%	5486	6356	-14%
Total expenses	9339	8331	12%	8746	7%	25619	24076	6%
EBITDA	4785	4976	-4%	4402	9%	12132	14757	-18%
EBITDA %	33.88%	37.39%		33.48%		32.14%	38.00%	
depreciation	413	437	-5%	405	2%	1237	1232	0%
other income	546	653	-16%	582	-6%	2053	1930	6%
finance cost	13	11	18%	13	0%	42	40	5%
PBT	4905	5181	-5%	4566	7%	12906	15415	-16%
tax	1318	1001		1147		3333	3625	
PAT	3587	4180	-14.19%	3419	5%	9573	11790	-19%
PAT %	25.40%	31.41%		26.00%		25.36%	30.36%	
EPS	2.87	3.24		2.74		7.65	9.33	

TECHNICAL TREND





MSEARCH

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Disclosure of Interest Statement: Analyst ownership of the stock: No

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Msearch's Recommendation (Absolute Performance)

Buy : > 20% within the next 12 Months

Accumulate : 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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