

- ❑ ITC Limited (ITC) has reported its standalone net revenue stood at ₹ 162.3 billion in Q3FY23 as against ₹ 158.6 billion in Q3FY22, an increase of 2.3% YoY and flat on QoQ. Revenue impacted by wheat exports that were banned during the current year and a sharp dip in agri business sales. EBITDA for the quarter rose by 22.0% YoY to ₹ 62.2 billion, with a stable EBITDA margin of 38.4% amidst elevated commodity prices.
- ❑ FMCG cigarette Revenue came in at ₹ 72.9 billion during Q3FY23 as against ₹ 62.4 billion during Q3FY22 recording a growth of 16.7% YoY. Segment EBIT in cigarettes grew 16.9% YoY to ₹ 46.2 billion. The FMCG Cigarette Business continued volume recovery from illicit trade on the back of stability in taxes on cigarettes and deterrent actions by enforcement agencies. Market standing continues to be reinforced through focused portfolio/market interventions and agile execution.
- ❑ The FMCG other businesses delivered strong performance with Segment Revenue growing 18.4% YoY to 44.8 billion, 1.5x of Q3 FY20. Growth in the category led by continued high strong traction in Staples, Biscuits, Noodles, Snacks, Dairy, Beverages, Soaps drive growth - Education & Stationery Products. Segment EBITDA margin at 10.0%; up 90 bps YoY and 50 bps sequentially amidst elevated commodity prices.
- ❑ In Hotels Business; Segment Revenue up 50.5% YoY to ₹ 7.1 billion and at appx. 1.3x of Q3 FY20 - RevPAR well ahead of pre-pandemic levels. Segment EBITDA at 2.24 billion (up 1.07 billion YoY and 0.67 billion over Q3 FY20). Segment EBITDA margin at 31.5% (+680 bps YoY and +310 bps Vs. Q3 FY20) driven by higher RevPAR and structural cost interventions.
- ❑ Agri Business revenue declined 37.1% YoY to ₹ 31.2 billion in Q3FY23 due to a ban on export of wheat and rice. The segment reported EBIT growth of 32.6% YoY to ₹ 3.9 billion, with EBIT margin expanded 660bp YoY to 12.5% during the quarter, driven by growth in leaf tobacco exports and value-added agri products.
- ❑ Paper and Paperboard sales grew 12.7% YoY to ₹ 23.1 billion while, EBIT grew 35% YoY to ₹ 6.1 billion. Segment EBIT margins at 26%, up 440 bps YoY led by higher realisation in domestic and exports. A recently commissioned unit in Nadiad, Gujarat continues to scale up. The packaging and printing businesses recently commissioned unit in Nadiad, Gujarat, is scaling up. Sustainable paperboards/packaging solutions leveraging the cutting-edge innovation platforms.



- ❑ The Board has recommended Interim Dividend of Rs. 6.00 per share (previous year Rs. 5.25 per share) for the financial year ending 31st March, 2023.
- ❑ The Company sustained its strong growth momentum across all operating segments during the quarter driven by focus on accelerated digital adoption, customer centricity, execution excellence and agility .
- ❑ Economic activity in India continued to gather momentum with sequential moderation in commodity inflation, even as core inflation remained elevated. Rural demand continued to be relatively subdued, while improving sequentially.
- ❑ Consumer sentiments improved during the quarter but remained below pre pandemic levels. A recent run-up in stocks with our revised estimate we update our BUY rating to **HOLD** with a revised TP of ₹ **416** based on 24x FY24E earnings.

Financial Results

Standalone						
(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	162,257	158,623	2.3%	496,453	408,104	21.6%
Operating Expense	100,025	107,602	-7.0%	319,102	271,011	17.7%
EBITDA	62,232	51,021	22.0%	177,351	137,093	29.4%
Other Income	8,717	8,099	7.6%	16,913	19,159	-11.7%
Depreciation	4,072	4,093	-0.5%	12,408	12,062	2.9%
EBIT	66,877	55,027	21.5%	181,856	144,190	26.1%
Interest	102	107	-4.8%	300	315	-4.7%
PBT	66,775	54,920	21.6%	181,556	143,875	26.2%
Tax	16,465	13,358	23.3%	44,892	35,206	27.5%
Consolidated PAT	50,310	41,562	21.0%	136,665	108,669	25.8%
Standalone						
Margins	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Operating Margin %	38.4%	32.2%	619	35.7%	33.6%	213
PBT Margin %	41.2%	34.6%	653	36.6%	35.3%	132
Net Margin %	31.0%	26.2%	480	27.5%	26.6%	90

Source: Company, Anand Rath Research

Consolidated Financials

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	454,851	563,413	690,293	770,959
Operating Expense	299,524	374,478	446,620	494,956
EBITDA	155,327	188,935	243,674	276,003
Other Income	32,523	26,487	7,593	7,710
Depreciation	15,618	16,522	18,529	21,462
EBIT	172,231	198,901	232,738	262,251
Interest	589	605	613	624
PBT	171,642	198,295	232,124	261,627
Tax	41,325	47,717	34,819	47,093
PAT	130,317	150,578	197,306	214,534

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	-0.3%	23.9%	22.5%	11.7%
PAT Growth %	-13.9%	15.5%	31.0%	8.7%
Operating Margin %	34.1%	33.5%	35.3%	35.8%
Net Margin %	28.7%	26.7%	28.6%	27.8%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<u>Liabilities</u>				
Equity Share Capital	29,374	25,487	25,487	25,487
Reserves & Surplus	560,672	588,509	785,815	1,000,349
Total Shareholder's Funds	590,046	613,996	811,301	1,025,835
Long-Term Liabilities	53	45	45	45
Other Long-term Liabilities	6,688	5,432	5,432	5,432
Deferred Tax Liability	17,277	16,671	16,671	16,671
Short-term Liabilities	101,740	114,782	147,646	164,900
Total	715,804	750,926	981,096	1,212,883
<u>Assets</u>				
Net Fixed Assets	251,447	253,226	278,010	309,970
Long-Term L&A	13,064	28,064	28,064	28,064
Non Current Investments	133,140	160,215	160,215	160,215
Current Asset	318,152	309,421	514,807	714,634
Total	715,804	750,926	981,096	1,212,883

Particulars	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	10.6	12.2	16.0	17.4
P/E (x)	35.3	30.6	23.4	21.5
P/B (x)	7.8	7.5	5.7	4.5
ROE	22.1%	24.5%	24.3%	20.9%
ROCE	28.0%	31.3%	27.9%	25.0%

Rating and Target Price History:

ITC rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 7 February 2023 close.

ITC rating details

Date	Rating	Target Price	Share Price
29-Jan-19	BUY	352	278
21-May-19	BUY	352	306
16-Aug-19	BUY	352	253
06-Nov-19	BUY	352	261
19-Feb-20	BUY	306	207
03-Jul-20	BUY	285	208
07-Jun-21	BUY	285	209
11-Aug-21	BUY	285	209
25-Aug-22	BUY	364	312
06-Feb-23	HOLD	416	374

Source: Ace Equity, Anand Rathi Research

Risks :

- ☐ Regulatory Risks.
- ☐ Macro Economic Risks.
- ☐ Regulatory Norms On Cigarette.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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