


Q1FY25 Highlights

- Gross Revenue is up 7.3% YoY in a challenging operating environment, driven by Hotels, Value Added Agri products and Leaf Tobacco. Net Revenue grew ~8% YoY to ₹18339crs. EBITDA growth was flat at 1.2% to ₹6748crs on the back of lower gross profit and higher employees and other expenses. Reported PAT declined 0.2% YoY to ₹5177crs.
- Gross margin contracted 130bps to 60.3% YoY. Employees and other expenses grew 13% & 12% YoY.
- **FMCG** – Others and Cigarettes delivered resilient performance amidst subdued demand conditions. While green shoots of demand recovery emerged during the quarter in the Paperboards, Paper & Packaging segment, performance remained impacted largely due to cheap Chinese supplies in international markets including India and a surge in domestic wood prices.
- **Resilient performance was witnessed in FMCG** – Others; revenue is up 6.3% YoY to ₹5499crs and Segment PBIT grew ~10% YoY to ₹479.2crs with a margin expanded 30 bps YoY.
- The cigarette Segment witnessed the consolidation of volumes on a high base after a period of sustained growth momentum; Net Segment Revenue and Segment PBIT were up 7% & 6.5% YoY.
- The hotel segment witnessed the best performance. Revenue and PBIT grew 11% and 11.5% YoY respectively.
- Agri-Business Segment impacted by trade restrictions on agri commodities and Paperboards, Paper, and Packaging Segment performance reflected the impact of low priced Chinese supplies in global markets, muted domestic demand, and a surge in wood cost.

Highlights from Presentation

- **FMCG Business (28% of revenue)** – The FMCG businesses continued to deliver resilient performance with segment revenue growing 6.3% YoY to ₹5,491crs on a high base (2-yr CAGR +11.1%); Segment PBIT margins expanded 25 bps YoY to 11.3%.
- Segment EBITDA margin stood at 11.3%, backed by premiumisation, supply chain optimisation, cost management, digital initiatives, and strategic cost management.
- Staples, Snacks, Dairy, Personal Wash, Fragrances, Homecare and Agarbatti drive growth. Discretionary/out-of-home consumption impacted by an extreme heat wave.
- Modern Trade, e-commerce, and quick Commerce witnessed robust growth on the back of the sharp execution of channel-specific business plans, collaborations, format-based assortments and category-specific sell-out strategies.
- Strategic portfolio augmentation leveraging agile and purposeful innovation continues to be stepped up toward addressing evolving consumer needs and accelerating premiumisation.
- The Company's digitally powered eB2B platform, the UNNATI app (now also available in several vernacular languages) covers nearly 7 lakh outlets, facilitating sharp and direct engagement with retailers, superior analytics, personalised recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.
- **Aashirvaad Atta** delivered a strong performance, consolidating its leadership position in the Branded Atta industry. Value-added atta range sustained its strong growth momentum driven by an increased thrust in modern trade and e-commerce channels.

Important Data

Nifty	24,056
Sensex	78,759
CMP	₹486
Market Cap (₹ cr)	₹6,08,287
52W High/Low	511/399
Shares o/s (crs)	1243.94
Daily Vol. (3M NSE Avg.)	1,72,28,277
BSE Code	500875
NSE Code	ITC
Bloomberg Code	ITC:IN

Shareholding Pattern (%) – Jun'24

FII	40.47
DII	44.02
Public & Others	15.51

Financials

Particulars	FY24		
	FY22	FY23	FY24
Revenues	60,645	70,919	70,881
YoY Growth	23%	17%	-0.1%
EBITDA	20,623	25,704	26,254
EBITDA Margin	34%	36%	37%
PAT	15,503	19,477	20,751
PAT Margin	25.6%	27.5%	29.3%
EPS	12.37	15.44	16.39
PE	39.3	31.5	29.6

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1 Yr	3 Yr	5 Yr
ITC Ltd	7	129	93
Nifty 50	22	48	116
Sensex	19	45	109

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- **Aashirvaad Salt** posted robust growth in focus markets during the year, supported by its distinctive positioning – ‘Created by Sun and Sea - pure just like nature intended it to be’. Value-added atta range sustained its high growth trajectory driven by superior value proposition and strong performance in emerging channels. The portfolio was further enriched with the launch of Aashirvaad Himalayan Pink Salt serving the needs of health-conscious consumers with the proposition of ‘Purity which you can see and taste.
- **‘Sunfeast’ Biscuits and Cakes** recorded resilient performance during the quarter on the back of an elevated base. The ‘Sunfeast Dark Fantasy’ range of differentiated cookies sustained its leadership position in the premium segment. Innovations/new launches in recent years continue to scale up and have strengthened the product portfolio.
- **‘YiPPee!’ Noodles** continues to strengthen its market standing leveraging a differentiated product portfolio and clutter- breaking communication. The product portfolio was further strengthened with the launch of YiPPee! Korean Noodles in 2 variants: ‘YiPPee! Korean Fiery Hot Style noodles’ and ‘YiPPee! Korean Spicy Kimchi Style noodles’ which received an encouraging consumer response. **‘Bingo!’ Snacks** delivered a resilient performance during the quarter and continued to strengthen its product portfolio with the launch of exciting variants of snacks/namkeens.
- **In the Spices category, the ‘Sunrise’** spices posted robust growth during the quarter and continued to strengthen its market standing in the core market of West Bengal. Sunrise Meat Masala’, and ‘Sunrise Kitchen King Masala’ continue to scale up in the launch markets of Assam and Bihar respectively.
- **In the Dairy & Beverages Business**, ‘Aashirvaad Svasti’ fresh dairy portfolio comprising pouch milk, curd, lassi and paneer continued to gain strong consumer traction on the back of best-in-class quality standards, differentiated products, and superior taste profile. The portfolio was further enriched with the launch of Aashirvaad Svasti 90% Lower Cholesterol Cow Ghee prepared using a unique Lower-Cholesterol Adsorption Process which has elicited excellent consumer response.
- **The Frozen Foods** Business operating under the ‘ITC Master Chef’ delivered strong growth in both Retail and Food Service channels, powered by over 60 high-quality, innovative, and differentiated offerings in both veg and non-veg segments
- The Personal Product Business, registered robust growth across segments. ‘Fiama’ and ‘Vivel’ range of Personal Wash products, the ‘Engage’ range of fragrances, and the ‘Nimyle’ range of homecare products recorded strong growth on the back of sharp communication and consumer engagement, wider distribution, and emerging channels. The state-of- the-art manufacturing facility at Uluberia, West Bengal has been commissioned and is expected to be scaled up progressively
- **The Education and Stationery Products** industry witnessed heightened competitive intensity, especially from regional/local players on the back of a reduction in paper prices. The premium portfolio comprising ‘Paperkraft’, ‘Classmate Pulse’, and ‘Classmate Interaktiv’ posted strong growth. During the quarter, ‘Classmate Light Brown AR notebooks’ were launched
- **‘Mangaldeep’ Agarbattis and Dhoop** recorded robust growth during the quarter. The portfolio was augmented with the launch of new variants in ‘Mangaldeep Temple’ and the ziplock range.
- **FMCG-Cigarettes (~35% of revenue)** – Net segment revenue and segment PBIT are up 7% and 6.5% YoY respectively. A sharp escalation in costs of leaf tobacco and certain other inputs was largely mitigated through improved mix, strategic cost management and calibrated pricing. The stability in taxes on cigarettes, backed by deterrent actions by enforcement agencies, enables volume recovery for the legal cigarette industry from illicit trade leading to higher demand for Indian tobacco and bolstering revenue to the exchequer from the tobacco sector.
- **Hotels (3% of revenue)** – Segment revenue grew 10.9% and segment PBIT grew 11.5% YoY. Strong growth was witnessed across properties, despite fewer wedding dates and extreme heatwaves/elections impacting domestic travel & out-of-home dining.

- The Company's first international property ITC Ratnadipa, opened in April 2024 in Colombo, Sri Lanka currently has 225 rooms with occupancy witnessing a steady ramp up. The wide range of delectable cuisines on offer, across 8 F&B outlets operational, have also received excellent response.
- Seven managed properties were operationalized during the quarter including Fortune Resort & Wellness Spa, Bhaktapur, Nepal which is the first Fortune property outside India. The pipeline of managed properties continues to be strengthened across Welcomhotel, Mementos, Storii, Fortune, and WelcomHeritage brands.
- **PAPERBOARDS, PAPER & PACKAGING** – The performance in the Paperboards, Paper & Packaging Segment reflects the impact of low-priced Chinese supplies in global markets including India, muted domestic demand, unprecedented increase in domestic wood costs; Segment Revenue declined 6.8% YoY. Green shoots of recovery in domestic demand were visible ahead of the festive season; Value Added Paperboard (VAP) grades witnessed sequential improvement in net realisation rates.
- Strong growth was witnessed in the specialty paper segment aided by recent capacity addition in Décor Paper, despite muted demand from the construction industry. ITC continued its sharp focus on portfolio augmentation, export customer/market development and structural cost management to mitigate near-term challenges.
- **Agri-Business** – Revenue grew by 22% YoY driven by value-added agri products, leaf tobacco and wheat. Segment PBIT declined 2.2% YoY. The value-added agri portfolio delivered strong growth in exports of Spices and Coffee. The Business continues to leverage the multi-dimensional capabilities of its state-of-the-art value-added Spices processing facility in Guntur to scale up exports.
- Geopolitical dynamics and climate emergencies have led to concerns over food security and food inflation globally. To ensure India remains food secure and food inflation is controlled, the Government has imposed trading restrictions on agri commodities from time to time; consequently limiting business opportunities in the bulk commodity space.

Risk

- Inflationary raw material prices

VIEW

ITC has reported in-line performance in Q1FY25. Demand scenario remains positive with expected recovery in demand for both cigarettes and FMCG. The hotels business, which is set to demerge into a separate entity, reported robust revenue growth of 14% YoY, on the back of a strong revival in domestic tourism and strong demand from corporate bookings. Cigarettes and FMCG businesses grew 5.8% and ~6% respectively in Q1FY25. Meanwhile, its agri and paperboard, paper and packaging business was hit by various policy interventions of the Government of India to ensure food security and control inflation and competition from cheaper Chinese brands for the paperboard business. The FMCG business is expected to recover given the government push on infrastructure and lower commodities, the expected uptick in rural demand and scale economies. ITC continues to expand the distribution network and increase penetration. We remain positive on the growth prospects of the company.

At the current price of ₹486, ITC is trading at a P/E multiple of 24.6x FY26E earnings. We advise investors to Accumulate the stock.

Consolidated Quarterly Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR [%]	Q4FY24	VAR [%]	FY24
Net Sales (Net of Excise Duty)	18,339.8	17,033.2	7.7%	17,767.6	3.2%	70,315.5
Other Operating Income	117.5	131.3	-10.5%	155.1	-24.2%	565.5
Other Income	694.9	722.3	-3.8%	683.8	1.6%	2,727.8
TOTAL INCOME	19,152.2	17,886.8	7.1%	18,606.5	2.9%	73,608.8
Cost Of Materials Consumed	5,491.5	5,054.9	8.6%	5,550.3	-1.1%	21,772.6
Purchase of stock in trade	3,111.2	1,828.4	70.2%	1,375.4	126.2%	6,063.3
Stock Adjustment	(1,319.0)	(333.6)	295.4%	(338.7)	289.4%	(588.7)
<i>RMC as a %age of sales</i>	<i>39.5%</i>	<i>38.2%</i>		<i>36.8%</i>		<i>38.4%</i>
Employee Benefit Expenses	1,672.9	1,482.1	12.9%	1,558.0	7.4%	6,134.4
<i>EPC as a %age of sales</i>	<i>9.1%</i>	<i>8.6%</i>		<i>8.7%</i>		<i>8.7%</i>
Advertisement & Promotion			-		-	0.0
<i>Advertisement Expenses as a %age of sales</i>	<i>0.0%</i>	<i>0.0%</i>		<i>0.0%</i>		<i>0.0%</i>
Other Expenses	2,752.3	2,462.6	11.8%	3,151.5	-12.7%	11,245.1
<i>Other Expenses as a %age of sales</i>	<i>14.9%</i>	<i>14.3%</i>		<i>17.6%</i>		<i>15.9%</i>
TOTAL EXPENDITURE	11,708.9	10,494.4	11.6%	11,296.5	3.7%	44,626.7
EBIDTA	6,748.4	6,670.1	1.2%	6,626.2	1.8%	26,254.3
<i>EBIDTA Margins %</i>	<i>36.6%</i>	<i>38.9%</i>		<i>37.0%</i>		<i>37.0%</i>
Finance Costs	11.3	9.9	13.6%	12.6	-10.6%	46.0
PBDT	7,432.0	7,382.5	0.7%	7,297.4	1.8%	28,936.2
Depreciation	498.6	442.5	12.7%	461.4	8.0%	1,816.4
PBT before exceptional items	6,933.5	6,940.0	-0.1%	6,836.0	1.4%	27,119.8
Share of Profit/(loss) of JV	7.6	9.5		3.5		27.6
Profit before Exception item	6,941.1	6,949.5	-0.1%	6,839.5	1.5%	27,147.4
Exceptional items	(3.0)		-	(2.1)	46.3%	(7.6)
PBT	6,938.1	6,949.5	-0.2%	6,837.4	1.5%	27,139.8
Tax	1,761.1	1,759.9	0.1%	1,646.8	6.9%	6,388.5
<i>Tax Rate</i>	<i>25.4%</i>	<i>25.3%</i>		<i>24.1%</i>		<i>23.5%</i>
Reported Profit After Tax	5,177.0	5,189.6	-0.2%	5,190.7	-0.3%	20,751.3
<i>PATM %</i>	<i>28.0%</i>	<i>30.2%</i>		<i>29.0%</i>		<i>29.3%</i>
Extra-ordinary Items			-		-	0.0
Adjusted Profit After Extra-ordinary item	5,177.0	5,189.6	-0.2%	5,190.7	-0.3%	20,751.3
Other Comprehensive Income (Net of tax)- net credit / (charge)	(233.9)	620.9		2,022.0		2,955.1
Total Comprehensive Income	4,943.1	5,810.5	-14.9%	7,212.7	-31.5%	23,706.4
Basic:						
EPS	4.16	4.18	-0.2%	4.2	-0.3%	16.7
Equity	1,243.0	1,243.0		1,243.0		1,243.0
Face Value	1.0	1.0		1.0		1.0

Source: Company, Way2Wealth

Consolidated Segmental Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR [%]	Q4FY24	VAR [%]	FY24
Segment Revenue						
FMCG: Cigarettes	8842.22	8355.66	5.8%	8688.92	1.8%	33667.97
<i>Mix</i>	35%	37%		41%		39%
FMCG: Others	5498.8	5172.71	6.3%	5307.94	3.6%	21002.15
<i>Mix</i>	28%	28%		28%		28%
Total FMCG	14341.02	13528.37		13996.86	2.5%	54670.12
Hotel	713.3	624.9	14.1%	931.03	-23.4%	3103.39
<i>Mix</i>	3%	3%		4%		4%
Agri Business	6997.89	5726.98	22.2%	3136.43	123.1%	16124.43
<i>Mix</i>	28%	25%		15%		19%
Paperboards, Paper & Packaging	1976.85	2120.76	-6.8%	2072.86	-4.6%	8344.41
<i>Mix</i>	8%	9%		10%		10%
Others	946.04	820.59	15.3%	967.8	-2.2%	3651.14
<i>Mix</i>	4%	4%		5%		4%
Total	24975.1	22821.6	9.4%	21104.98	18.3%	85893.49
Less: Intersegment revenue	5063	4313.37	17.4%	1813.58	179.2%	9618.51
Gross Revenue from sale of products and services	19912.1	18508.23	7.6%	19291.4	3.2%	76274.98
PBIT						
FMCG: Cigarettes	5255.06	4944.02	6.3%	5157.57	1.9%	20071.04
<i>Margin</i>	59%	59%		59%		60%
FMCG: Others	479.17	433.93	10.4%	479.84	-0.1%	1789.91
<i>Margin</i>	9%	8%		9%		9%
Total FMCG	5734.23	5377.95	6.6%	5637.41	1.7%	21860.95
Hotel	122.21	134.3	-9.0%	264.22	-53.7%	764.94
<i>Margin</i>	17%	21%		28%		25%
Agri Business	344.6	352.37	-2.2%	186.52	84.8%	1278.33
<i>Margin</i>	5%	6%		6%		8%
Paperboards, Paper & Packaging	256.15	471.26	-45.6%	291.06	-12.0%	1372.34
<i>Margin</i>	13%	22%		14%		16%
Others	125.46	93.19	34.6%	181.3	-30.8%	600.14
<i>Margin</i>	13%	11%		19%		16%
Total	6582.65	6429.07	2.4%	6560.51	0.3%	25876.7
Less: Finance Cost	11.25	9.9		12.59	-10.6%	45.96
Other un-allocable (income) net of unallotted exp	-362.07	-520.84		-288.1	25.7%	-1289.1
Add: Share of Profit/ (Loss) of associates & JV	3.04			3.49		27.61
Less: Exceptional items	7.62	9.49		2.05		7.55
Profit Before Tax	6944.13	6949.5	-0.1%	6837.46	1.6%	27139.9

Source: Company, Way2Wealth

Previous Coverage

Previous Coverage	Date	Report Price (₹)	Buy Range (₹)	Target Price (₹)
Quick Insight	05-June-23	443.00	425 – 445	520 – 540
Q1FY24	17-Aug-23	449.00		
Q2FY24	25-Oct-23	436.00		
Q3FY24	31-Jan-23	438.25		
Q4FY24	31-May-2024	424.00		

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Disclosure of Interest Statement: ITC Ltd. as on 06 August 2024

Name of the Security	ITC Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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