

## Robust cigarettes volume growth continues...

**About the stock:** ITC is the biggest cigarettes & second largest FMCG company in India with ~78% of market share in cigarettes & presence in staples, biscuits, noodles, snacks, chocolate, dairy products & personal care products. It is also present in paperboard, printing & packaging, agri & hotels businesses.

- The company has more than 200 manufacturing facilities in India. It has a distribution reach of over 6 million retail outlets across various trade channels and strong 25 brands across various categories

**Q3FY23 Results:** ITC reported robust cigarette volume growth of ~15%.

- Sales were up 2.7% YoY, impacted by a sharp dip in agri business sales
- EBITDA was at ₹ 6223.2 crore, up 22% YoY, with margins at 36%
- Consequent PAT was at ₹ 5031 crore (up 21% YoY)

**What should investors do?** ITC's share price has given a return of 40% in the last five years (from ₹ 271 in February 2018 to ₹ 381 in February 2023).

- We raise our cigarette volumes growth estimate from 13% to 17% for FY23E considering market share gains from illicit cigarettes as well as strong growth in ₹ 10/stick price point
- We maintain our **BUY** recommendation

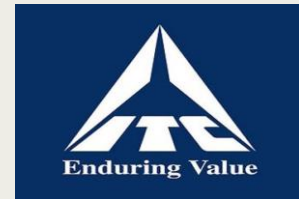
**Target Price and Valuation:** We value the stock at ₹ 450 on SOTP basis valuing the cigarettes business at 18x FY25 earnings & FMCG business at 6x FY25 sales.

**Key triggers for future price performance:**

- With the minimal increase in taxation in current Budget, taxation (excise, GST, cess) has largely remained stable over the last five years. This has helped cigarettes industry to recoup volumes from illicit & contrabands
- FMCG business has seen sales CAGR of 13.5% over the last three years. Most of the present foods categories (atta, chocolate, juices, biscuit, dairy and frozen foods) have large opportunity size, which would drive growth in future. FMCG margin would continue to grow by 100-150 bps every year
- Hotels business, in occupancy levels, has crossed 70% while ARR's are above pre-pandemic levels. We believe business would continue to grow at a faster pace in near term factoring in pent-up demand

**Alternate Stock Idea:** We also like Dabur in our FMCG coverage.

- Significant shift in consumption towards healthier, natural & Ayurveda based products & aggressively foray in many big categories would be driving growth for Dabur
- Value the business at 52x FY25 earnings. BUY with a TP of ₹ 700



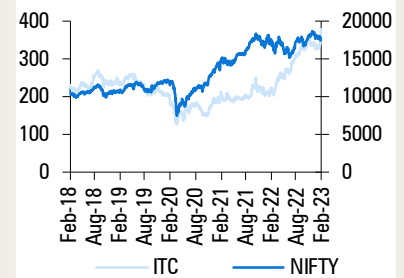
### Particulars

| Particulars (₹ crore)       | Amount     |
|-----------------------------|------------|
| Market Capitalization       | 4,67,841.1 |
| Total Debt (FY22)           | 50.6       |
| Cash and Investments (FY22) | 15,502.9   |
| EV                          | 4,52,388.9 |
| 52 week H/L (₹)             | 384 / 207  |
| Equity capital              | 1,230.9    |
| Face value (₹)              | 1.0        |

### Shareholding pattern

| (in %)   | Mar-22 | Jun-22 | Sep-22 | Dec-22 |
|----------|--------|--------|--------|--------|
| Promoter | 0.0    | 0.0    | 0.0    | 0.0    |
| FII      | 12.0   | 12.7   | 12.3   | 12.5   |
| DII      | 42.8   | 42.8   | 42.4   | 42.2   |
| Others   | 45.2   | 44.5   | 45.4   | 45.3   |

### Price Chart



### Recent event & key risks

- The company has launched Millet based range of products during the quarter
- Key Risk:** (i) Commodity inflation to keep FMCG margins under check (ii) Any abrupt increase in GST cess on cigarettes

### Research Analyst

Sanjay Manyal  
sanjay.manyal@icicisecurities.com

### Key Financial Summary

| Key Financials  | FY21    | FY22    | 5 Year CAGR (FY17-22E) (%) | FY23E   | FY24E   | FY25E   | CAGR (FY22-25E) |
|-----------------|---------|---------|----------------------------|---------|---------|---------|-----------------|
| Net Sales       | 48151.2 | 59101.1 | 8.3                        | 69309.3 | 74877.9 | 82062.5 | 11.6%           |
| EBITDA          | 15522.5 | 18933.7 | 5.4                        | 23332.1 | 25859.6 | 27883.8 | 13.8%           |
| EBITDA Margin % | 32.2    | 32.0    |                            | 33.7    | 34.5    | 34.0    |                 |
| Net Profit      | 13031.6 | 15057.8 | 8.1                        | 17835.8 | 19481.9 | 21094.0 | 11.9%           |
| EPS (₹)         | 10.7    | 12.4    | 8.1                        | 14.7    | 16.0    | 17.4    | 11.9%           |
| P/E             | 35.5    | 30.7    |                            | 25.9    | 23.7    | 21.9    |                 |
| RoNW %          | 22.1    | 24.5    |                            | 27.7    | 28.7    | 29.9    |                 |
| RoCE (%)        | 28.2    | 31.4    |                            | 36.0    | 37.5    | 39.1    |                 |

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter

### Q3FY23 Results: Stable taxation, crackdown on illicit cigarettes leads to splendid volume growth for ITC

- Revenue witnessed growth of 2.7% to ₹ 17265.5 crore led by strong cigarette, FMCG & hotels business sales. Paperboard business also saw healthy growth with some moderation sequentially. Agri business sales decline after restriction on wheat & rice exports imposed in May-June 2022
- Cigarettes business witnessed strong 16.7% growth led by ~15% volume growth. ITC is continuously gaining market share with the strong growth contribution from ₹ 10/ price point and above cigarettes categories
- Stable taxation over the last five years along with deterrent actions by enforcement agencies helping regain market from illicit cigarettes. Recent launches have been continuing to gain traction for the company
- FMCG business saw robust growth of 18.2% led by strong growth in foods business (atta, biscuits, noodles, snacks, dairy, beverages & frozen foods). The strong growth in the business was contributed by ~7-8% volume growth & 10-11% pricing growth (our estimate)
- Education & stationary business also saw strong traction during the quarter. Though hygiene (Savlon) continues to see moderate growth, personal wash brands Vivel & Fiama witnessed strong growth during the quarter
- FMCG margin inched up 90 bps YoY & 50 bps sequentially. The business clocked operating margin (EBITDA) of 10% during the quarter despite elevated commodity prices. The company is looking to inch up FMCG margin by 100-150 bps every year
- The cost management, premiumisation, supply chain agility, judicious pricing actions, fiscal incentive and digital initiatives are driving margins in FMCG business
- Paperboard business saw healthy growth of 12.7% largely led by pricing growth. Value added products contributed higher to the sales led by significant 438 bps uptick in margins (EBIT: 26.3%)
- Investment in VAP capacity, pulp import substitution & decarbonisation of operations led to margin expansion of paper business. The company scaled up utilisation of recently commissioning state of the art facility at Nadiad
- Hotels business sales witnessed 50.5% revenue growth during the quarter surpassing sales of pre-pandemic levels. Operating profit (EBITDA) grew 91% YoY to ₹ 224 crore with margin of 31.5% (676 bps higher). The growth was driven by peak holiday time, pent up leisure demand & wedding season
- The company launched ITC Narmada in Ahmedabad in August-2022, which is a 291-key hotel. The company has healthy pipeline of properties under welcome hotel, Mementos, Storii and Fortune. The opening would happen in a phased manner in the next few quarters
- Agri business sales declined 37.1% with restriction on wheat & rice exports during the quarter. However, segment profit (EBIT) saw robust growth of 32.6% to ₹ 391 crore with 650 bps uptick in margin (12.5%). The boost in profitability was driven by high leaf tobacco exports. The company is scaling up value added product portfolio to enhance margin. ITC commissioned state of the art spice facility in Guntur during the quarter
- Gross margin improved 730 bps with significant improvement in paperboard, hotels business margins. Agri segment margin also improved by 650 bps mainly due to absence of low margin wheat & rice exports & strong demand for leaf tobacco. FMCG segment margin (EBITDA) improved by 90 bps to 10%. Paperboard segment margins (EBIT) also improved significantly 438 bps during the quarter
- Operating profit grew 22% to ₹6223.2 crore with 569 bps improvement to 36% during the quarter. PAT grew 21% to ₹ 5031 crore during the quarter

## Exhibit 1: Peer Comparison

| Sector / Company        | CMP   | TP         | M Cap  | Sales growth (%) |       |       | EBITDA Margins (%) |       |       | P/E(x) |       |       | RoE (%) |       |       | RoCE (%) |       |       |
|-------------------------|-------|------------|--------|------------------|-------|-------|--------------------|-------|-------|--------|-------|-------|---------|-------|-------|----------|-------|-------|
|                         | (₹)   | (₹) Rating |        | (₹ Cr)           | FY22E | FY23E | FY24E              | FY22E | FY23E | FY24E  | FY22E | FY23E | FY24E   | FY22E | FY23E | FY24E    | FY22E | FY23E |
| ITC Limited (ITC)       | 381   | 450 Buy    | 467841 | 23.1             | 17.0  | 8.0   | 32.0               | 33.7  | 34.5  | 30.7   | 25.9  | 23.7  | 24.5    | 27.7  | 28.7  | 31.4     | 36.0  | 37.5  |
| Nestle (NESIND)         | 19004 | 22400 Hold | 190912 | 10.2             | 14.3  | 10.5  | 24.5               | 22.3  | 24.1  | 85.4   | 74.3  | 63.1  | 111.3   | 103.6 | 110.3 | 58.7     | 57.1  | 63.0  |
| VST Industries (VSTIND) | 2970  | 3300 Hold  | 4807   | 6.1              | 9.3   | 26.6  | 35.0               | 29.9  | 32.1  | 15.0   | 14.5  | 13.6  | 30.0    | 31.9  | 36.9  | 39.2     | 41.8  | 49.1  |

Source: Company, ICICI Direct Research

ITC continues to see strong growth in cigarette volumes with market share gains & robust traction in ₹ 10/stick price point cigarettes. We believe this segment is witnessing strong 20-25% growth. Stable taxation over the last five years have led to the volume recovery specifically in post Covid period. Further crackdown on illicit cigarettes has also helped legal cigarettes industry to gain volumes & market share. ITC has also benefited by strong growth in hotels, paperboard & FMCG businesses with significant improvement in margins due to strong hotels occupancies, higher pricing growth in paperboard & operating leverage in FMCG business. Also, agri business margin uptick is largely contributed by absence of low margin commodities (wheat & rice). Given, tax increase in budget 2023 is insignificant, ITC would continue to witness strong volume growth in cigarette business in future. We change our volume growth estimate from 13% to 17% in FY23E. Further, we expect 5% cigarette volume growth in FY24. We maintain our BUY recommendation with a revised target price of ₹ 450/share (earlier ₹ 405 /share).

**Exhibit 2: Variance Analysis**

|                                   | Q3FY23   | Q3FY22E  | Q3FY22   | YoY (%) | Q2FY23   | QoQ (%) | Comments  |
|-----------------------------------|----------|----------|----------|---------|----------|---------|---|
| Total Operating Income            | 17,265.5 | 17,794.9 | 16,806.9 | 2.7     | 17,159.6 | 0.6     | Net sales growth of 2.7% led by strong growth in cigarettes, FMCG, hotels but adversely impacted by agri business sales   |
| Operating Income                  | 143.3    | 184.8    | 173.0    | -17.2   | 188.4    | -23.9   |   |
| Raw Material Expenses             | 6,671.2  | 7,598.4  | 7,720.4  | -13.6   | 6,938.0  | -3.8    | Gross margins up 700 bps mainly on account of operating leverage with strong growth in all major business. Moreover, low margin wheat & rice exports were absent during the quarter |
| Employee Expenses                 | 877.0    | 902.3    | 765.2    | 14.6    | 936.4    | -6.3    |   |
| Other operating Expenses          | 2,454.3  | 2,521.0  | 2,274.7  | 7.9     | 2,391.2  | 2.6     |   |
| EBITDA                            | 6,223.2  | 5,743.5  | 5,102.1  | 22.0    | 5,864.3  | 6.1     |   |
| EBITDA Margin (%)                 | 36.0     | 32.3     | 30.4     | 569 bps | 34.2     | 187 bps | Operating margin sharply improved on account of higher gross margins during the quarter   |
| Depreciation                      | 407.2    | 423.1    | 409.3    | -0.5    | 422.0    | -3.5    |   |
| Interest                          | 10.2     | 11.6     | 10.7     | -4.8    | 10.7     | -4.6    |   |
| Other Income                      | 871.7    | 656.4    | 809.9    | 7.6     | 506.9    | 72.0    |   |
| PBT                               | 6,677.5  | 5,965.2  | 5,492.0  | 21.6    | 5,938.5  | 12.4    |   |
| Tax Outgo                         | 1,646.5  | 1,461.5  | 1,335.8  | 23.3    | 1,472.5  | 11.8    |   |
| PAT                               | 5,031.0  | 4,503.7  | 4,156.2  | 21.0    | 4,466.1  | 12.6    | Net profit grew in line with operating profit growth  |
| Adjusted PAT                      | 5,031.0  | 4,503.7  | 4,156.2  | 21.0    | 4,466.1  | 12.6    |   |
| <b>Key Metrics YoY growth (%)</b> |          |          |          |         |          |         |   |
| Cigarette Growth (%)              | 16.7     | 10.3     | 13.6     |         | 23.3     |         | Robust growth of ~15% in cigarette volumes led to strong performance in the segment   |
| FMCG (Others) Growth (%)          | 18.4     | 19.2     | 9.3      |         | 21.0     |         | FMCG growth led by mix of pricing & Volume growth   |
| Hotels Growth (%)                 | 50.5     | 22.9     | 463.5    |         | 81.8     |         | Hotels occupancies are ~70%   |
| Agri Business Growth (%)          | -37.1    | -7.6     | 100.0    |         | 44.0     |         | Agri business impacted by restriction on wheat & rice exports   |
| Paperboards Growth (%)            | 12.7     | 15.7     | 38.5     |         | 25.0     |         | Paperboard business growth moderated with cut in prices commensurate with decline in RM prices  |

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

| (₹ Crore)         | FY23E    |          |         | FY24E   |         |          | FY25E   | Comments   |
|-------------------|----------|----------|---------|---------|---------|----------|---------|--|
|                   | Old      | New      | Change  | Old     | New     | Change   | New     |  |
| Sales             | 70,694.4 | 69,309.3 | -2.0    | 75552.0 | 74877.9 | -0.9     | 82690.8 | We cut our sales estimate mainly due to expected lower agri sales given export restriction on wheat & rice. We raise our sales estimate for all other businesses. We introduce FY25E numbers |
| EBITDA            | 23004.9  | 23332.1  | 1.4     | 26853.4 | 25859.6 | -3.7     | 27883.8 |  |
| EBITDA Margin (%) | 32.5     | 33.7     | 112 bps | 35.5    | 34.5    | -101 bps | 33.7    | Increase in operating margin estimate for FY23 according to performance of 9mFY23. We cut our margin estimate for FY24 given paperboard, hotels & agri margins to moderate                   |
| PAT               | 17309.8  | 17835.8  | 3.0     | 20243.4 | 19481.9 | -3.8     | 21094.0 | We increase other income estimate  |
| EPS (₹)           | 14.0     | 14.5     | 3.4     | 16.4    | 15.8    | -3.6     | 17.1    |  |

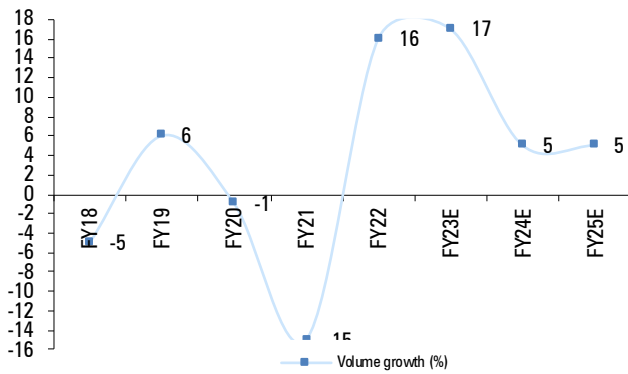
Source: ICICI Direct Research

**Exhibit 4: Assumptions**

|                            | Current  |          |          |          |          |          | Earlier  |          | Comments  |
|----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---|
|                            | FY20     | FY21E    | FY22E    | FY23E    | FY24E    | FY25E    | FY23E    | FY24E    |   |
| Cigarettes (₹ cr)          | 21,201.7 | 20,333.1 | 23,206.0 | 27,963.7 | 29,948.9 | 32,075.0 | 27,008.1 | 28,650.1 | We raise our cigarettes sales estimate according to current volume growth |
| Cigarette Vol. Growth (%)  | -1       | -15      | 16       | 17       | 5        | 5        | 13       | 4        |   |
| Cigarette Price Growth (%) | 4        | 10       | 1        | 3        | 2        | 2        | 3        | 2        |   |
| FMCG - Others (₹ cr)       | 12,844.2 | 14,728.2 | 16,021.5 | 19,110.3 | 21,831.8 | 24,324.4 | 18,396.3 | 20,946.3 | We raise our FMCG sales estimate as well                                  |
| Hotels (₹ cr)              | 1,837.3  | 627.5    | 1,464.6  | 2,393.0  | 2,513.9  | 2,628.7  | 2,155.1  | 2,244.7  | Slight change in hotel business estimate                                  |
| Paperboards (₹ cr)         | 6107.2   | 5826.4   | 7592.6   | 9209.4   | 10445.8  | 11718.3  | 8934.4   | 10018.9  |   |

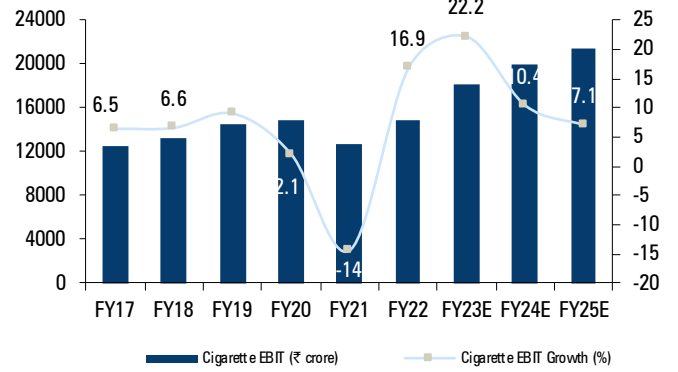
Source: ICICI Direct Research

Exhibit 5: Cigarette volume growth trend



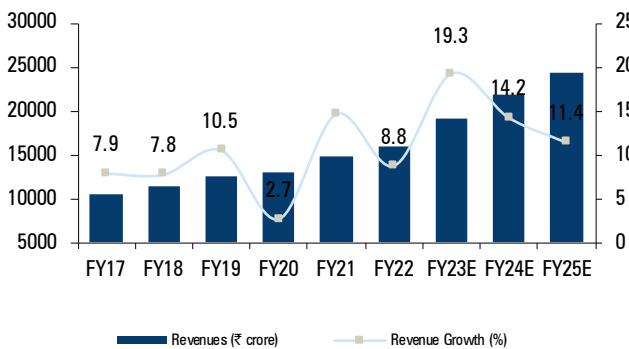
Source: ICICI Direct Research, Company

Exhibit 6: Cigarette EBIT growth trend



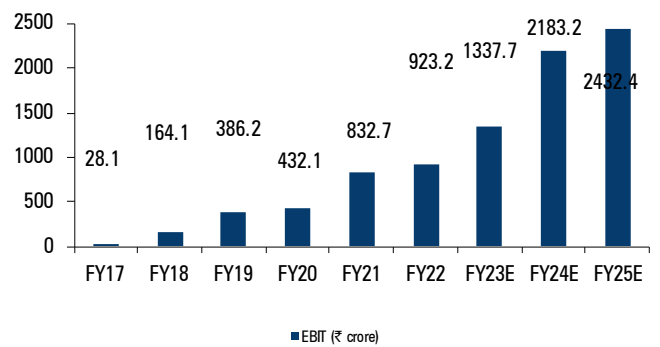
Source: ICICI Direct Research, Company

Exhibit 7: FMCG revenue (₹ crore) and growth (%) trend



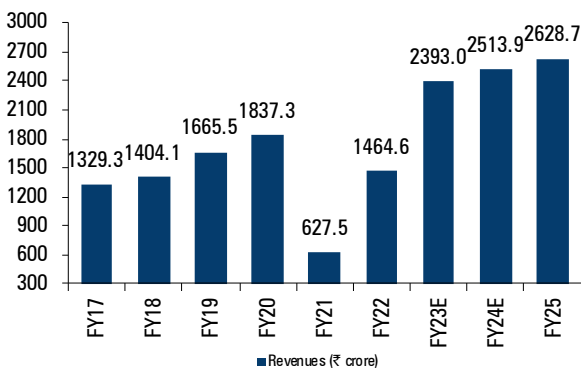
Source: ICICI Direct Research, Company

Exhibit 8: FMCG EBIT (₹ crore) trend



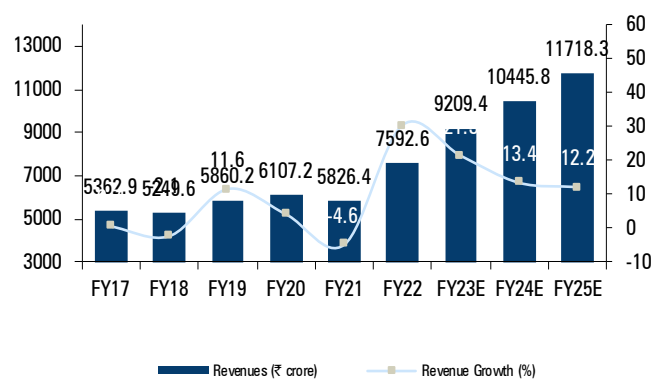
Source: ICICI Direct Research, Company

Exhibit 9: Hotel revenue (₹ crore) trend



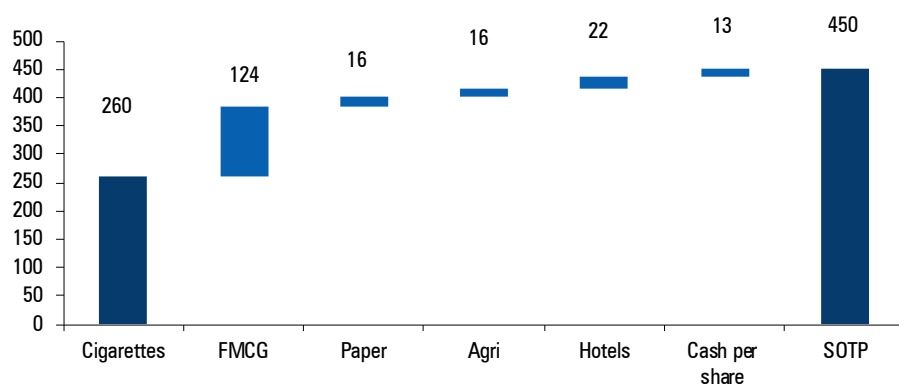
Source: ICICI Direct Research, Company

Exhibit 10: Paperboards revenue (₹ crore) and growth (%) trend



Source: ICICI Direct Research, Company

Exhibit 11: Sum of the part valuation



Source: Company, ICICI Direct Research

Exhibit 12: Valuations

|       | Sales<br>(₹ cr) | Growth<br>(%) | EPS<br>(₹) | Growth<br>(%) | PE<br>(x) | EV/EBITDA<br>(x) | RoNW<br>(%) | RoCE<br>(%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY22  | 59101.1         | 22.7          | 12.4       | 15.5          | 30.7      | 24.5             | 24.5        | 31.4        |
| FY23E | 69309.3         | 17.3          | 14.7       | 18.4          | 25.9      | 19.9             | 27.7        | 36.0        |
| FY24E | 74877.9         | 8.0           | 16.0       | 9.2           | 23.7      | 18.0             | 28.7        | 37.5        |
| FY25E | 82062.5         | 9.6           | 17.4       | 8.3           | 21.9      | 16.7             | 29.9        | 39.1        |

Source: Company, ICICI Direct Research

## Financial Summary

| Exhibit 13: Profit and loss statement |                 |                 |                 |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | ₹ crore         |                 |                 |                 |
| (Year-end March)                      | FY22            | FY23E           | FY24E           | FY25E           |
| <b>Total operating income</b>         | <b>59,745.6</b> | <b>69,925.2</b> | <b>75,499.9</b> | <b>82,690.8</b> |
| Growth (%)                            | 23.1            | 17.0            | 8.0             | 9.5             |
| Raw Material Expenses                 | 26,232.5        | 29,375.5        | 30,335.7        | 33,790.0        |
| Employee Expenses                     | 3,062.0         | 3,581.1         | 4,012.3         | 4,375.8         |
| Marketing Expenses                    | 0.0             | 1,193.7         | 1,240.2         | 1,273.0         |
| Administrative Expenses               | 0.0             | 1,989.5         | 2,042.6         | 2,148.1         |
| Excise Duty                           | 3404.3          | 4153.2          | 4568.6          | 5025.4          |
| Other expenses                        | 8,113.1         | 6,300.1         | 7,441.0         | 8,194.7         |
| Total Operating Expenditure           | 40,811.9        | 46,593.1        | 49,640.3        | 54,807.0        |
| <b>EBITDA</b>                         | <b>18,933.7</b> | <b>23,332.1</b> | <b>25,859.6</b> | <b>27,883.8</b> |
| Growth (%)                            | 22.0            | 23.2            | 10.8            | 7.8             |
| Depreciation                          | 1,652.2         | 1,692.4         | 1,739.9         | 1,825.9         |
| Interest                              | 42.0            | 45.7            | 74.1            | 81.2            |
| Other Income                          | 2,590.0         | 2,250.7         | 1,999.7         | 2,224.0         |
| PBT                                   | 19,829.5        | 23,844.7        | 26,045.3        | 28,200.6        |
| Total Tax                             | 4,771.7         | 6,008.9         | 6,563.4         | 7,106.5         |
| <b>PAT</b>                            | <b>15,057.8</b> | <b>17,835.8</b> | <b>19,481.9</b> | <b>21,094.0</b> |
| Growth (%)                            | 15.5            | 18.4            | 9.2             | 8.3             |
| EPS (₹)                               | 12.4            | 14.7            | 16.0            | 17.4            |

Source: Company, ICICI Direct Research

| Exhibit 14: Cash flow statement     |                  |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | ₹ crore          |                  |                  |                  |
| (Year-end March)                    | FY22             | FY23E            | FY24E            | FY25E            |
| Profit After Tax                    | 15,319.5         | 17,835.8         | 19,481.9         | 21,094.0         |
| Add: Depreciation                   | 1,652.2          | 1,692.4          | 1,739.9          | 1,825.9          |
| (Inc)/dec in Current Assets         | -762.3           | -2,228.3         | -1,419.5         | -1,831.4         |
| Inc/(dec) in CL and Provisions      | 946.4            | 1,165.8          | 1,012.2          | 1,305.9          |
| <b>CF from operating activities</b> | <b>14,807.8</b>  | <b>18,465.7</b>  | <b>20,814.5</b>  | <b>22,394.4</b>  |
| (Inc)/dec in Investments            | 0.0              | -2,898.5         | -1,617.2         | -2,086.5         |
| (Inc)/dec in LT loans & advance     | 0.0              | 0.0              | 0.0              | 0.0              |
| (Inc)/dec in Fixed Assets           | -1,674.8         | -2,020.0         | -2,020.0         | -2,020.0         |
| Others                              | 0.0              | 0.0              | 0.0              | 0.0              |
| <b>CF from investing activities</b> | <b>-1,517.1</b>  | <b>-4,917.4</b>  | <b>-5,737.2</b>  | <b>-4,706.5</b>  |
| Issue/(Buy back) of Equity          | -0.4             | 0.0              | 0.0              | 0.0              |
| Inc/(dec) in loan funds             | -81.4            | 10.0             | 10.0             | 10.0             |
| Dividend paid & dividend tax        | -13,547.1        | -14,788.0        | -16,020.3        | -18,485.0        |
| Others                              | 0.0              | 27.2             | 19.8             | 19.3             |
| <b>CF from financing activities</b> | <b>-13,337.0</b> | <b>-14,750.8</b> | <b>-15,990.5</b> | <b>-18,455.6</b> |
| Net Cash flow                       | -46.3            | -1,202.5         | -913.2           | -767.7           |
| Opening Cash                        | 231.3            | 185.0            | -1,017.6         | -1,930.8         |
| Cash with Bank                      | 3,693.0          | 3,693.0          | 3,693.0          | 3,693.0          |
| <b>Closing Cash</b>                 | <b>3,877.9</b>   | <b>2,675.4</b>   | <b>1,762.2</b>   | <b>994.5</b>     |

Source: Company, ICICI Direct Research

| Exhibit 15: Balance Sheet       |                 |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | ₹ crore         |                 |                 |                 |
| (Year-end March)                | FY22            | FY23E           | FY24E           | FY25E           |
| <b>Liabilities</b>              |                 |                 |                 |                 |
| Equity Capital                  | 1,232.3         | 1,232.3         | 1,232.3         | 1,232.3         |
| Reserve and Surplus             | 60,167.2        | 63,215.1        | 66,676.7        | 69,285.8        |
| Total Shareholders funds        | 61,399.6        | 64,447.4        | 67,909.0        | 70,518.1        |
| LT Borrowings & Provisions      | 4.5             | 14.5            | 24.5            | 34.5            |
| Deferred Tax Liability          | 1,667.1         | 1,667.1         | 1,667.1         | 1,667.1         |
| Others Non-current Liabilities: | 283.4           | 310.5           | 330.3           | 349.6           |
| <b>Total Liabilities</b>        | <b>63,354.6</b> | <b>66,439.6</b> | <b>69,931.0</b> | <b>72,569.4</b> |
| <b>Assets</b>                   |                 |                 |                 |                 |
| Gross Block                     | 36,020.8        | 38,463.2        | 40,463.2        | 42,463.2        |
| Less: Acc Depreciation          | 16,461.7        | 18,154.1        | 19,894.0        | 21,719.9        |
| Net Block                       | 19,559.2        | 20,309.1        | 20,569.2        | 20,743.3        |
| Capital WIP                     | 2,442.3         | 2,000.0         | 2,000.0         | 2,000.0         |
| Net Intangible Assets           | 2,720.1         | 2,740.1         | 2,760.1         | 2,780.1         |
| Non-current Investments         | 17,229.7        | 20,128.2        | 21,745.4        | 23,831.9        |
| LT loans & advances             | 5.1             | 5.1             | 5.1             | 5.1             |
| <b>Current Assets</b>           |                 |                 |                 |                 |
| Inventory                       | 9,997.8         | 11,583.2        | 12,513.8        | 13,714.6        |
| Debtors                         | 1,952.5         | 2,278.7         | 2,461.7         | 2,697.9         |
| Loans and Advances              | 5.7             | 7.8             | 8.5             | 9.3             |
| Other Current Assets            | 3,483.1         | 3,797.8         | 4,102.9         | 4,496.6         |
| Cash                            | 3,877.9         | 2,675.4         | 1,762.2         | 994.5           |
| Current Investments             | 11,625.0        | 12,125.0        | 14,125.0        | 14,625.0        |
| <b>Current Liabilities</b>      | <b>11,478.1</b> | <b>12,643.9</b> | <b>13,656.1</b> | <b>14,962.0</b> |
| Creditors                       | 4,223.4         | 4,937.1         | 5,333.8         | 5,845.5         |
| Provisions                      | 55.6            | 65.2            | 70.4            | 77.2            |
| Short term debt & other CL      | 7,199.1         | 7,641.6         | 8,251.9         | 9,039.2         |
| <b>Application of Funds</b>     | <b>63,354.6</b> | <b>66,439.6</b> | <b>69,931.0</b> | <b>72,569.4</b> |

Source: Company, ICICI Direct Research

| Exhibit 16: Key ratios       |      |       |       |       |
|------------------------------|------|-------|-------|-------|
| (Year-end March)             | FY22 | FY23E | FY24E | FY25E |
| <b>Per share data (₹)</b>    |      |       |       |       |
| EPS                          | 12.4 | 14.7  | 16.0  | 17.4  |
| Cash EPS                     | 13.8 | 16.1  | 17.5  | 18.9  |
| BV                           | 50.5 | 53.1  | 55.9  | 58.1  |
| DPS                          | 12.0 | 13.0  | 15.0  | 16.0  |
| Cash Per Share               | 3.2  | 2.2   | 1.5   | 0.8   |
| <b>Operating Ratios (%)</b>  |      |       |       |       |
| EBITDA Margin                | 31.7 | 33.4  | 34.3  | 33.7  |
| PBT / Total Operating income | 33.2 | 34.1  | 34.5  | 34.1  |
| PAT Margin                   | 25.2 | 25.5  | 25.8  | 25.5  |
| Inventory days               | 61.7 | 61.0  | 61.0  | 61.0  |
| Debtor days                  | 12.1 | 12.0  | 12.0  | 12.0  |
| Creditor days                | 26.1 | 26.0  | 26.0  | 26.0  |
| <b>Return Ratios (%)</b>     |      |       |       |       |
| RoE                          | 24.5 | 27.7  | 28.7  | 29.9  |
| RoCE                         | 31.4 | 36.0  | 37.5  | 39.1  |
| RoIC                         | 31.3 | 36.1  | 37.5  | 38.6  |
| <b>Valuation Ratios (x)</b>  |      |       |       |       |
| P/E                          | 30.7 | 25.9  | 23.7  | 21.9  |
| EV / EBITDA                  | 24.5 | 19.9  | 18.0  | 16.7  |
| EV / Net Sales               | 7.9  | 6.7   | 6.2   | 5.7   |
| Market Cap / Sales           | 7.9  | 6.8   | 6.2   | 5.7   |
| Price to Book Value          | 7.5  | 7.2   | 6.8   | 6.6   |
| <b>Solvency Ratios</b>       |      |       |       |       |
| Debt/EBITDA                  | 0.0  | 0.0   | 0.0   | 0.0   |
| Debt / Equity                | 0.0  | 0.0   | 0.0   | 0.0   |
| Current Ratio                | 2.4  | 2.4   | 2.4   | 2.4   |
| Quick Ratio                  | 1.5  | 1.4   | 1.5   | 1.5   |

Source: Company, ICICI Direct Research

Exhibit 17: ICICI Direct coverage universe (FMCG)

|                              | CMP    | TP         | M Cap | EPS (₹)  |       |       | P/E (x) |      |       | Price/Sales (x) |      |       | RoCE (%) |      |       | RoE (%) |       |       |       |
|------------------------------|--------|------------|-------|----------|-------|-------|---------|------|-------|-----------------|------|-------|----------|------|-------|---------|-------|-------|-------|
|                              | (₹)    | (₹) Rating |       | (₹ Cr)   | FY22  | FY23E | FY24E   | FY22 | FY23E | FY24E           | FY22 | FY23E | FY24E    | FY22 | FY23E | FY24E   | FY22  | FY23E | FY24E |
| Colgate (COLPAL)             | 1,461  | 1,440      | Hold  | 39,473   | 39.6  | 37.7  | 40.3    | 36.9 | 38.7  | 36.3            | 7.8  | 7.6   | 7.1      | 77.8 | 79.3  | 84.2    | 62.2  | 60.4  | 64.1  |
| Dabur India (DABIND)         | 534    | 700        | Buy   | 97,880   | 9.9   | 10.3  | 12.0    | 54.2 | 52.0  | 44.3            | 9.0  | 8.5   | 7.7      | 24.9 | 23.9  | 26.1    | 20.8  | 20.5  | 22.2  |
| Hindustan Unilever (HINLEV)  | 2,649  | 2,800      | Hold  | 6,04,971 | 37.5  | 42.0  | 46.7    | 70.6 | 63.0  | 56.8            | 12.0 | 10.3  | 9.4      | 20.2 | 22.9  | 25.6    | 18.1  | 20.3  | 22.4  |
| ITC Limited (ITC)            | 381    | 450        | Buy   | 4,67,841 | 12.4  | 14.7  | 16.0    | 30.7 | 25.9  | 23.7            | 7.9  | 6.8   | 6.2      | 31.4 | 36.0  | 37.5    | 24.5  | 27.7  | 28.7  |
| Jyothy Lab (JYOLAB)          | 209    | 215        | Hold  | 7,485    | 4.3   | 6.7   | 7.8     | 49.1 | 31.4  | 26.8            | 3.5  | 3.1   | 2.8      | 18.7 | 27.5  | 31.4    | 16.6  | 24.2  | 27.0  |
| Marico (MARLIM)              | 494    | 560        | Hold  | 69,587   | 9.7   | 10.2  | 11.2    | 50.8 | 48.4  | 43.9            | 7.3  | 7.1   | 6.5      | 41.2 | 43.6  | 46.7    | 37.5  | 38.3  | 41.0  |
| Nestle (NESIND)              | 19,004 | 22,400     | Hold  | 1,90,912 | 222.4 | 255.8 | 301.1   | 85.4 | 74.3  | 63.1            | 13.0 | 11.4  | 10.3     | 58.7 | 57.1  | 63.0    | 111.3 | 103.6 | 110.3 |
| Patanjali Foods (RUCSOY)     | 911    | 1,750      | Buy   | 50,721   | 27.3  | 30.9  | 43.5    | 33.4 | 29.5  | 21.0            | 2.1  | 1.7   | 1.5      | 13.2 | 15.6  | 17.3    | 13.1  | 11.3  | 14.2  |
| Tata Consumer Products (TAT) | 726    | 950        | Buy   | 66,879   | 11.0  | 14.3  | 15.8    | 65.9 | 50.6  | 45.9            | 5.4  | 4.9   | 4.4      | 8.4  | 8.8   | 10.3    | 7.0   | 7.6   | 9.0   |
| Varun Beverage (VARBEV)      | 1,155  | 1,235      | Hold  | 71,889   | 17.2  | 23.2  | 26.8    | 67.0 | 49.7  | 43.1            | 8.1  | 5.6   | 5.0      | 17.1 | 30.3  | 33.5    | 18.3  | 29.0  | 29.4  |
| VST Industries (VSTIND)      | 2,970  | 3,300      | Hold  | 4,807    | 207.4 | 214.1 | 229.4   | 14.3 | 13.9  | 12.9            | 4.1  | 3.6   | 3.4      | 39.2 | 41.8  | 49.1    | 30.0  | 31.9  | 36.9  |
| Zydus Wellness (ZYDWEL)      | 1,397  | 2,000      | Buy   | 8,979    | 48.5  | 55.0  | 67.4    | 28.8 | 25.4  | 20.7            | 4.5  | 4.0   | 3.6      | 6.1  | 6.8   | 8.1     | 6.4   | 7.1   | 8.3   |

Source: Bloomberg, ICICI Direct Research



## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, AkruTI Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Sanjay Manyal MBA (FINANCE) Research Analyst, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customer simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.