


Q4FY24 Highlights

- Gross Revenue (ex-Agri Business) was up 6% YoY and 2-yr CAGR stood at 14%. PAT at ₹5,572crs, up 10.8% YoY. Net revenue grew 2.3% YoY to ₹17767crs on the back of 2-3% Cigarette volume growth. EBITDA growth was flat on the back of lower gross profit and higher employees and other expenses. Reported PAT declined 1% YoY.
- Resilient performance witnessed in FMCG – Others; revenue up 7.2% YoY on a high base; 2-yr CAGR @13%. Segment PBITmargin expanded 60 bps YoY.
- The cigarettes Segment witnessed consolidation of volumes on a high base after a period of sustained growth momentum; Net Segment Revenue and Segment PBIT were up 7% & 5% YoY.
- The hotel segment witnessed the best performance. Revenue and PBIT grew 15% and 34% YoY respectively. Segment EBITDA margin up 340 bps YoY to 38.2%.
- Agri-Business Segment impacted by trade restrictions on agri commodities and Paperboards, Paper, and Packaging Segment remains impacted by low-priced Chinese supplies in global markets, muted domestic demand, surge in wood cost, and high base effect.
- The board has recommended a final dividend of ₹7.5 per share. Including Interim Dividend of ₹6.25 per share paid on 27th February 2024, Total Dividend for FY24 amounts to ₹13.75 per share.

Highlights from Presentation

- **FMCG Business (28% of revenue)** – The FMCG businesses continued to deliver resilient performance with segment revenue growing 7% YoY to ₹5,308crs on a high base (2-yr CAGR +13%); Segment PBIT margins expanded 60 bps YoY to 11%.
- Segment revenue for FY24 grew by 9.6% on a high base with Segment EBITDA growing at a significantly faster pace of 19.7% to ₹2338.50crs. Segment EBITDA margins stood at 11.2%, expanding by 94 bps.
- The FMCG businesses continue to expand their export footprint, which currently spans over 70 countries. The PLI scheme has provided a further fillip to the company's exports across Biscuits & Cakes, Snacks, Dairy, and Ready-to-Eat categories.
- The product portfolio of the company's FMCG Businesses continues to be strengthened with a sharper focus on fortifying the core businesses, addressing value-added adjacencies leveraging other brands and building new vectors of growth.
- In rural markets, direct reach enhancement was supported through a hub and spoke distribution model with the continued expansion of the rural stockiest network to 1.3x over the last two years and collaborations with rural-focused eB2B players. The eB2B platform – UNNATI was rapidly scaled up during the year covering nearly 7 lakh outlets facilitating sharp and direct engagement with retailers, superior analytics and deeper brand engagement. Digitally enabled sales have grown rapidly in recent years and, together with Modern Trade, now account for 31% of the company's Branded Packaged Foods, Personal Care Products and Incense Sticks (Agarbattis) and Safety Matches sales (Vs. 17% in FY20).
- **Aashirvaad Atta** delivered a robust 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	21,522
Sensex	74,172
CMP	₹424
Market Cap (₹ cr)	₹5,27,431
52W High/Low	500/399
Shares o/s (crs)	1243.94
Daily Vol. (3M NSE Avg.)	1,08,99,955
BSE Code	500875
NSE Code	ITC
Bloomberg Code	ITC:IN

Shareholding Pattern (%) – Mar'24

FII	40.95
DII	43.76
Public & Others	15.23

Financials

Particulars	(₹ Cr)		
	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	34.3	27.5	25.9

Source: Company, Way2Wealth

Relative performance

Return (%)	1 Yr	3 Yr	5 Yr
ITC Ltd	-4	103	54
Nifty 50	22	44	90
Sensex	19	42	87

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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’. 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 portfolio mix was further enriched with the launch of ‘Bounce Day & Night’, a delicious dark choco biscuit with soft vanilla cream and ‘All Rounder Sweet and Salt’ in the Differentiated Crackers category in select markets.
- **‘YiPpee!’ Noodles** continues to strengthen its market standing leveraging a differentiated product portfolio and clutter- breaking communication. The product portfolio was augmented with the launch of millet-based noodles and a Wow Masala.
- **In the Spices category**, the ‘Sunrise’ brand strengthened its market standing in the core market of West Bengal and also made significant gains in Northeast markets and Bihar. Aashirvaad Spices continues to enhance its presence in emerging channels and core markets to enable full portfolio play along with the expansion of the blended portfolio.
- **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 Beverages portfolio** remained impacted by a muted demand environment with erratic summers and unseasonal rains across large parts of the country during the year under review. The Business continues to invest in the ‘Fruit and Fibre’ proposition of ‘B Natural’, especially in salient markets of North, to deepen consumer connect and increase brand affinity.
- **The Frozen Foods** Business operating under the ‘ITC Master Chef’ and ‘Farmland’ brands in the Snacks, Prawns, and Vegetables categories continued to grow at an accelerated pace, powered by a range of innovative and differentiated offerings.
- In the Personal Wash segment, premiumisation remains a key vector of growth. During the year, ‘Fiama’ registered strong growth largely fuelled by investments in brand building, wider distribution and channel-tailored assortments. Fiama gel bars range registered significant gains during the year, driven by innovative and differentiated offerings.
- The Education and Stationery Products industry witnessed strong growth during the year driven by increased household penetration on the back of higher enrolment ratios and growing literacy. The year also witnessed heightened competitive intensity with a resurgence of regional players on the back of moderation in input prices.
- **‘Mangaldeep’ Agarbattis and Dhoop** recorded robust growth during the quarter leveraging a portfolio anchored on a wide range of differentiated products.
- **FMCG-Cigarettes (~40% of revenue)**: Net segment revenue and segment PBIT are up 7.5% and 5% YoY respectively. The business witnessed consolidation in volumes on a high base amidst subdued demand conditions in the overall consumption space, even as illicit trade remained at elevated levels. Differentiated and premium offerings saw robust traction during the year. A sharp escalation in leaf tobacco prices and other inputs, along with an increase in taxes was largely mitigated through improved mix, strategic cost management, and calibrated pricing. Trade marketing spending was restructured during the year for sharper last mile execution.
- **Hotels (4% of revenue)** – Segment revenue grew 15% and segment PBIT grew 34% YoY on a high base. YoY, Segment EBITDA margin is up 340 bps YoY to 38.2%.
- Timely renovations and refurbishments aided in leveraging high season opportunities across multiple locations and properties. Welcomhotel Chennai reopened in January 2024 after a comprehensive renovation; the iconic property brings back signature dining experiences, well-appointed rooms, and grander banquets.

- The Company's first international property ITC Ratnadipa5, opened in April 2024 in Colombo, Sri Lanka. A jewel in the Colombo skyline that promises to enrich the tourism and hospitality landscape of Sri Lanka.
- In the last 24 months, 25 hotels have been opened by the business out of which 24 are managed properties. The business is witnessing growing interest amongst property owners to partner with its iconic brands resulting in a healthy generation of leads and a pipeline of management contracts.
- **PAPERBOARDS, PAPER & PACKAGING** – The segment remains impacted by low-priced Chinese supplies in global markets, muted domestic demand, unprecedented increase in domestic wood costs, and high base effect; Segment Revenue declined 7% YoY. Margins were impacted largely by a sharp drop in realizations and an unprecedented surge in domestic wood costs due to increased demand from competing industries; Segment PBIT declined 35% YoY.
- **Agri-Business** – Revenue declined by 13% YoY and Segment PBIT declined 39% YoY. With the Government having to impose stock limits and restrictions on agri-commodity exports to ensure food security and control inflation, the Agri Business had limited business opportunities during the year in the bulk commodities space. However, the strategic portfolio of value-added agri products recorded strong growth while the overall leaf tobacco business continued to perform well.
- ITC Infotech revenues grew 13% YoY to ₹990crs; EBITDA grew by ~37% YoY to 210crs. Margins expanded by ~382bps YoY to 21.8%.

Risk

- Inflationary raw material prices

VIEW

ITC has reported resilient performance in the core business of Cigarette and FMCG-other business in Q4FY24. The hotels business, which is set to demerge into a separate entity, reported robust revenue growth of 15% YoY, on the back of a strong revival in domestic tourism and strong demand from corporate bookings. 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 25.8x FY24 EPS (₹16.7), ITC trades at a discount to the FMCG sector, and with this valuation, there is limited downside risk for ITC. We advise investors to Accumulate the stock.

Consolidated Quarterly Financials

(₹ Cr)

	Q4FY24	Q3FY24	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
Net Sales (Net of Excise Duty)	17,767.6	17,375.8	2.3%	17,872.7	-0.6%	70,315.5	70,245.2	0.1%
Other Operating Income	155.1	259.1	-40.1%	146.7	5.7%	565.5	691.6	-18.2%
Other Income	683.8	609.7	12.2%	656.8	4.1%	2,727.8	1,980.5	37.7%
TOTAL INCOME	18,606.5	18,244.5	2.0%	18,676.2	-0.4%	73,608.8	72,917.3	0.9%
Cost Of Materials Consumed	5,550.3	5,190.0	6.9%	5,715.6	-2.9%	21,772.6	20,276.0	7.4%
Purchase of stock in trade	1,375.4	1,841.7	-25.3%	1,579.4	-12.9%	6,063.3	9,088.4	-33.3%
Stock Adjustment	(338.7)	(261.1)	29.7%	(253.2)	33.8%	(588.7)	(358.6)	64.2%
<i>RMC as a %age of sales</i>	36.8%	38.4%		39.1%		38.4%	40.9%	
Employee Benefit Expenses	1,558.0	1,442.8	8.0%	1,586.4	-1.8%	6,134.4	5,736.2	6.9%
<i>EPC as a %age of sales</i>	8.7%	8.2%		8.8%		8.7%	8.1%	
Other Expenses	3,151.5	2,797.5	12.7%	2,887.3	9.1%	11,245.1	10,529.9	6.8%
<i>Other Expenses as a %age of sales</i>	17.6%	15.9%		16.0%		15.9%	14.8%	
TOTAL EXPENDITURE	11,296.5	11,010.9	2.6%	11,515.6	-1.9%	44,626.7	45,271.9	-1.4%
EBIDTA	6,626.2	6,624.0	0.0%	6,503.8	1.9%	26,254.3	25,664.9	2.3%
<i>EBIDTA Margins %</i>	37.0%	37.6%		36.1%		37.0%	36.2%	
Finance Costs	12.6	12.2	3.6%	13.6	-7.4%	46.0	43.2	6.4%
PBDT	7,297.4	7,221.5	1.1%	7,147.1	2.1%	28,936.2	27,602.2	4.8%
Depreciation	461.4	461.4	0.0%	459.5	0.4%	1,816.4	1,809.0	0.4%
PBT before exceptional items	6,836.0	6,760.1	1.1%	6,687.6	2.2%	27,119.8	25,793.2	5.1%
Share of Profit/(loss) of JV	3.5	17.6		6.0		27.6	49.0	
Profit before exceptional item	6,839.5	6,777.7	0.9%	6,693.6	2.2%	27,147.4	25,842.3	5.1%
Exceptional items	(2.1)	72.9	-102.8%	(5.5)	-62.9%	(7.6)	72.9	-110.4%
PBT	6,837.4	6,850.5	-0.2%	6,688.1	2.2%	27,139.8	25,915.1	4.7%
Tax	1,646.8	1,608.0	2.4%	1,281.6	28.5%	6,388.5	6,438.4	-0.8%
<i>Tax Rate</i>	24.1%	23.5%		19.2%		23.5%	24.8%	
Reported Profit After Tax	5,190.7	5,242.6	-1.0%	5,406.5	-4.0%	20,751.3	19,476.7	6.5%
<i>PATM %</i>	29.0%	29.7%		30.0%		29.3%	27.5%	
Other Comprehensive Income (Net of tax)- net credit / (charge)	2,022.0	27.8		299.0		2,955.1	91.0	
Total Comprehensive Income	7,212.7	5,270.4	36.9%	5,705.5	26.4%	23,706.4	19,567.7	21.2%
EPS	4.2	4.2	-1.0%	4.3	-4.0%	16.7	15.7	6.5%
Equity	1,243.0	1,243.0		1,243.0		1,243.0	1,243.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2Wealth

Consolidated Segmental Financials

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR [%]	Q3FY24	VAR [%]	FY24	FY23	VAR [%]
Segment Revenue								
FMCG: Cigarettes	8688.92	8082.26	7.5%	8295.18	4.7%	33667.97	31267.46	7.7%
<i>Mix</i>	41%	39%		40%		39%	37%	
FMCG: Others	5307.94	4951.17	7.2%	5218.25	1.7%	21002.15	19153.09	9.7%
<i>Mix</i>	28%	26%		27%		28%	25%	
Total FMCG	13996.86	13033.43		13513.43	3.6%	54670.12	50420.55	
Hotel	931.03	808.72	15.1%	872.46	6.7%	3103.39	2689.12	15.4%
<i>Mix</i>	4%	4%		4%		4%	3%	
Agri Business	3136.43	3607.3	-13.1%	3273.23	-4.2%	16124.43	18443.39	-12.6%
<i>Mix</i>	15%	18%		16%		19%	22%	
Paperboards, Paper & Packaging	2072.86	2221.01	-6.7%	2080.9	-0.4%	8344.41	9081.35	-8.1%
<i>Mix</i>	10%	11%		10%		10%	11%	
Others	967.8	868.29	11.5%	950.04	1.9%	3651.14	3262.73	11.9%
<i>Mix</i>	5%	4%		5%		4%	4%	
Total	21104.98	20538.75	2.8%	20690.06	2.0%	85893.49	83897.14	2.4%
Less: Intersegment revenue	1813.58	1739.57	4.3%	1352.23	34.1%	9618.51	8070.56	19.2%
Gross Revenue from sale of products and services	19291.4	18799.18	2.6%	19337.83	-0.2%	76274.98	75826.58	0.6%
PBIT								
FMCG: Cigarettes	5157.57	4915.68	4.9%	4966.57	3.8%	20071.04	18882.59	6.3%
<i>Margin</i>	59%	61%		60%		60%	60%	
FMCG: Others	479.84	503.73	-4.7%	433.8	10.6%	1789.91	1386.49	29.1%
<i>Margin</i>	9.0%	10.2%		8%		9%	7%	
Total FMCG	5637.41	5419.41	4.0%	5400.37	4.4%	21860.95	20269.08	7.9%
Hotel	264.22	204.9	29.0%	233.47	13.2%	764.94	557.31	37.3%
<i>Margin</i>	28%	25%		27%		25%	21%	
Agri Business	186.52	304.55	-38.8%	380.66	-51.0%	1278.33	1380.21	-7.4%
<i>Margin</i>	6%	8%		12%		8%	7%	
Paperboards, Paper & Packaging	291.06	444.98	-34.6%	295.22	-1.4%	1372.34	2293.95	-40.2%
<i>Margin</i>	14%	20%		14%		16%	25%	
Others	181.3	143.12	26.7%	177.15	2.3%	600.14	534.62	12.3%
<i>Margin</i>	19%	16%		19%		16%	16%	
Total	6560.51	6516.96	0.7%	6486.87	1.1%	25876.7	25035.17	3.4%
Less: Finance Cost	12.59	12.15		13.6	-7.4%	45.96	43.2	
Other un-allocable (income) net of un-alloted expenses	-288.1	-255.29		-214.33	34.4%	-1289.1	-801.24	
Add: Share of Profit/ (Loss) of associates & JV	3.49	17.57		6.01		27.61	49.04	
Less: Exceptional items	2.05	-72.87		5.5		7.55	-72.87	
Profit Before Tax	6837.46	6850.54	-0.2%	6688.11	2.2%	27139.9	25915.12	4.7%

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		

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Disclosure of Interest Statement: ITC Ltd. as on 31 May 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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