

**ITC LTD**

**Jun-21**

**Industry: FMCG**

**Target Rs. 225**

**Recommendation: Accumulate**

**Accumulation Range Rs: 195-205**

### Key Data

Date	7.6.21
BSE Code	500875
NSE Code	ITC
52 Week High (Rs)	239
52 Week Low (Rs)	163
Market Cap (Rs Cr)	260209
Face Value	1
CMP	Rs 211

### Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

### Shareholding March 2021

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	19.81
ROE	22%
P/Bv	4.36

### Price Chart



### Research Team

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### Q4FY21 Result Update:

#### Sequential recovery in cigarettes and Hotels biz:

Sequential recovery was observed in volumes with progressive easing of restrictions and improved mobility helping it reach near to pre-covid levels. Net revenue from cigarette was up by 7% along with margin expansion of 70bps. Top line was supported by recovery in metro and large town markets after a soft H1. Sequential improvement in Hotels Revenue was aided by higher Occupancy and F&B business. After breaking even in Q3 it has turned EBITDA positive mainly due to pick-up in revenues together with aggressive cost reduction measures.

#### Sustained growth performance from FMCG-Others segment:

Segment revenue was showed an up move of 16% on a relatively strong base. Most of its products witnessed normalisation in demand be it Staples, Convenience Foods and Health & Hygiene. Smart recovery in Discretionary/out-of-home categories was observed shooting the sales up by 23%. On operational front there was robust expansion in margins up 180 bps for the full year on the back of higher operating leverage, enhanced operational efficiencies, product mix enrichment, delayering of operations, reduced distance-to market and other structural interventions across the value chain. It also pioneered an innovative model - ITC Store on Wheels - to directly service consumers across 13 cities.

#### Continued growth momentum in Agri and Paperboards, Paper & packaging segment:

Agri segment delivered better growth than our expectations driven by export opportunities in Wheat, Rice and Oilseeds to countries like Bangladesh, Malaysia, Sri Lanka & UAE. Smart recovery in Leaf Tobacco Business was observed followed by strong growth in Value Added spices. In Paperboards, paper & packaging segment growth (13%) was seen mainly in Cartons and Flexibles packaging. With this higher operational efficiencies partially mitigated the impact of softer realisations.

### Mview:

We continue to remain optimistic on ITC after delivering results in line with the Street's expectations. In The March quarter, cigarettes' net revenue increased by 7% year-on-year which contributes the most to the company's profit, with street estimating volume growth of a similar range. ITC's agri business has done well with strong revenue and earnings growth which is a future growth segment. On overall business segment the near-term path would see muted flat growth with ITC's cigarette business expected to see hit as second covid-19 wave, and related lockdowns. Cigarette volumes are likely to take a pressure, which would impact earnings for the Q1. We remain confident in the improving margin trajectory for other FMCG businesses. Hotels business also remains under pressure but current trends suggest a pick up in travel in the second half FY22 which can bring in growth. At current levels, we see a stock is available at decent trading range with a healthy margin of safety on downside and hence we advise investors to "ACCUMULATE" in the range of Rs 195-205 for the medium to long term.

### 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	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ	FY21	FY20	YoY
Revenue from operations	15404	14125	9.05%	14124	9%	53155	51393	3%
<b>Expenses</b>								
Cost of raw materials	3684	3532	4%	3532	4%	13940	13811	1%
change in inventories	2453	1705		1705		6192	3535	
employee benefit expense	1144	1144	0%	1143	0%	4463	4296	4%
excise duty	1062	1045		1045		3882	1989	
other expenses	2189	1914	14%	1914	14%	7675	8503	-10%
<b>Total expenses</b>	<b>10532</b>	<b>9340</b>	<b>13%</b>	<b>9339</b>	<b>13%</b>	<b>36152</b>	<b>32134</b>	<b>13%</b>
<b>EBITDA</b>	<b>4872</b>	<b>4785</b>	<b>2%</b>	<b>4785</b>	<b>2%</b>	<b>17003</b>	<b>19259</b>	<b>-12%</b>
<b>EBITDA %</b>	<b>31.63%</b>	<b>33.88%</b>		<b>33.88%</b>		<b>31.99%</b>	<b>37.47%</b>	
depreciation	409	413	-1%	413	-1%	1646	1645	0%
other income	579	546	6%	546	6%	2633	2598	1%
finance cost	3	13	-78%	13	-78%	45	55	-18%
<b>PBT</b>	<b>5039</b>	<b>4905</b>	<b>3%</b>	<b>4905</b>	<b>3%</b>	<b>17945</b>	<b>20157</b>	<b>-11%</b>
tax	1222	1318		1318		4556	4442	
<b>PAT</b>	<b>3817</b>	<b>3587</b>	<b>6.42%</b>	<b>3587</b>	<b>6%</b>	<b>13389</b>	<b>15715</b>	<b>-15%</b>
<b>PAT %</b>	<b>24.78%</b>	<b>25.39%</b>		<b>25.40%</b>		<b>25.19%</b>	<b>30.58%</b>	
<b>EPS</b>	<b>3.05</b>	<b>2.87</b>		<b>2.87</b>		<b>10.70</b>	<b>12.47</b>	

### TECHNICAL TREND





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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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