

Research Report

ITC Limited



Prepared By-

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About

ITC is one of India's foremost private sector companies and a diversified conglomerate with businesses spanning Fast Moving Consumer Goods, Hotels, Paperboards and Packaging, Agri Business and Information Technology. The Company is acknowledged as one of India's most valuable business corporations with a Gross Revenue of ₹ 69,481 crores and Net Profit of ₹ 18,753.31 crores (as on 31.03.2023). ITC was ranked as India's most admired company, according to a survey conducted by Fortune India, in association with Hay Group.

Key Business

- Fast Moving Consumer Goods (FMCG)
- Hotels
- ITC Paperboards & Specialty Papers
- ITC's Packaging & Printing Business
- Agri Commodities & Rural Services
- ITC's Information Technology Services
- ITC Brandworld

Synopsis of Financials

- Gross Revenue at ` 69480.89 crores increased by 17.6%, while EBITDA increased by 26.5% to ` 23944.47 crores.
- The Agri Business Segment delivered a resilient performance with Segment Revenue and Results growing by 12.2% and 28.8% respectively.
- Profit Before Tax and Exceptional items at ` 24677.54 crores grew by 24.4% over previous year and Profit After Tax stood at ` 18753.31 crores (previous year ` 15057.83 crores)

Source: Company Annual Report

Stock data (as 28th May 2024)

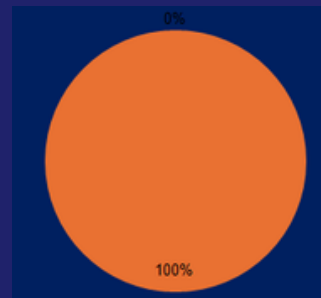
Nifty Price	: 24,020.15
52 week High (in Rs.)	: 499.70
52 week Low (in Rs.)	: 399.35
Market Cap. (in Crore)	: 5,35,656.97
NSE Code	: ITC

Stock data



-NIFTY50
- ITC Ltd.

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	70,881	70,919	60,645
Sales Growth %	-0.05%	16.94%	23.12%
Expenses	44,627	45,215	40,021
Operating Profit	26,254	25,704	20,623
OPM %	37%	36%	34%
Profit after tax	20,724	19,477	15,503
EPS in Rs	16.39	15.44	12.37

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	17,108	17,705	17,635	17,164	17,774	18,019	17,923
Expenses	10,849	11,000	11,011	10,494	11,320	11,516	11,296
Operating Profit	6,259	6,705	6,624	6,670	6,454	6,504	6,626
OPM %	37%	38%	38%	39%	36%	36%	37%
Other Income	455	595	683	722	665	651	682
Interest	13	9	12	10	10	14	13
Depreciation	462	447	461	442	453	459	461
Profit before tax	6,239	6,844	6,833	6,940	6,656	6,682	6,834
Tax %	25%	26%	24%	25%	26%	19%	24%
Net Profit	4,682	5,080	5,243	5,190	4,965	5,407	5,191

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	31st March, 2023	31st March, 2022
Current Ratio (in times)	Current Assets	Current Liabilities	2.84	2.70
Return on Equity Ratio (in %)	Profit for the year (before exceptional items)	Average Shareholder's Equity	28.99	25.01
Inventory Turnover Ratio (in times)	Gross Revenue from sale of products and services	Average Inventory	6.75	6.07
Trade Receivables Turnover Ratio (in times)	Gross Revenue from sale of products and services	Average Trade Receivables	32.51	29.24
Trade Payables Turnover Ratio (in times)	COGS + Other Expenses – Non Cash Expenditure	Average Trade Payables	8.99	8.24
Net Capital Turnover Ratio (in times)	Gross Revenue from sale of products and services	Working Capital (Current Assets – Current Liabilities)	3.05	3.04
Net Profit Ratio (in %)	Profit for the year (before exceptional items)	Gross Revenue from sale of products and services	26.91	25.48
Return on Capital Employed (in %)	Profit before exceptional items, interest and taxes	Average Capital Employed	38.72	33.33
Return on Investment (in %)	Income from investment	Time weighted average Investment	6.79	7.61

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	1,248	1,243	1,232
Reserves	73,259	67,912	61,223
Borrowings	303	306	249
Other Liabilities	17,016	16,370	14,491
Total Liabilities	91,826	85,831	77,196
Fixed Assets	27,830	25,851	24,232
CWIP	2,851	3,003	3,226
Investments	31,114	29,415	24,841
Other Assets	30,031	27,561	24,898
Total Assets	91,826	85,831	77,196

Synopsis Quater Results

Con-Call May 24: Key Highlights

Business Performance:

- ITC Limited has showcased strong business performance across various segments in recent quarters. For the second quarter of the fiscal year 2024, ITC reported a net profit increase of 10% year-over-year (YoY), reaching ₹4,927 crore. This growth was primarily driven by robust performance in its cigarette and hotel segments, along with solid results in its FMCG and agricultural businesses

Capex and Expansion Plans:

- ITC Limited has outlined an ambitious capital expenditure (capex) and expansion strategy for the medium term.
- The company plans to invest approximately ₹14,851 crore (around \$2 billion) as part of its "ITC Next" strategy

Business Outlook and Market Share:

- FMCG segment continues to exhibit robust growth. In Q2 FY24, the segment saw an 8.3% year-over-year (YoY) increase in revenue, driven by strong performance in products like atta, spices, personal wash, and agarbatti, amidst a subdued consumer demand environment
- Although facing a minor setback with a 2% volume decline in Q3 FY24 due to high base effects, the cigarettes segment remains a significant revenue generator.

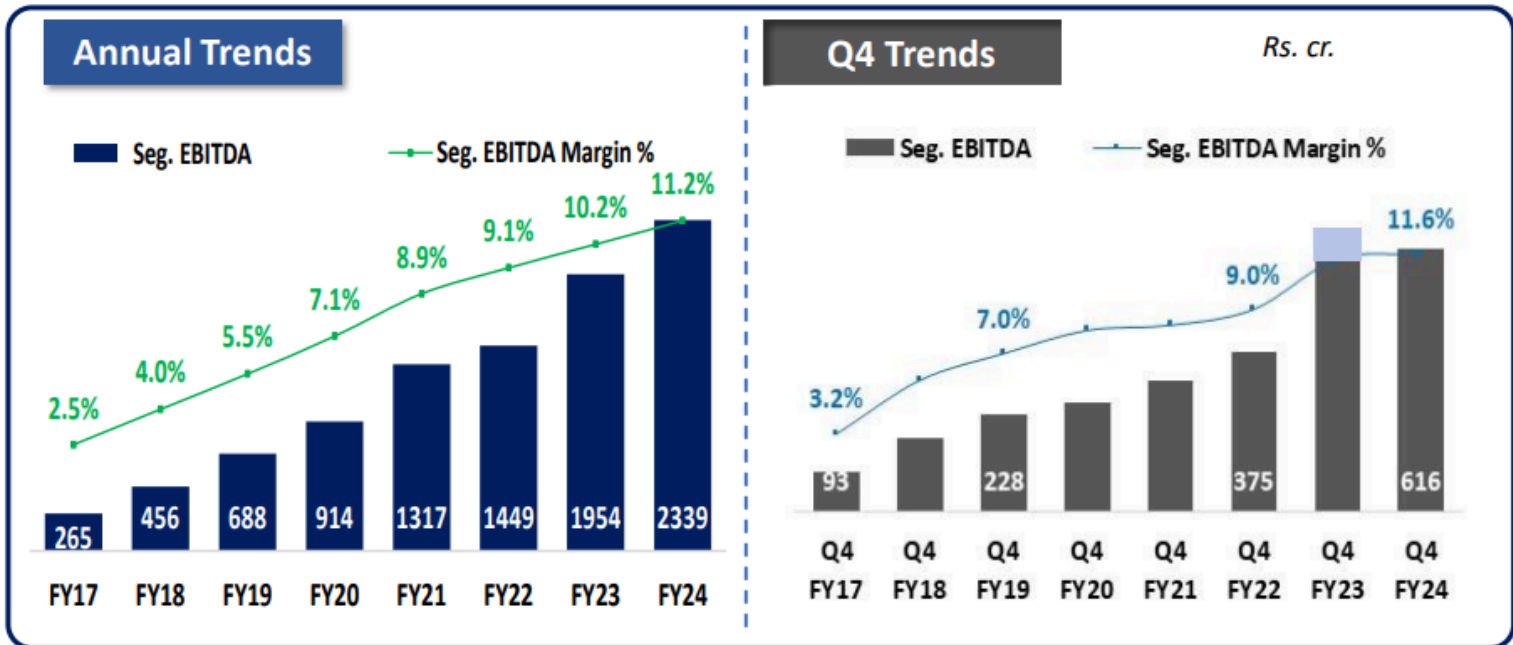
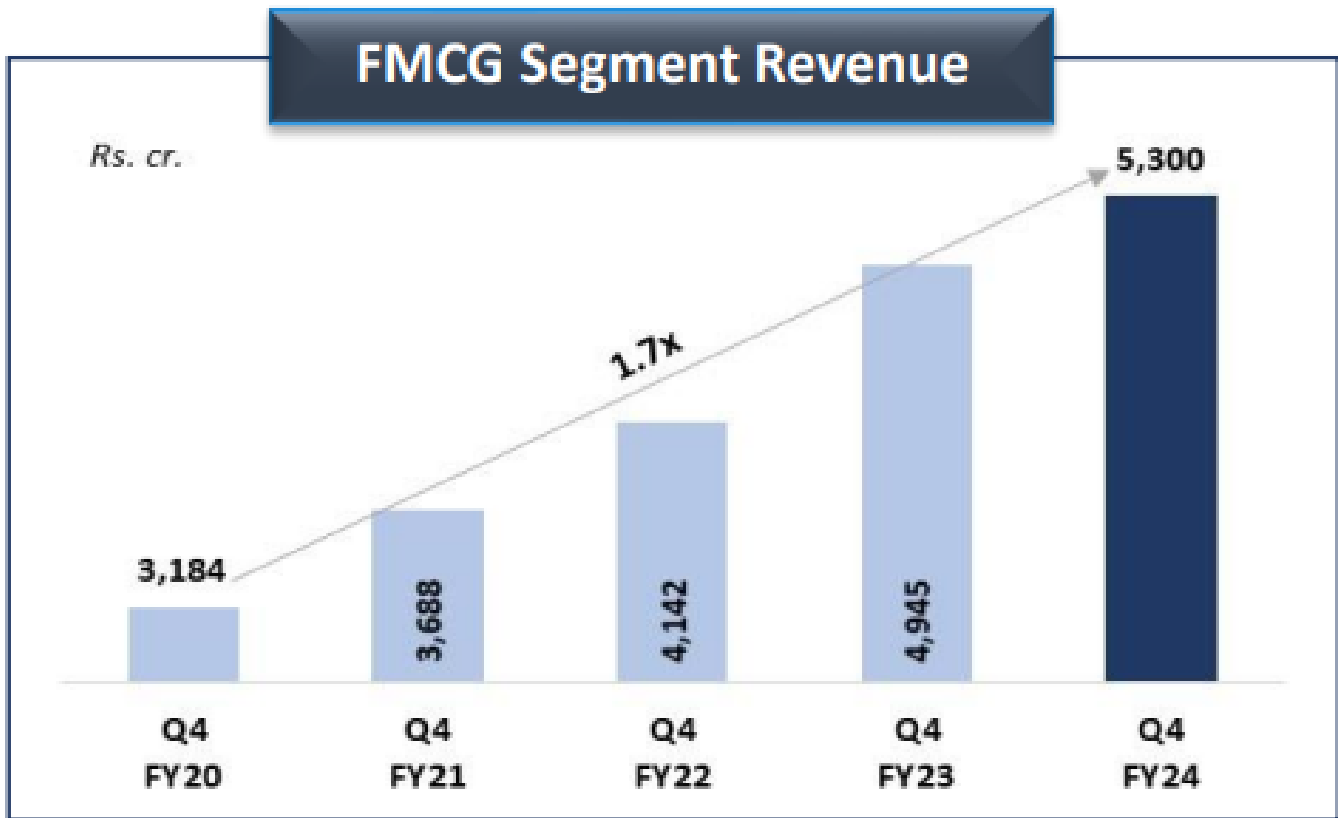
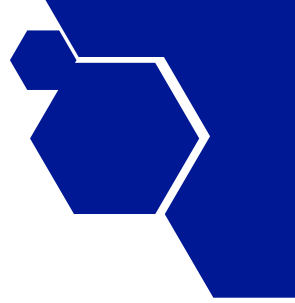
Volume Growth and Market Expansion:

- ITC's cigarette segment has shown consistent performance, with a reported volume growth of 3% in Q3 FY24. This growth was slightly moderated due to a high base from the previous year and specific challenges such as the impact of cyclones in southern India
- This segment has a two-year compound annual growth rate (CAGR) of 14.5%, highlighting sustained growth despite a challenging consumer demand environment.

Market Perception and Closing Remarks:

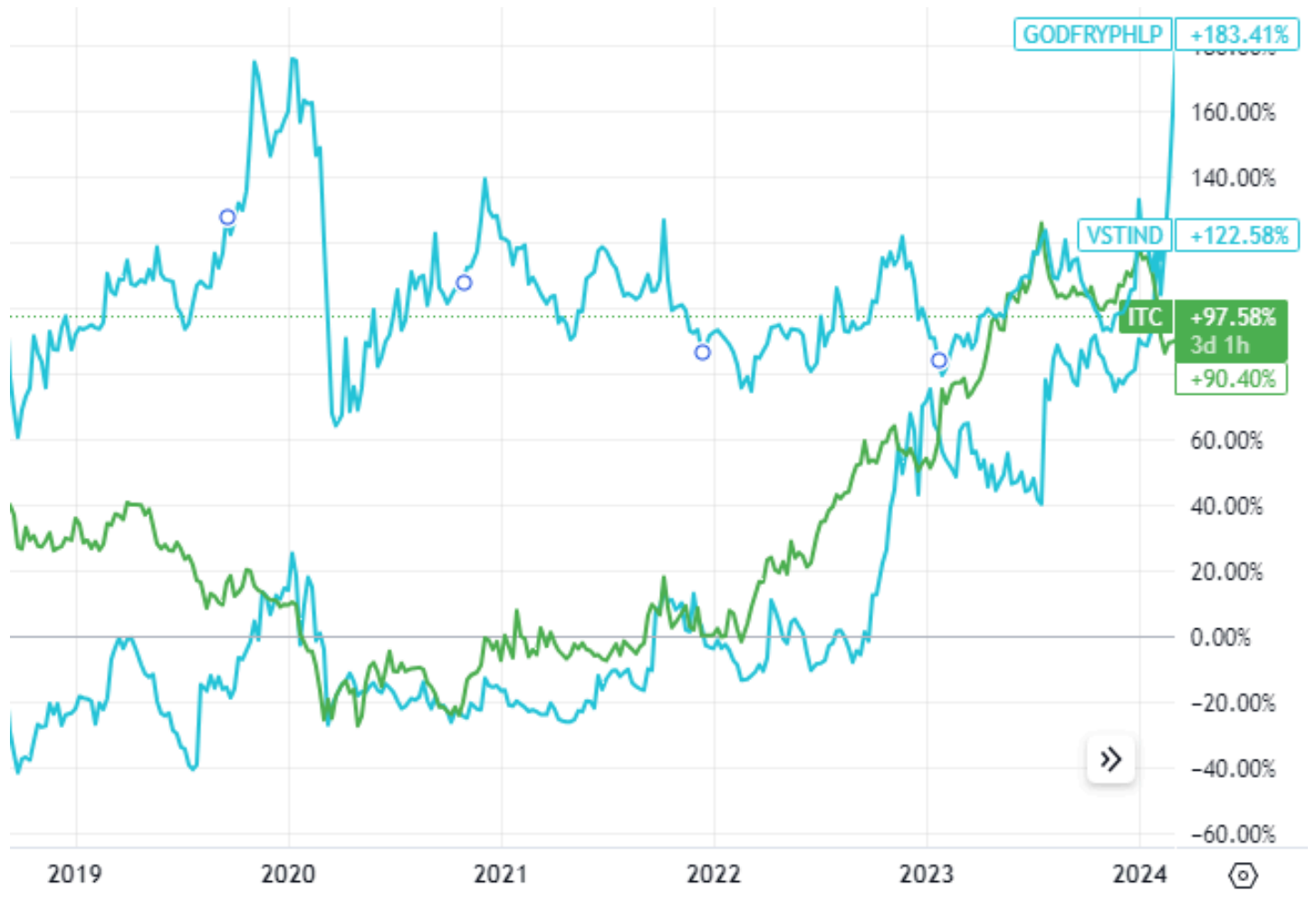
- ITC's strategic diversification, consistent innovation, and robust financial health position it well for future growth.
- Its leading position in the FMCG sector, combined with its expanding footprint in other areas, underscores its ability to adapt and thrive in a competitive market.
- As ITC continues to leverage its broad product portfolio and capitalize on market opportunities, it remains a strong contender for sustained growth and market leadership in the coming years.

Revenue Highlights



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	ITC	429.30	26.16	535969.09	2.96	5190.71	0.02	17922.70	1.63	37.46
2.	Godfrey Phillips	3892.55	24.79	20238.90	1.11	212.35	6.58	1249.68	35.90	21.51
3.	VST Industries	4076.85	20.86	6294.66	3.66	88.20	28.38	375.06	24.30	32.46
4.	NTC Industries	121.15	30.86	144.70	0.00	1.26	-147.15	7.35	-19.14	10.03
	Median: 4 Co.	2160.93	25.48	13266.78	2.04	150.28	3.3	812.37	12.96	26.98

Source: Screener

Final Outlook

ITC Ltd: BUY | LTP: 429.05

ITC Stock started a downfall in the 4th quarter as British American Tobacco (BAT) which is the largest tobacco company in the world has disinvested and sold its stake which impacted ITC very seriously as its main business is also of tobacco

BUY, HOLD for long term is advisable as there are many long term projects and expansion plans on the way which will give it a push in the market and as I observed ITC started reaching its peak in JUL 2023 itself otherwise it was showing not much growth.

The Profit after tax is showing a growth of 3% YOY expenses were also decreased. And EPS is also in increasing trend which shows that company generates a good amount of profits for its shareholders