

# Equity Research Report

## ITC Ltd

### About The Company

ITC Ltd is one of India's leading private sector companies. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other FMCG products. While ITC is a market leader in its traditional business of Cigarettes, it is rapidly gaining market share even in its growing businesses of Packaged Foods & FMCG, Branded Apparel, Personal Care and Stationery.

ITC Limited, formerly the Imperial Tobacco Company of India Limited, is a conglomerate company headquartered in Kolkata, India. Founded in 1910, ITC has a rich and storied history that spans over a century. ITC began its operations in India as a cigarette manufacturer but over the years, the company has diversified its business interests and expanded into various sectors.

ITC continues to focus on sustainability and responsible business practices by setting ambitious goals for carbon emissions reduction, water conservation, and renewable energy usage. The company's commitment to sustainable growth and its initiatives for environmental and social welfare confirms its position as a responsible corporate.

### Brief Overview

ITC is focusing on diversifying its business model by reducing dependence on its core cigarette business (affected by regulatory and tax hurdles for the past few years) by scaling up the fast-growing consumer goods and hotel businesses. The company faced some issues due to COVID but is now back on track and key businesses are operating at normal levels. The company showed great performance in FY2023 with double-digit revenue and PAT growth. We expect the momentum to sustain in FY2024. Further, improvement in the performance of the non-cigarette FMCG business and margin improvement would lead to further growth. Post demerging of asset-heavy hotels business, the return profile of ITC will substantially improve in the coming years.

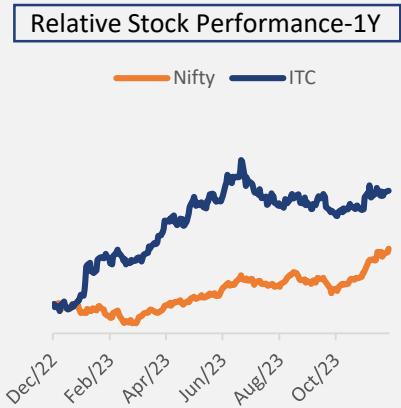
### Key Highlights

- Despite the challenges posed by the pandemic, inflation, and taxation, ITC demonstrated good performance.
- ITC indicated that growth is higher in urban markets compared to rural markets on the back of premiumization. Rural demand is witnessing recovery and management expects a better crop, higher farm and non-farm income, real estate activities and increased government spending which may help jump start rural demand.
- The main drivers for growth are urbanization, population with increased spending capacity, the rise of online shoppers, expanding internet penetration, and a growing per capita income.
- ITC's capex plans allocate 35 percent of the investments to the FMCG segment, 30-35 percent to the paper segment and the remainder in the agri/tech and sustainability areas.



**Recommendation** : **Hold**  
**CMP** : **INR 428**  
**Target Price** : **450**

Stock data(as on Dec 28, 2023)	
Nifty	: 21,778.70
52 Weeks H/L (INR)	: 21,801.45 / 16,828.35
Market Cap (in INR Crs)	: 5,79,498
O/S Shares (in Crs)	: 1242.80
Dividend Yield (in %)	: 2.75%
NSE Code	: ITC



Absolute Returns	
1 Year	: 38.79%
3 Year	: 121.53%
5 Year	: 64.43%

Shareholding Pattern(as on Dec, 2023)	
FII	: 43.26%
DII	: 41.98%
Government	: 0.04 %
Public	: 14.71%

Financial Summary			
in INR Crs	FY23	FY24E	FY25E
Net Revenue	70,937	73,148	82,171
YoY Growth %	17%	3.1%	12.3%
Ebitda	25,665	27,383	30,949
Ebitda Margins (%)	36.2%	37.4%	37.7%
PAT	19,428	20,961	23,560
YoY Growth %	25%	7.9%	12.4%
ROE	29.5%	28.5%	30.4%
EPS (in INR)	15.6	16.8	18.8
EV/EBITDA	18.4 x	19.6 x	17.5 x

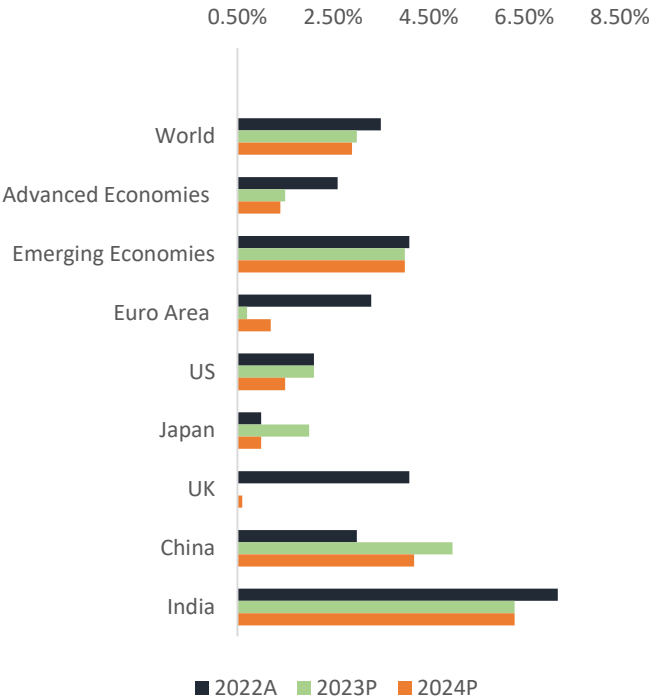


Global Economy

After two years of pandemic-led disruptions, FY 2022-23 marked a return to normalcy in operations. However, geopolitical tensions, supply chain inefficiencies resulted in increased inflation and volatility in global commodity and energy prices. Due to this, Central banks across the world responded with a sharp increase in interest rates within a very short time frame. As per IMF estimates, global GDP growth slowed to 3.4% during 2022, well below projections made at the beginning of the year. Growth in Advanced Economies decreased to 2.7% in 2022 (Vs. 5.4% in 2021) while Emerging Markets & Developing Economies also grew at a relatively slower pace of 4.0% (Vs. 6.9% in 2021), mainly impacted by lower growth in China. the continuing impact of the Russia-Ukraine conflict, global inflation being high and signs of recession in most Advanced Economies. As per IMF estimates, global economic growth is expected to further slow down to 2.8% in 2023. Advanced Economies are projected to grow at 1.3% with major economies such as the United States and Euro Area expected to grow at a even slower pace than in 2022. Emerging Markets and Developing Economies are estimated to grow by 3.9% in 2023 as against 4.0% in 2022. The baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–19) average of 3.8 percent. Advanced economies are expected to slow from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024. Emerging market and developing economies are projected to have a small decline in growth from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024.

Source: IMF WEO, ITC Annual Report-MDA

Global GDP Projections(%)

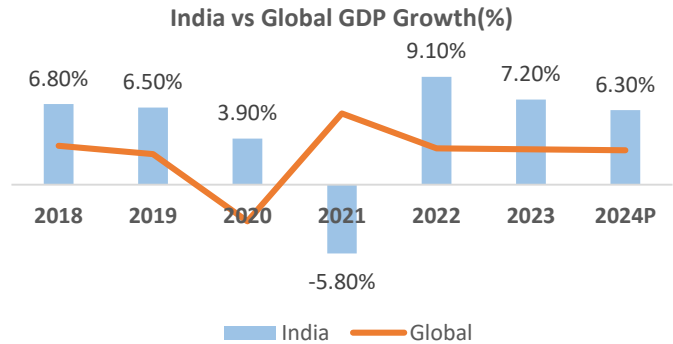


Source: IMF WEO

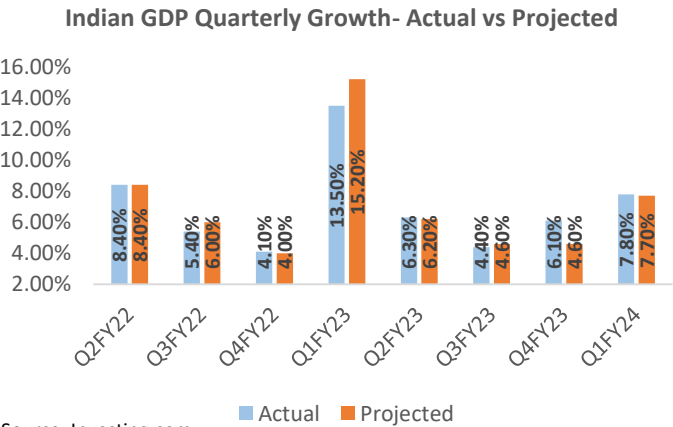
Indian Economy

The Indian economy in FY 2022-23 is in a better position compared to other developed countries globally. Real GDP growth for the year is estimated at 7.0% (first half: 9.6%; second half: 4.8%) with Nominal GDP growth at 15.9% (first half: 22.3%; second half: 10.5%), reflecting the inflationary pressures in the economy. While Agriculture grew by 3.3% in real terms, Services and Industry sectors grew by 9.4% and 3.6% respectively. With increasing inflation, lower demand in rural markets and lower demand for discretionary categories in urban markets, India still remained one of the fastest growing major economies, in spite of all these challenges. The Government of India has continued its focus on structural reforms to raise India’s potential growth. During the year, government remained focus towards shaping India as a global manufacturing hub through policy initiatives such as Production Linked Incentive (PLI), Make in India, PM Gati Shakti, National Monetisation Pipeline schemes and strengthening the country’s digital public infrastructure as well as the healthcare infrastructure. Further, efficient management of fiscal and monetary policies also aided in mitigating the volatility in the operating environment. While the pace of growth of the Indian economy is projected to slow in FY 2023-24 due to global slowdown as mentioned above, India would continue to be the fastest growing major economy in the world. Even as inflation is projected to slowly decrease on an overall basis, prices of certain industry-specific commodities are expected to remain elevated with continued geopolitical issues and supply chain disruptions. Growth in India is projected to remain strong, at 6.3 percent in both 2023 and 2024, with an upward revision of 0.2 percentage point for 2023, reflecting stronger-than-expected consumption during April-June.

Source: IMF WEO, ITC Annual Report-MDA



Source: IMF, World Bank, RBI



Source: Investing.com



FMCG- Cigarettes

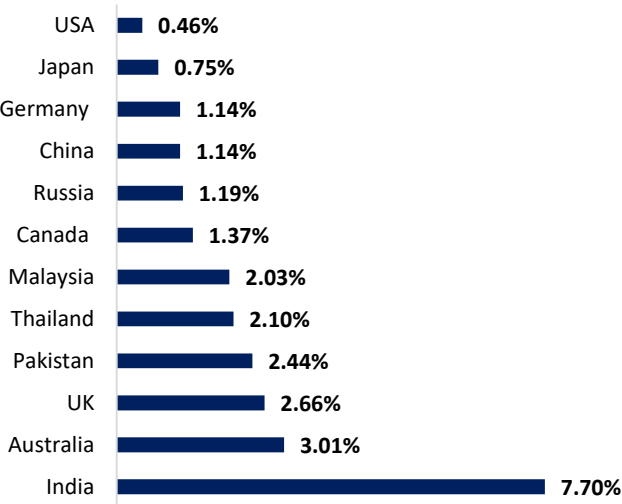
After two years of economic slowdown due to COVID, the legal cigarette industry recovered during the year with normalisation in the operating environment. Stability in taxes on cigarettes, backed by strict actions by enforcement agencies enabled the legal cigarette industry to partially claw back volumes from illicit trade. This in turn led to higher demand for Indian tobaccos and robust growth in revenue to the Exchequer from the tobacco sector. Globally, cigarettes constitute the dominant form of tobacco use. In the Indian context, tobacco is used in diverse range of chewing and smoking formats that are available at multiple price points compared to cigarettes which are taxed heavily.

While India is the world’s second largest consumer of tobacco, legal cigarettes constitute only 8% of overall tobacco consumption in India, as against a global average of 90%. It is important to note that India accounts for less than 2% of global cigarette consumption despite having 18% of the world’s population- making India’s per capita cigarette consumption amongst the lowest in the world. Over the years, high taxation on cigarettes has led to progressive migration from consumption of duty-paid cigarettes to other lightly taxed/tax-evaded forms of tobacco products, comprising illicit cigarettes, bidi, chewing tobacco, gutkha, zarda, snuff, etc. It is important to note that while the share of legal cigarettes in total tobacco consumption has declined from 21% in 1981-82 to a mere 8%, the total tobacco consumption in the country has increased over the same period. As a result, despite accounting for less than 1/10th of the tobacco consumed in the country, duty-paid cigarettes contribute more than 4/5th of the revenue generated from the tobacco sector. Taxes on cigarettes remain one of the highest in India as depicted. Taxes on cigarettes in India are multiple times higher than in developed countries viz. 17x of USA, 10x of Japan, 7x of Germany and so on. During the period FY 2012-13 to FY 2016-17, excise duty on cigarettes increased at a CAGR of 15.7% whereas tax revenue from cigarettes grew by a mere 4.7% CAGR during the same period. In FY 2017-18, the legal cigarette industry was further impacted by a sharp rise of 20% in tax incidence as a result of increase in excise duty and transition to the GST regime. Thereafter, stability in taxation until January 2020 helped the legal industry partially claw back volumes lost to the illicit trade in earlier years resulting in revenue collections to grow by 10.2% during this period. Punitive taxes on the legal cigarette industry in earlier years have resulted in rapid growth in illicit cigarette trade, making India the 4th largest illicit cigarette market globally according to Euromonitor estimates.

It is also important to note that India’s per capita cigarette consumption is amongst the lowest in the world and is significantly lower compared to that of China, Japan, USA, UK and even neighbouring countries such as Bangladesh and Pakistan. Stability in taxes is critical to address the interests of all stakeholders of this industry. ITC can strengthen its market standing in the legal cigarette industry due to robust innovation pipeline, cutting-edge manufacturing & digital technologies and best-in-class execution capabilities. A stable taxation and regulatory regime remains critical to enable the legal cigarette industry to recover volumes from illicit trade. The company is trying to increase its market share by focusing on innovation and premiumisation, with new launches experiencing over a fivefold increase in the past five years, now accounting for approximately 17% of the overall volumes. This also act as a strategic counter measure against illegal and illicit trade and solidifying its position among legal players.

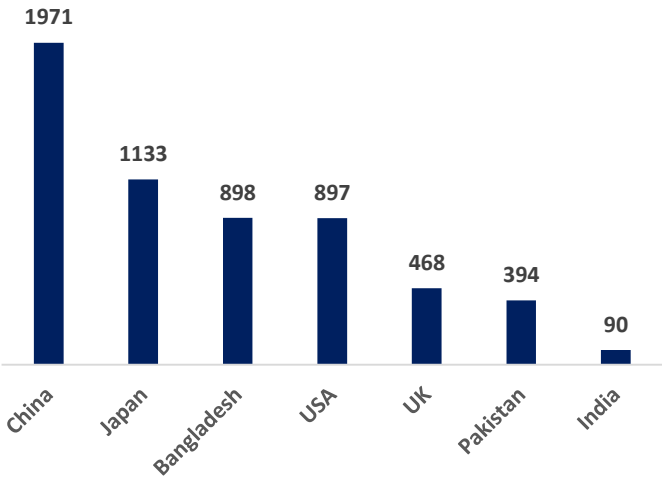
Source: ITC annual report, Company analysis

Tax per 2000 Cigarettes as a percentage of Per Capita GDP



Source: Tax data-WHO Report on Global Tobacco Epidemic, 2021 Per capita GDP- World Bank

No. of Cigarettes per Annum



Source: The Tobacco Atlas- 7th Edition, 2022

FMCG Cigarettes – Q4 FY23

- Net Segment Revenue up 13.7%; Segment PBIT up 14.0%.
- Innovation & Premiumisation across segments.
- Excellent Execution
  - Recent launches are doing good in the market.
  - Market standing further strengthen through focused portfolio.
  - Robust growth across regions & markets.



FMCG- Others

Due to increasing inflation, consumption demand slowing especially in rural markets as well as for certain discretionary categories in urban markets, input costs remained high even when certain commodities witnessed moderation in prices towards the latter half of the year. FMCG Businesses outperformed the industry in both urban and rural markets driven by enhanced distribution footprint, superior last mile execution, deep consumer insights, purposeful innovation and portfolio premiumisation. The first half of the year saw significant increase in prices of key inputs such as edible oils, packaging materials, fuel, logistics, etc., which resulted in pressure on margins but this was mitigated by adopting a comprehensive approach across the value chain focusing sharply on cost management, portfolio premiumisation, competitive trade and marketing investments, fiscal incentives, supply chain agility, digital interventions and judicious pricing actions. ITC continues to leverage its digital technology to drive superior consumer insights & innovation, deepen consumer engagement and enhance brand loyalty. ITC’s vibrant portfolio of over 25 world-class Indian brands, largely built through an organic growth strategy in a relatively short period of time, represents an annual consumer spend of nearly ` 29000 crores and reach over 230 million households in India. These home-grown, purpose-led Indian brands support the competitiveness of domestic value chains, especially in the agri space, thereby ensuring creation and retention of value within the country. ITC remains confident of rapidly scaling up its FMCG Businesses powered by purpose-led brands, world-class quality, deep consumer insights, cutting-edge innovation and efficient supply chain. The Branded Packaged Foods Business is focused on fulfilling emerging consumer needs related to health and nutrition. The Branded Packaged Foods Business is also focusing more on organic growth by building its own brands and products and improving them instead of going on a acquisition spree. The Branded Packaged Foods Businesses exports to more than 60 countries. With its portfolio of great products and a high quality distribution pipeline, ITC is confident of increasing its exports at an accelerated pace in focus markets across a range of categories, leveraging the brand value of its core brands such as Aashirvaad, Sunfeast and Kitchens of India.

FMCG- Others- Personal Care Products

ITC’s Personal Care Products Business continued to strengthen its core strategic levers of building brands with purpose by introducing first-in-category innovations and focusing on categories of the future. Inflationary pressure on prices of key inputs witnessed in the previous year continued to impact the industry for most of the financial year. This increase in inflation also led to demand decreasing especially in rural markets however now improvement is being witnessed in this segment. The state-of-the-art R&D facility of ITC continued to develop innovative and differentiated products backed by robust science-based claims to meet the emerging consumer needs. ITC’s strategic focus continues to be on increasing the core categories of Personal Wash, Fragrance and other innovative consumer centric products. It’s also focusing on improving the quality of these products so that it can enhance consumer experience. ITC with its future-ready portfolio, purpose-led brands and their commitment towards improving product quality and consumer experience, all this can help them achieve greater success in this segment and emerge as a significant player in the ‘Personal Care’ space.

Source: ITC annual report, Company analysis

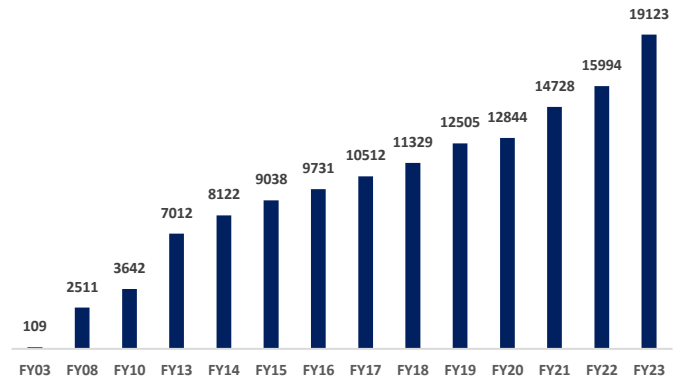
FMCG Others – Q4 FY23

**Robust performance witnessed across markets and channels:**  
Staples, Biscuits, Snacks, Noodles, Dairy, Beverages, Soaps, Fragrances, Agarbatti drive growth. Education & Stationery Products Business also continues to witness strong growth.

**Growing presence in emerging channels:**  
Rapid growth in E-Com and Quick Commerce. Acquired 39.4% in Sproutlife Foods Pvt. Ltd on 4th May’23, owner of brand ‘Yoga Bar’- this will enable ITC to enhance its market presence in the fast growing healthy foods space.

**Segment EBITDA Margin at 13.3% (Q4 FY22: 9.0%):**  
Margin expansion driven by premiumisation, supply chain agility, digital initiatives, strategic cost management and fiscal incentives.

FMCG-Others Revenue(in Crs)



FMCG- Others- Education and Stationery Products

The Education and Stationery Products industry recorded a strong recovery after resumption of physical classes at various educational institutions. This lead to demand recovering to pre-pandemic levels. However, on the supply side, industry faced inflationary pressures. The Business strengthened its market leadership position in the industry via superior performance driven by portfolio premiumisation, resonable pricing actions and continued focus on cost and working capital management, leveraging institutional strengths such as backward integration in the value chain for supply of paper and paperboard and multi-channel distribution infrastructure. The ‘Classmate’ Notebooks portfolio saw a increase in size with the launch of over 40 differentiated variants under the Origami range. Extensive consumer engagement with 1,000+ schools and 2 Lakh+ students through craft-based competitions enabled Classmate to fortify its position as an innovation leader in the industry. The Business continues to increase the capacity utilisation of its dedicated notebook manufacturing facility at Vijayawada. Equipped with state-of-the-art technology, the facility enables the Business to develop differentiated notebook formats and address opportunities in overseas markets. During the year, the Education and Stationery products division also expanded its exports to newer geographies & segments by exporting its products to large global retailers thereby increasing its international presence.





HOTELS

The global Travel & Tourism industry was severely impacted in the last two years due to the pandemic but now it has witnessed strong recovery in the current year. As per estimates of the World Travel and Tourism Council (WTTTC), the Travel & Tourism sector is expected to contribute US\$ 8.6 trillion to the global economy in 2022 (about 94% of pre-pandemic levels). As per estimates of the WTTTC, the sector, which saw 62 million job losses in 2020, has now almost recovered to pre-pandemic levels, with an estimated 40 million jobs more added in 2022 on top of the 18 million jobs which were added in 2021. The Travel & Tourism sector plays a vital role in the Indian economy and holds immense potential for growth. The tourism value chain including hotels, travel agents, airlines, tour operators, restaurants, tourist transporters and guides, etc. results in a huge economic multiplier impact, ranking it amongst the highest across industries on this count. The sector’s contribution to the Indian economy remains significant and is estimated at appx. 7% of GDP. During the year, ITC’s Hotels Business delivered excellent performance as well as an enriched guest experience. The Business continued to focus on its strategy of offering various services across accommodation, dining and banqueting to increase its revenue drivers. This included introduction of special packages offering customization and flexibility, targeting short getaways/staycations, revamped packages for the MICE & wedding segments and extension of exclusive privileges to members of the Club ITC Loyalty programme. Segment Revenue for the year doubled to 2585.03 crores while Segment EBITDA stood at 831.62 crores, as against 78.03 crores in the previous year. ITC’s Hotels Business with its ‘asset-right’ strategy continues to be the fastest growing hospitality chains in the country with over 120 properties and 11,500 rooms under various distinctive brands – ‘ITC Hotels’ in the Luxury segment, ‘Welcomhotel’ in the Premium segment, ‘Fortune’ in the Mid-market to Upscale segment and ‘WelcomHeritage’ in the Leisure & Heritage segment.

Hotels – Q4 FY23

Growth Drivers:

RevPAR(Revenue per Available Room) well ahead of pre-pandemic levels. Weddings, Leisure and MICE(Meetings,Incentives,Conferences and Exhibitions) drive growth.

Margins:

Segment EBITDA margin at 34.8% (Q4 FY20: 23.1%), Margin expansion driven by higher RevPAR, operating leverage and structural cost interventions.

Expansion:

ITC has a portfolio of 131 hotels and 12,000 rooms across 80 destinations and aims to reach 200 hotels and 18,000 keys in the next five years.



PAPERBOARDS, PAPER AND PACKAGING

The demand for Paper & Paperboards grew at about 6-7% in FY22-23. Cost of key inputs remained high due to increased global pulp prices during the first half of the year because of global supply chain disruptions, geopolitical tensions, adverse weather events, higher power and chemical costs. However, pulp prices returned to normal in the second half of the year due to subdued Chinese demand, recessionary conditions in Europe and normalisation in supply chain operations. Chemical prices, which were also at record highs, moderated towards the end of the financial year, while still remaining higher compared to pre-pandemic levels. Coal supplies were also impacted by supply chain disruptions and prioritisation of domestic supplies to thermal power plants. The Indian Rupee depreciated against the US Dollar during the year which further impacted cost of imports. The Business fortified its leadership in the Value Added Paperboard (VAP) segment through innovation focused on developing customised solutions for end-use industries and maintaining best-in-class customer service levels. The Business is also the industry leader in the eco-labelled products segment as well as the premium recycled paperboards space.

Paperboards, Paper & Packaging – Q4 FY23

Performance:

Paperboards, Paper & Packaging Segment posted resilient performance. Softening of pulp prices, muted demand in global markets impacted segment revenue leading to under-satisfactory growth in segment revenue.

Growth:

Robust growth in Fine Paper segment driven by strong demand for notebooks and publications, Rapid scale up in Sustainable Products portfolio and Strategic interventions (in house pulp manufacturing, pro-active capacity expansion in value-added products, Digital) continue to be leveraged.

Expansion:

Second Carton line commissioned at Nadiad, Gujarat and capacity utilization is also being ramped up.

Promoting sustainable packaging solutions that substitute single-use plastics





Agri business

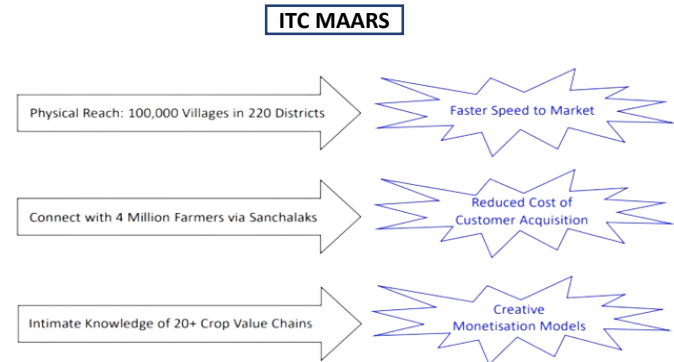
ITC is a leading player in agri with crop throughput of more than 4.5mtpa(Million of Tonnes per Annum). Crop throughput measures the efficiency of work or material passing through a crop-related system or process. The company has a presence in 20+ crops across 22 states, besides being the largest buyer, processor, consumer and exporter of cigarette tobacco (40% of India’s exports). It services 100+ customers including big companies like Nestle, McCormick, Haldiram’s, Jubilant Foodworks, etc across the food service and ingredient segments in 35+ countries. ITC is planning to boost growth and profits by making value-added products from nicotine, spices, and other items. However, entering the nicotine market is tough because of complex processing methods, regulatory hurdles and sustainability challenges. There is a big gap between supply and demand side, where supply is quite less compared to the demand and ITC is planning to cater to this demand.

Agri Business – Q4 FY23

- Growth:**  
Segment Revenue (ex-Wheat exports) up appx. 20%. Segment PBIT up 25.9% YoY driven by growth in value-added agri products and leaf tobacco exports
- Expansion:**  
Strategic focus is on rapidly scaling up Value-Added product portfolio. Capacity utilisation of state-of-the-art value-added Spices processing facility in Guntur being scaled up. World-class manufacturing facility at Mysuru for export of Nicotine & Nicotine derivative products to US/EU has been substantially completed and is expected to be commissioned shortly.

Agri business- ITC MAARS

ITC MAARS (Metamarket for Advanced Agriculture and Rural Services) is a agricultural platform that provides services to farmers. It uses technology to offer personalized solutions to farmers in their local areas. This helps farmers boost efficiency and also supports ITC's Indian brands. It has been introduced in nine states and involves over 1,150 Farmer Producer Organizations (FPOs) benefiting more than 500,000 farmers.

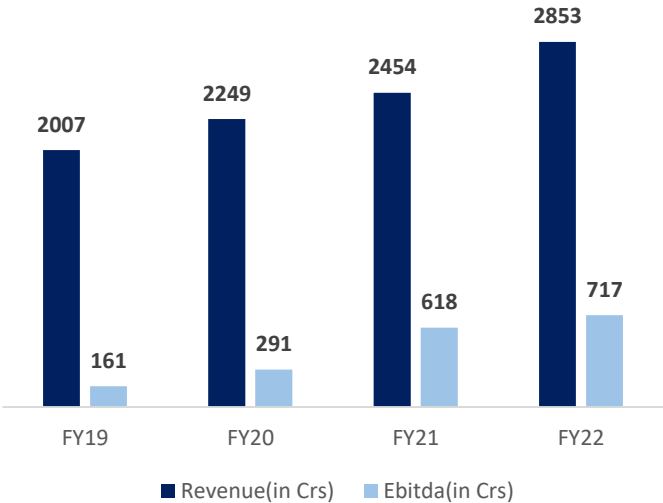


ITC Infotech

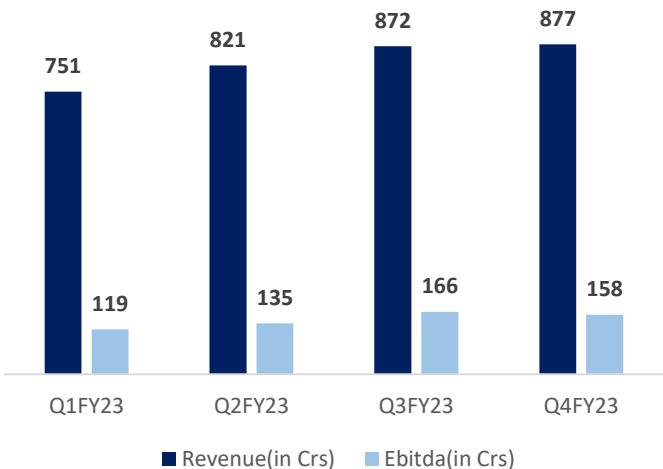
The Indian Information Technology (IT) Industry delivered good performance during the year despite the global economic slowdown. According to NASSCOM estimates, India’s technology sector revenues grew by 8.4% in FY 2022-23 to US\$ 245 billion, with IT Services also growing at 8.3%. The technology industry continues to play a important role in helping organizations to minimize costs and enhance operational efficiencies.

ITC Infotech secured two mega deals in the US and the company is still looking for other M&A opportunities to further their growth in this space. To meet their clients needs, they even opened subsidiaries in Brazil, France, Germany, Malaysia, and other countries. This helps them offer better services globally. They are also looking to hire good talents from across the globe including even Tier 2 cities.

ITC Infotech-Revenue & Ebitda



ITC Infotech-Revenue & Ebitda(Quarterly)





## Management Analysis

Sr. no.	Name	Designation	Education	Background	Comments
1	Sanjiv Puri	Chairman & MD	He is an alumnus of the Indian Institute of Technology, Kanpur, and the Wharton School of Business, USA.	Mr. Sanjiv Puri, aged 61, is the Chairman & Managing Director of ITC Limited. He joined ITC in 1986 and has held various leadership roles. Mr. Puri is known for his focus on innovation and sustainability, driving ITC's growth and competitiveness. Mr. Puri has received numerous awards and honors for his contributions to business and sustainability. He is actively involved in various industry associations and initiatives promoting agriculture, sustainability, and economic development.	Mr. Puri is well qualified and has lots of experience. He has been with ITC for over 3 decades and has held various leadership positions. Since he took charge as MD in May 2018 and as Chairman a year later, ITC has grown rapidly across segments, be it on revenue, profitability, or market share.
2	Supratim Dutta	CFO & Whole Time Director	A qualified Chartered Accountant and Cost Accountant	Mr. Supratim Dutta, aged 57, serves as the Chief Financial Officer (CFO) and Wholetime Director at ITC. He joined the company in November 1990 and he is a Chartered Accountant and Cost Accountant. Dutta has over three decades of experience in various finance roles at ITC, including Corporate Financial Controller and Executive Vice President of Corporate Finance. He is responsible for Finance, Accounting, Internal Audit, IT Functions, and Investment Subsidiaries. He is also involved in industry committees and serves on the boards of several companies, including ITC Infotech India Limited and Surya Nepal Private Limited.	Mr. Dutta is well qualified as he has held various senior positions in fields of finance both at business and corporate level. He has been with ITC for more than 3 decades and has loads of experience.
3	Hemant Malik	Executive Director	He completed his B.A. from Delhi University and M.B.A. from the Indian Institute of Management, Calcutta.	Mr. Hemant Malik, aged 57, assumed the role of Wholetime Director on the ITC Board starting from August 12, 2023, overseeing the Foods Business Division. With over 33 years of experience at ITC, Mr. Malik has held various leadership positions across different sectors including Tobacco, Lifestyle Retailing, and Packaged Foods. Prior to his current role, he served as the Divisional Chief Executive of the Foods Business Division since October 2016, and previously led the Trade Marketing & Distribution ('TM&D') Vertical. Mr. Malik's contributions include the development of the FMCG Sales Network and setting up the new FMCG distribution highway during his tenure. Malik does not hold directorship in any other company.	Mr. Malik joined ITC in 1989 and has more than 33 years of experience. He is in charge of the Foods Business Division of the Company. He has worked across multiple businesses including Tobacco, Lifestyle Retailing and Packaged Foods. With Loads of experience, he is the right person for his role.
4	Sumant Bhargavan	Whole time Director	He is an alumnus of NIT Durgapur	Mr. Sumant Bhargavan, aged 59, serves as a Wholetime Director on the Board of ITC since November 16, 2018. He oversees the Paperboards, Paper and Packaging, Personal Care, Education & Stationery Products Businesses, and the Trade Marketing & Distribution Vertical. Mr. Sumant joined ITC in January 1986, gaining extensive experience across various businesses. Before his directorial role, he served as President of FMCG Businesses since April 2016 and was previously Divisional Chief Executive of the Tobacco Division. Mr. Sumant spent 19 years in Tobacco Division manufacturing operations and later transitioned to the Foods Business, where he established the 'Bingo!' Snack Food category in October 2004. He also led ITC Infotech India Limited as its Managing Director from September 2009 to October 2014. Mr. Sumant has served on the boards of ITC Infotech's subsidiaries in the UK and the USA, as well as Surya Nepal Private Limited and The Tobacco Institute of India.	Mr. Bhargavan joined ITC in January 1986, and has handled a wide range of responsibilities across several businesses. He spent his first 19 years with ITC in Manufacturing operations of the Tobacco Division and has worked in four production units as well as at the Head Office. He is well qualified for his role as a Whole time Director.



## Management Analysis

Sr. no.	Name	Designation	Education	Background	Comments
5	Nakul Anand	Executive Director	Mr. Anand is an Economics Honours graduate from Delhi University and holds an AMP degree from the Bond University, Australia.	Mr. Nakul Anand led ITC's Hotels Division until December 24, 2015, known for his great leadership. He's highly respected for his ability to manage people, build teams, and for developing a culture of action and results. Mr. Anand introduced quality control measures like Operational Excellence and Six Sigma standards revolutionizing ITC's hotel business. He joined ITC's Hotels Management Training Programme in 1978 and has since been instrumental in pioneering innovative concepts in the hospitality industry. Mr. Anand has held various leadership roles at ITC, including Executive Director and Managing Director of ITC Hotels Limited. His contributions have earned him recognition in the hotels and tourism sector.	Mr. Anand is well qualified and has lots of experience. He has held various leadership roles at ITC and is responsible for high growth of ITC's Hotel Business.
6	Shilabhadra Banerjee	Independent Non-Executive Director	He is a Masters in History from St. Stephen's College, Delhi, Post Graduate Diploma holder in Public Administration from the Indian Institute of Public Administration, New Delhi. He joined the Indian Administrative Service in 1971	Mr. Shilabhadra Banerjee, aged 75, became a Non-Executive Director at ITC in July 2014 and later became an Independent Director. Banerjee joined the Indian Administrative Service in 1971 and served in various significant positions within the Government of India, including Joint Secretary in the Ministry of Petroleum and Natural Gas and Ministry of Urban Development. He retired as Secretary of the Ministry of Tourism in October 2008. Mr. Banerjee brings has 37 years of experience in public service and has previously served on ITC's board from February 2010 to March 2014. He does not hold directorship in any other company.	Mr. Banerjee is well qualified and has 37 years of experience as he served in various positions within the Government of India. His qualifications and recognition makes him a strong candidate for the role of independent director.
7	Arun Kumar Duggal	Independent Non-Executive Director	He is a Mechanical Engineer from IIT Delhi and an M.B.A. from IIM Ahmedabad	Mr. Arun Duggal, aged 77, joined the ITC Board as a Non-Executive Independent Director in September 2014. Mr. Duggal has extensive global experience in financial strategy, M&A, and capital raising, with 26 years at Bank of America (BoA) in the USA, Hong Kong, and Japan. He served as Chief Executive of BoA India and later as CFO of HCL Technologies Limited, India. Duggal has chaired the American Chamber of Commerce, India, and served on the Board of Governors of the National Institute of Bank Management. He is a Trustee of the Chennai Mathematical Institute and has spearheaded initiatives in social and educational sectors, including founding FICCI's 'Women on Corporate Boards' Programme. Duggal is currently Chairman & Independent Director of ICRA Limited and a Non-Executive Director of Dr. Lal PathLabs Limited, among other positions. He has received Distinguished Alumnus Awards from both IIT Delhi and IIM Ahmedabad	Mr. Duggal has lots of experience in the field of Banking and Finance making him a good candidate for his role as an independent director.
8	Anand Nayak	Independent Director	He is a Post Graduate in Personnel Management and Industrial Relations from XLRI Jamshedpur.	Mr. Anand Nayak, aged 72, became a Non-Executive Independent Director at ITC on July 13, 2019. Mr. Nayak joined ITC in 1973 and served for over 42 years until his retirement in December 2015. During his tenure, Mr. Nayak held various roles across different businesses and at Corporate Headquarters. He led the Human Resources Function from 1996 to 2015 and served on the Corporate Management Committee for over 18 years. He also oversaw Social Sector initiatives as part of ITC's CSR agenda and mentored the Mission Sunehra Kal team, focusing on sustainability solutions for rural India. He does not hold directorship in any other company.	Mr. Nayak served ITC for over 42 years until his retirement. With his extensive business knowledge, he is right fit for the role of an independent director.





## Management Analysis

Sr. no.	Name	Designation	Education	Background	Comments
9	Hemant Bhargava	Independent Director	He is a Post Graduate in Economics from the Lucknow University and has also studied Masters in Financial Management from the Jamnalal Bajaj Institute of Management Studies	Mr. Hemant Bhargava, aged 64, joined the ITC Board as a Non-Executive Independent Director on December 20, 2021. Mr. Bhargava began his corporate journey in 1981 with the Life Insurance Corporation of India and eventually became its Chairman and Managing Director in January 2019. He also served as the Non-Executive Chairman of IDBI Bank and LIC Housing Finance Limited. With 38 years of experience, Bhargava has worked extensively in Marketing, International Operations, and new ventures, both in India and abroad. He is currently on the Boards of Larsen & Toubro Limited, The Tata Power Company Limited, and UGRO Capital Limited, among others	Mr. Bhargava has loads of experience as he has worked in India as well as abroad, making him a good fit as an independent director.
10	Alka Marezban Bharucha	Independent Director	She completed her B.A. (Hons.) and L.L.B. from the University of Bombay and Masters in Law from the University of London.	Mrs. Alka Marezban Bharucha, aged 66, assumed the role of Non-Executive Independent Director on the ITC Board starting from August 12, 2023. She is a Senior Partner at Messrs. Bharucha & Partners, Advocates & Solicitors, Mumbai. Mrs. Bharucha is recognized as a Solicitor with the High Court of Mumbai and Supreme Court of England and Wales, as well as an Advocate on Record with the Supreme Court of India. With over 30 years of experience, she co-founded Bharucha & Partners in 2008, a firm ranked among India's top law firms by RSG Consulting, London. Mrs. Bharucha specializes in mergers & acquisitions, joint ventures, private equity, and banking & finance. She currently serves as an Independent Director of Ultratech Cement Limited, Hindalco Industries Limited, Orient Electric Limited, Aditya Birla Sun Life AMC Limited, among others.	Mrs. Bharucha has extensive knowledge of law, banking and finance. She has both national and international experience, making her a good fit for her role as an independent director.
11	Mukesh Kumar Gupta	Non-Executive Director	Mr. Gupta holds Degrees of Bachelor in Science and Masters in Business Administration (Human Resources)	Mr. Mukesh Gupta, aged 62, became a Non-Executive Director on the ITC Board starting from October 27, 2021, representing the Life Insurance Corporation of India ('LIC'). Gupta began his career as a Direct Recruit Officer at LIC in 1984 and served until his retirement as Managing Director on September 30, 2021. During his extensive 37-year tenure, Gupta held various significant roles across different zones and divisions of LIC, including Executive Director (Personnel) and Executive Director (Bancassurance) at the Corporate Office. His experience spans areas such as insurance and marketing. Currently, Gupta serves on the Boards of IDBI Bank Limited and Jindal Worldwide Limited	Mr. Gupta was part of the biggest insurance company in India "LIC". He held various roles in LIC and served it till retirement, this long tenure gave him lots of experience about government workings, making him an ideal fit for his role as an independent director.
12	Shyamal Kumar Mukherjee	Independent Director	Mr. Mukherjee is a Chartered Accountant and also holds Degrees of Bachelor in Commerce and Law from Delhi University.	Mr. Shyamal Mukherjee, aged 64, assumed the role of Non-Executive Independent Director on the ITC Board starting from August 11, 2021. Mr. Mukherjee previously served as the Chairman and Senior Partner of PricewaterhouseCoopers ('PwC') in India, where he dedicated over 37 years of his career. His leadership at PwC was marked by strategic vision and a focus on innovation, governance, and strengthening capabilities.. Additionally, Mr. Mukherjee is actively involved in educational initiatives as the Managing Trustee of the Phanindranath Education Trust, Howrah. He also contributes to the legal profession as a Member of the Bar Council of Delhi. Presently, Mukherjee serves on the Boards of Bharti Airtel Limited and UrbanClap Technologies India Private Limited	Mr. Mukerjee was with PWC, one of the Big Four, for 37 years and was known his vision and governance. His leadership qualities make him a perfect fit for his role as an independent director.



## Management Analysis

Sr. no.	Name	Designation	Education	Background	Comments
13	Sunil Panray	Non-Executive Director	He holds Degrees of Bachelor in Commerce and Masters in Business Administration from Concordia University in Montreal, Canada.	Mr. Sunil Panray, aged 65, assumed the role of Non-Executive Director on the ITC Board starting from August 11, 2021, representing Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c. ('BAT'). He brings with him a wealth of experience gathered from his tenure in various senior executive positions. Mr. Panray's professional journey includes roles at Raymond Chabot Grant Thornton, Imasco Limited, Imperial Tobacco, Canada, and BAT. He notably served as the Vice-President Finance and Treasurer of Canadian National Railway Company from 2012 to 2016. He does not hold directorship of any other company.	Mr. Panray has held various senior positions at companies like Grant Thornton, Imperial Tobacco, etc. He is right for the role of independent director as he has already worked in the Tobacco business and has expertise in this field.
14	Ajit Kumar Seth	Non-Executive Independent Director	He did his post-graduation in Chemistry from St. Stephen's College, Delhi. Mr. Seth also has an M. Phil in Life Sciences from the Jawaharlal Nehru University, New Delhi, and a Masters in Development Finance from the University of Birmingham, UK.	Mr. Ajit Kumar Seth, aged 71, assumed the role of Non-Executive Independent Director on the ITC Board starting from July 13, 2019. As a retired IAS Officer with over 41 years of administrative experience, he served as the Cabinet Secretary of the Government of India for four years until his retirement in June 2015. Seth's diverse career includes significant roles in various ministries and postings, including the Ministry of Commerce, the Permanent Mission of India to the United Nations at Geneva, and the Ministry of Textiles.. Currently, Seth is not associated with the directorship of any other company.	Mr. Seth, as an Ex-IAS, has worked in diverse roles and has gathered extensive knowledge about Trade and Commerce. He has loads of experience and is well qualified for his role as an independent director.
15	Meera Shankar	Independent Non-Executive Director	A Post Graduate in English Literature, she joined the Indian Foreign Service in 1973 and had an illustrious career spanning 38 years.	Mrs. Meera Shankar, aged 73, assumed the role of Non-Executive Independent Director on the ITC Board starting from September 6, 2012. With a Post Graduate degree in English Literature, she embarked on a distinguished career in the Indian Foreign Service in 1973, accumulating 38 years of service. Noteworthy roles include her tenure in the Prime Minister's Office, where she worked on foreign policy and security matters, and her leadership of the Commercial Wing at the Indian Embassy in Washington. Shankar also served as Director General of the Indian Council of Cultural Relations, overseeing India's cultural diplomacy, and held key positions focusing on South Asia. Beyond her contributions to ITC, Shankar serves as an Independent Director for Pidilite Industries Limited and Adani Transmission Limited, among other organizations.	Mrs. Shankar has loads of experience as she was an IFS officer for 38 years and has worked on foreign policy, security matters, etc. Her knowledge on foreign policy as well as on domestic policy makes her an ideal candidate for her role as an independent director.
16	Rahul Jain	Non-Executive Director	He is an IAS Officer, a Chartered Accountant and holds Masters Degree in Commerce from the University of Pune. He is the Joint Secretary in the Department of Investment and Public Asset Management, Ministry of Finance, Government of India.	Mr. Rahul Jain, aged 43, assumed the role of Non-Executive Director on the ITC Board starting from January 1, 2024, representing the Specified Undertaking of the Unit Trust of India('SUUTI'). With over 18 years of experience in the Indian Administrative Service, he has held various key positions, including District Collector and Director of the MP Town and Country Planning Department. His expertise is in rural and urban development, disaster management, and electoral conduct. Mr. Jain's board memberships include roles in Rewa City Transport Services Limited, Bhopal Smart City Development Corporation Limited, and Indore Smart City Development Limited.	His expertise on urban and rural development makes him an ideal fit for his role as an independent director as he can guide ITC's FMCG business.



Commentary

The company has a skilled management team with extensive experience and technical knowledge. Independent directors come from diverse backgrounds, including former civil servants like IAS and IFS officers. After reviewing public data, we found no political connections among the leadership or independent directors. Additionally, there are no conflicts of interest between independent directors and the company.

The Current Managing director Mr. Sanjiv Puri has been with ITC since January 1986, holding various leadership roles over more than three decades. He has led the company through significant growth and transformation. Mr. Puri served as the Chief Operating Officer and President of FMCG Businesses, showcasing his expertise in managing operations and driving growth. He's also been involved in guiding ITC's subsidiaries. Mr. Puri's 'ITC Next' vision focuses on making products that consumers love and he is all for using technology and making sure ITC is sustainable. Mr. Puri aims to make ITC a big part of national goals like a net-zero economy.

Mr. Sanjiv Puri has been running ITC since December 6, 2015, when he became a Whole-time Director on the Board. He later became the CEO in February 2017 and then the Managing Director in May 2018. He took on the role of Chairman on May 13, 2019. During his leadership, ITC's FMCG revenue grew massively from Rs 108 crore in 2003 to Rs 19,123 crore in 2023. This growth shows how the company has expanded its range of products beyond just tobacco.

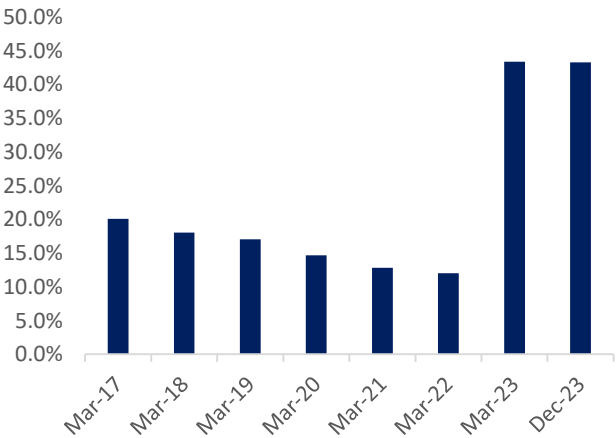
Shareholding Pattern

The company has majority of its shareholding with FIIs and DIIs to the total of 85.3%. As on Dec,2023, Promoters holdings are nil, FIIs are holding 43.3%, DIIs are holding 42%, Government and Public holding is at 0% and 14.7% respectively.

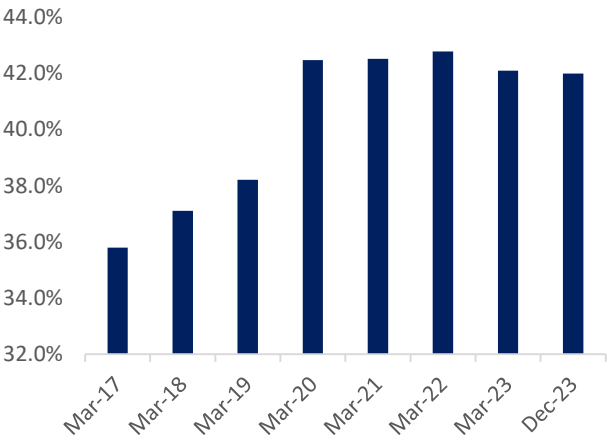
Yearly Shareholding pattern of the company is as under:

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Dec-23
FIIs	20.1%	18.0%	17.0%	14.7%	12.8%	12.0%	43.4%	43.3%
DIIs	35.8%	37.1%	38.2%	42.5%	42.5%	42.8%	42.1%	42.0%
Government	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public	44.1%	44.9%	44.8%	42.9%	44.7%	45.2%	14.5%	14.7%

FII Holding Pattern



DII Holding Pattern





## Commentary

### Managerial Remuneration

During FY23, the company has incurred managerial remuneration of INR 3410.18 Lakhs as against INR 2201.27 Lakhs in FY22( 55% increase in YOY basis). The details are as under:

	Designation	Ratio of Remuneration to Median Remuneration of all Employees	FY23(in Lakhs)	FY22(in Lakhs)	Increase in remuneration over Last Year (%)	Sales Growth compared to Last Year(%)	Net Profit Growth compared to Last Year(%)
Mr. Sanjiv Puri	Chairman & Managing Director	326x	1631.95	1066.03	53.1%	17%	26%
Mr. Sumant Bhargavan	Executive Director	152x	758.56	484.39	56.6%	17%	26%
Mr. Supratim Dutta	Executive Director & CFO	88x	200.68	114.02	76.0%	17%	26%
Mr. Nakul Anand	Executive Director	144x	818.99	536.83	52.6%	17%	26%
<b>Total</b>			<b>3410.18</b>	<b>2201.27</b>	<b>55%</b>	<b>17%</b>	<b>26%</b>

Median ratio of KMP remuneration with median employee salary is 148x, whereas median of the same for peers stood at 20x( peers taken are Godfrey Phillips, NST industries and VST industries).

The revenue grew at 10.3% CAGR for the last 5 years and 4.3% CAGR for the last 3 years whereas KMP remuneration has declined by 3.4% over the last 5 years and declined by 14.3% over the last 3 years.

	2018	2019	2020	2021	2022	2023
Revenue (in crores)	43,449	48,340	49,388	49,257	60,645	70,919
Revenue Growth(%)		11.3%	2.2%	-0.3%	23.1%	16.9%
Net Profit (in crores)	11,493	12,836	15,593	13,383	15,503	19,477
Net Profit Growth(%)		11.7%	21.5%	-14.2%	15.8%	25.6%
KMP Remuneration (in crores)	40.59	30.06	16.90	25.29	22.01	34.10
KMP Remuneration Growth(%)		-25.9%	-43.8%	49.6%	-12.9%	54.9%

### Board Efficiency

Basis our research, Board of Directors (BOD) have adequate representation of independent directors, industry experts, finance and legal experts. The efficiency of BOD can be gauged with their contributions in various important meetings held in FY23. The details are as under:

Sr. No	Date	Board Strength	No. of Directors present
1	18/04/2022	16	16
2	18/05/2022	16	15
3	20/07/2022	16	16
4	01/08/2022	16	16
5	20/10/2022	16	16
6	03/02/2023	15	14



Commentary

Board Efficiency

During FY23, the company's Board of Directors (BOD) did a good job overseeing things. Most of the board members attended all the meetings which means they were actively involved in important discussions and helped the company make good decisions. The details are as under:

Sr. No	Director	No. of Board Meetings attended	Attendance at last AGM
1	Mr. Sanjiv Puri	6	Yes
2	Mr. Nakul Anand	6	Yes
3	Mr. Supratim Dutta	3	N.A
4	Mr. Sumant Bhargavan	6	Yes
5	Mr. Shilabhadra Banerjee	6	Yes
6	Mr. Hemant Bhargava	6	Yes
7	Mr. Arun Duggal	6	Yes
8	Mr. Mukesh Gupta	6	Yes
9	Mr. Shyamal Mukherjee	6	Yes
10	Mr. Anand Nayak	6	Yes
11	Mr. Sunil Panray	6	Yes
12	Mrs. Nirupama Rao	6	Yes
13	Mr. Ajit Kumar Seth	6	Yes
14	Mrs. Meera Shankar	5	Yes
15	Mr. D.R. Simpson	6	Yes
16	Mr. N. Doda	4	Yes
17	Mr. R. Tandon	3	Yes

Additional information regarding the meetings:

1) Mr. Supratim Dutta appointed as Executive Director w.e.f. 22nd July, 2022.

2) Mr. N. Doda resigned as Non-Executive Director w.e.f. 20th January, 2023.

3) Mr. R. Tandon ceased to be Executive Director w.e.f. 22nd July, 2022 upon completion of term.



## ITC Ltd



## Quarterly Snapshot

Particulars (in INR Crores)	Q4FY23	Q4FY22	YOY Growth(%)	FY23	FY22	YOY Growth(%)
Gross Revenue	17224	16227	6.1%	69481	59101	17.6%
Net Revenue	16150	15307	5.5%	65427	55724	17.4%
EBITDA	6209	5224	18.9%	23944	18934	26.5%
PBT	6522	5442	19.8%	24678	19830	24.4%
PAT	5087	4191	21.4%	18753	15058	24.5%

## Annual Snapshot

Particulars (in INR Crores)	FY22	FY23	FY24E	FY25E
Net Revenues	60668.10	70936.90	73147.50	82171.00
COGS	26385.10	29005.80	30097.00	32737.50
Gross profit	34283.00	41931.10	44362.35	50250.00
Employee cost	4890.60	5736.20	5950.00	6962.25
Other expenses	8734.10	10529.90	10734.25	11646.00
<b>EBITDA</b>	<b>20658.30</b>	<b>25665.00</b>	<b>27383.25</b>	<b>30948.60</b>
EBITDA Margin	34.1%	36.2%	37.4%	37.4%
Depreciation & amortization	1732.40	1809.00	1799.85	2066.65
<b>EBIT</b>	<b>18925.90</b>	<b>23856.00</b>	<b>25589.40</b>	<b>28972.95</b>
Interest expense	39.40	43.20	43.50	52.30
Exceptional items	0.00	72.90	0.00	0.00
Other income	1836.40	1980.50	2541.10	2158.40
<b>PBT</b>	<b>20722.90</b>	<b>25720.40</b>	<b>28195.95</b>	<b>31575.70</b>
Tax	5237.30	6438.40	7040.95	7925.80
Share of associates/ Minority interest	-243.40	-236.00	23.50	-138.80
<b>PAT</b>	<b>15242.20</b>	<b>19046.00</b>	<b>20961.20</b>	<b>23324.20</b>



Segment Revenue- Quarterly

Particulars (in INR Crores)	Q4FY23	Q4FY22	YOY Growth(%)
<b>Segment Revenue</b>			
a) FMCG- Cigarettes	7356	6443	14.2%
- Others	4945	4142	19.4%
<b>Total FMCG</b>	<b>12301</b>	<b>10585</b>	<b>16.2%</b>
b) Hotels	782	390	100.5%
c) Agri-Business	3579	4366	-18.0%
d) Paperboards and Packaging	2221	2183	1.7%
<b>Total</b>	<b>18883</b>	<b>17524</b>	<b>7.8%</b>
Less: Inter Segment Revenue	1658	1297	27.8%
<b>Gross Revenue from sale of products and services</b>	<b>17225</b>	<b>16227</b>	<b>6.2%</b>

Segment Revenue- Annually

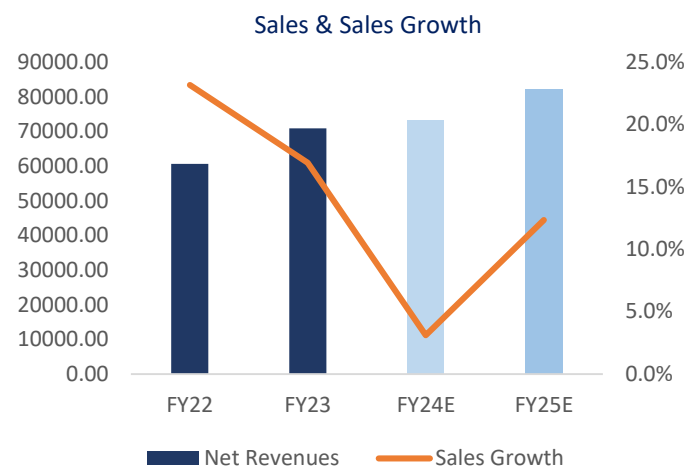
Particulars (in INR Crores)	FY23	FY22	YOY Growth(%)
<b>Segment Revenue</b>			
a) FMCG- Cigarettes	28207	23451	20.3%
- Others	19123	15994	19.6%
<b>Total FMCG</b>	<b>47330</b>	<b>39445</b>	<b>20.0%</b>
b) Hotels	2585	1285	101.2%
c) Agri-Business	18172	16196	12.2%
d) Paperboards and Packaging	9081	7642	18.8%
<b>Total</b>	<b>77168</b>	<b>64568</b>	<b>19.5%</b>
Less: Inter Segment Revenue	7687	5467	40.6%
<b>Gross Revenue from sale of products and services</b>	<b>69481</b>	<b>59101</b>	<b>17.6%</b>



Commentary

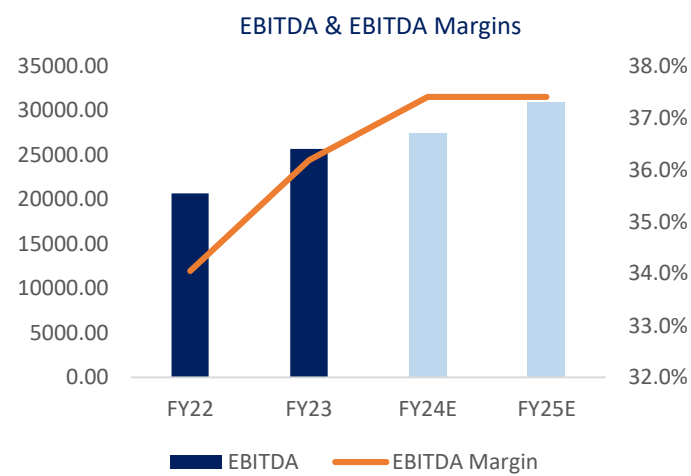
Revenue

Despite facing difficulties in the economic and operational environment, the company managed to perform well in the quarter. Its gross revenue for Q4FY23 reached Rs. 17,224 crores, growing by 6.1% compared to previous year quarter(Q4FY22), and its annual revenue for FY23 stood at Rs. 69481 crores, increasing by 17.6% % compared to FY22. With a focus on consumer needs, innovation, agility, and execution excellence, the company aims to overcome short-term challenges and continue creating value for its stakeholders. Despite the pandemic, inflation, and taxation issues, ITC has maintained a revenue compound annual growth rate (CAGR) of 10% and a profit after tax (PAT) CAGR of 11.1% from FY18 to FY23.



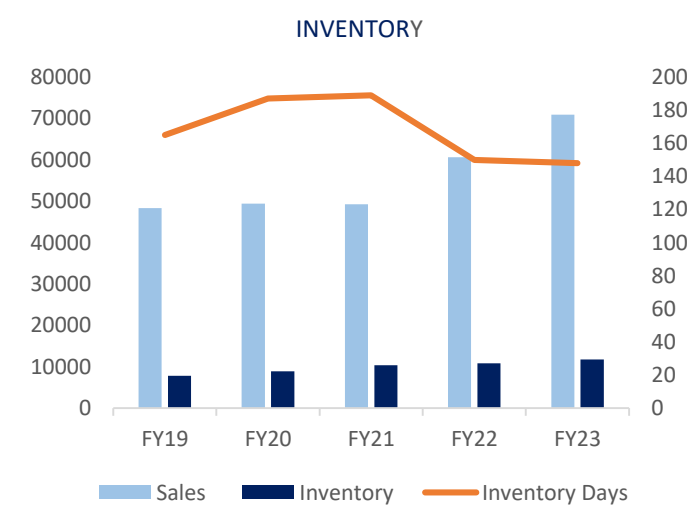
Ebitda

ITC is working hard to improve its business by focusing on innovation, making its main products stronger, and expanding into related categories. They're also launching new products with extra value, reaching out to new markets, and looking for opportunities to grow through partnerships or acquisitions. The management team predicts that they will increase their profits each year by improving their EBITDA margin by 80-100 basis points (bps). They plan to achieve this by making their products more premium, expanding into new areas, and cutting costs wherever possible.



Inventory

Inventory days reduced slightly in FY23( 148 compared to 150 in FY22 but reduced substantially compared to FY19 which stood at 165). The median inventory days of peers stand at 190( Peers taken are Godfrey Phillips, VST Industries and NTC Industries). Reducing inventory days is a good sign and it shows efficient inventory management.



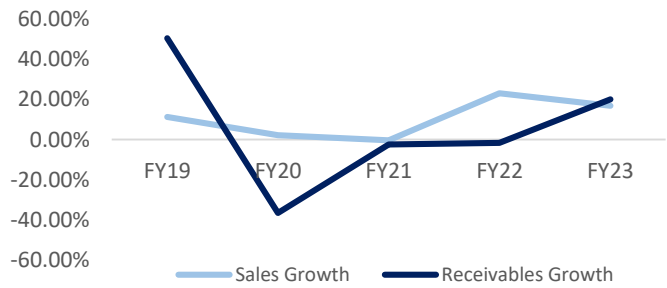


Commentary

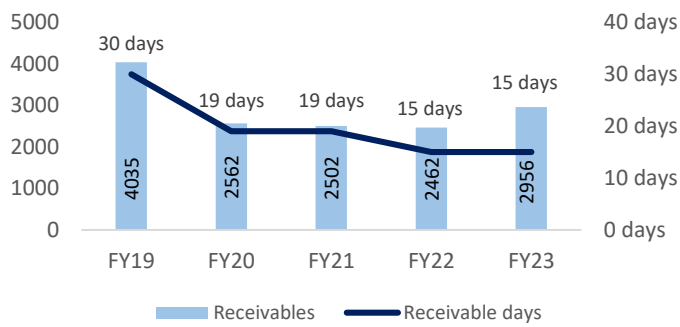
Trade Receivables

The company’s trade receivables were 2956 crores in FY23, a increase of 20% compared with previous year FY22(2462 crores). The receivable days in FY23 stood at 15 same as FY22. The median receivable days for peers also stood at 15( peers taken are Godfrey Phillips, VST Industries and NTC Industries). The company has a diverse customer base, reducing the risk of relying on a few. It extends credit according to set guidelines and policies, with exceptions reviewed carefully. Overall, credit risk is low, and overdue balances are managed based on factors like payment history. Loss allowances are set aside if needed. Basis our research on quality of receivables, we noted that majority of due receivables were collected before 6 months and receivables with critical risk ( Ageing> 6 months) were quite small as compared to total revenue(0.04%) and total receivables(0.9%).

Sales vs Receivables Growth



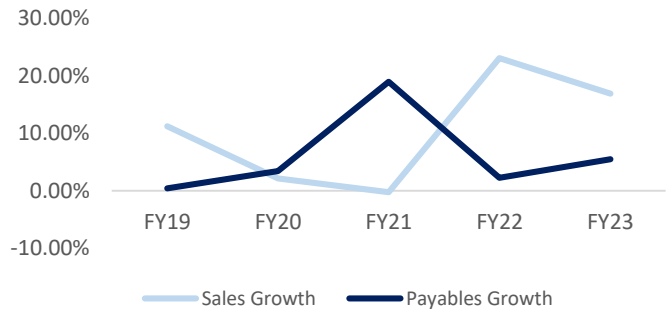
Receivables vs Receivable Days



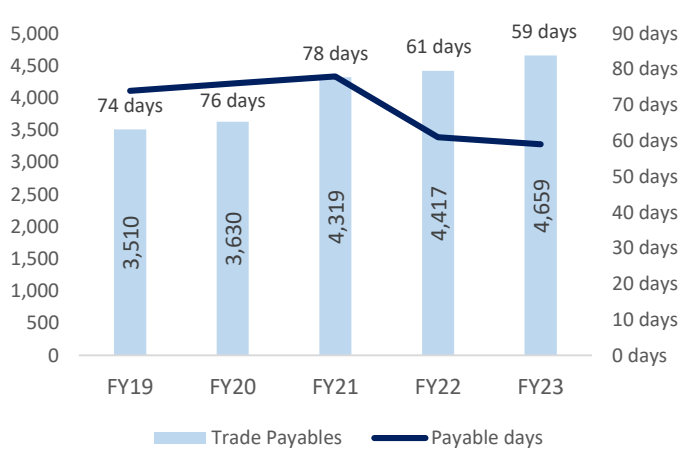
Trade Payables

The company’s trade payables were 4659 crores in FY23, a increase of 5.5% compared with previous year FY22(4417 crores). The payable days in FY23 stood at 59 compared to 61 in FY22. The median payable days for peers stood at 57( peers taken are Godfrey Phillips, VST Industries and NTC Industries).

Sales vs Payables Growth



Payables vs Payable Days





### Dupont Analysis

Return on Equity (ROE)							
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit	10,289.4	11,271.2	12,592.3	15,306.2	13,161.2	15,242.7	19,191.7
Average Shareholder Equity	44,546.2	49,461.5	55,825.5	62,207.1	62,810.3	61,401.5	65,805.4
<b>Return on Equity</b>	<b>23.10%</b>	<b>22.79%</b>	<b>22.56%</b>	<b>24.61%</b>	<b>20.95%</b>	<b>24.82%</b>	<b>29.16%</b>

ROE - Dupont Equation							
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit	10,289.4	11,271.2	12,592.3	15,306.2	13,161.2	15,242.7	19,191.7
Revenue	42,767.6	43,448.9	48,339.6	49,387.7	49,257.5	60,644.5	70,919.0
<b>Net Profit Margin (A)</b>	<b>24.06%</b>	<b>25.94%</b>	<b>26.05%</b>	<b>30.99%</b>	<b>26.72%</b>	<b>25.13%</b>	<b>27.06%</b>
Revenue	42,767.6	43,448.9	48,339.6	49,387.7	49,257.5	60,644.5	70,919.0
Average Total Asset	53,774.8	60,069.6	67,990.0	74,524.9	75,535.8	75,478.4	81,513.5
<b>Asset Turnover Ratio (B)</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.9x</b>
Average Total Asset	53,774.8	60,069.6	67,990.0	74,524.9	75,535.8	75,478.4	81,513.5
Average Shareholder Equity	44,546.2	49,461.5	55,825.5	62,207.1	62,810.3	61,401.5	65,805.4
<b>Equity Multiplier (C)</b>	<b>1.21x</b>	<b>1.21x</b>	<b>1.22x</b>	<b>1.20x</b>	<b>1.20x</b>	<b>1.23x</b>	<b>1.24x</b>
<b>Return on Equity (A*B*C)</b>	<b>23.10%</b>	<b>22.79%</b>	<b>22.56%</b>	<b>24.61%</b>	<b>20.95%</b>	<b>24.82%</b>	<b>29.16%</b>

Return on Asset							
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit	10,289.4	11,271.2	12,592.3	15,306.2	13,161.2	15,242.7	19,191.7
Average Total Asset	53,774.8	60,069.6	67,990.0	74,524.9	75,535.8	75,478.4	81,513.5
<b>Return on Asset</b>	<b>19.13%</b>	<b>18.76%</b>	<b>18.52%</b>	<b>20.54%</b>	<b>17.42%</b>	<b>20.19%</b>	<b>23.54%</b>

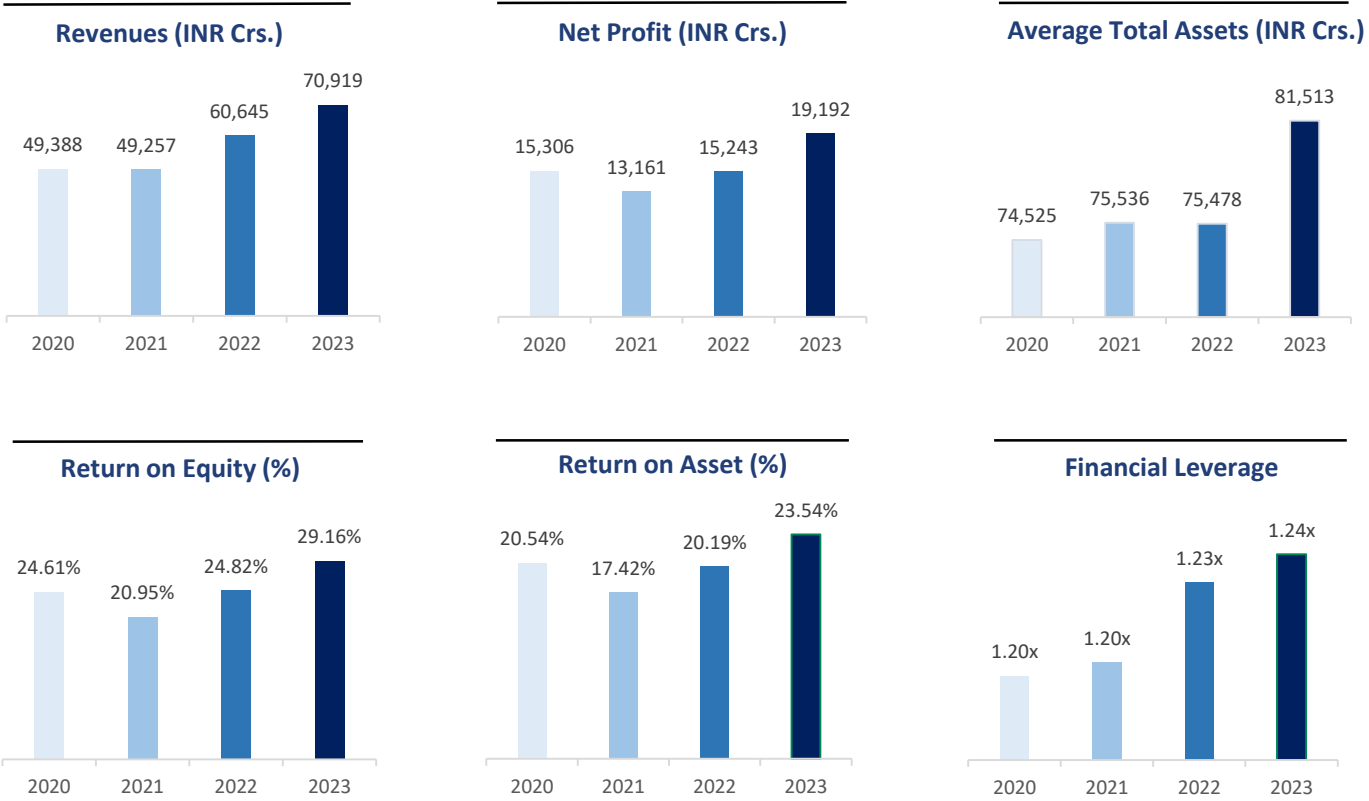
  

ROA - Dupont Equation							
	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Net Profit	10,289.4	11,271.2	12,592.3	15,306.2	13,161.2	15,242.7	19,191.7
Revenue	42,767.6	43,448.9	48,339.6	49,387.7	49,257.5	60,644.5	70,919.0
<b>Net Profit Margin (A)</b>	<b>24.06%</b>	<b>25.94%</b>	<b>26.05%</b>	<b>30.99%</b>	<b>26.72%</b>	<b>25.13%</b>	<b>27.06%</b>
Revenue	42,767.6	43,448.9	48,339.6	49,387.7	49,257.5	60,644.5	70,919.0
Average Total Asset	53,774.8	60,069.6	67,990.0	74,524.9	75,535.8	75,478.4	81,513.5
<b>Asset Turnover Ratio (B)</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.9x</b>
<b>Return on Asset (A*B)</b>	<b>19.13%</b>	<b>18.76%</b>	<b>18.52%</b>	<b>20.54%</b>	<b>17.42%</b>	<b>20.19%</b>	<b>23.54%</b>





### Dupont Analysis – Financial Summary



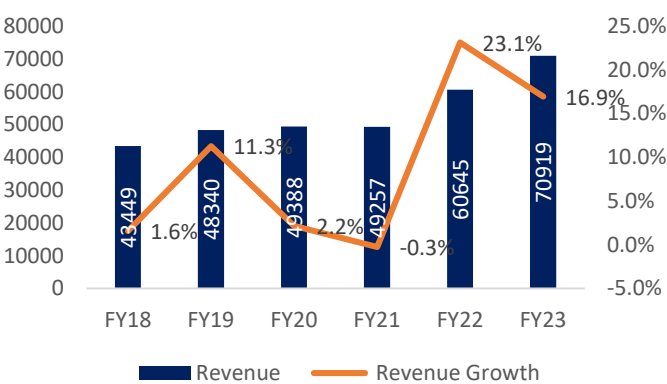
### Du-pont Summary

- ROE of ITC Ltd decreased to 20.95% during COVID in FY20 but it didn't stay there for long as it increased to 29.16% in FY23. The ROE increased from 23.10% in FY17 to 29.16% in FY23.
- The Net Profit Margin increased from 24.16% in FY17 to 29.16% in FY23. The Asset Turnover ratio was constant throughout the period whereas Financial Leverage increased slightly from 1.21x in FY17 to 1.24x in FY23.
- ROA of ITC Ltd has increased from 19.13% in FY17 to 23.54% in FY23. The reason for increase in ROA is increased Net Profit Margins of the company, the slight decrease in ROA in 2021 is due to company's Net Profit margins taking a hit in FY21 as they reduced from 30.99% in FY20 to 26.72% in FY21.

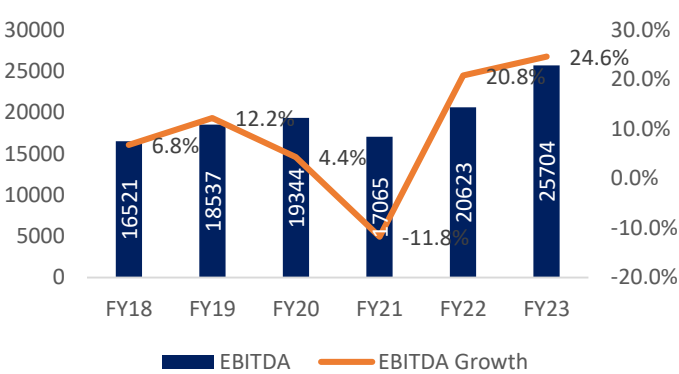


Story in Charts

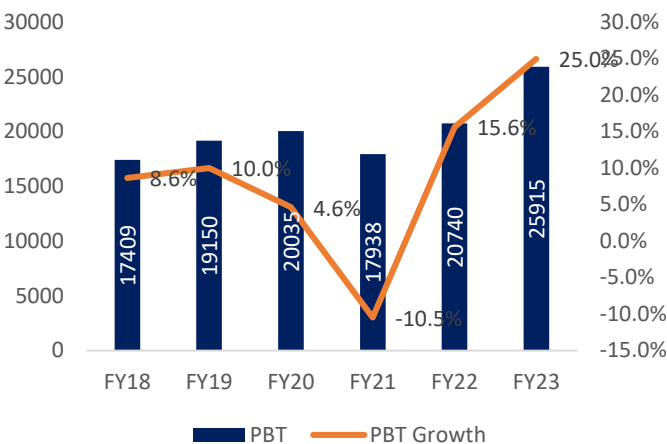
Revenue CAGR of 10.3% over FY18-FY23



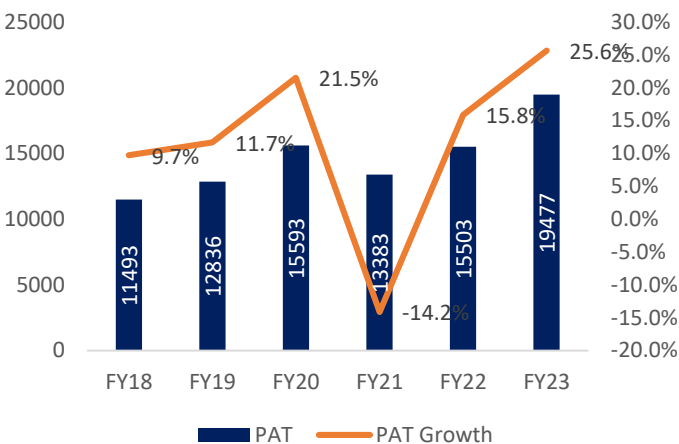
EBITDA registered a CAGR of 9.2% over FY18-FY23



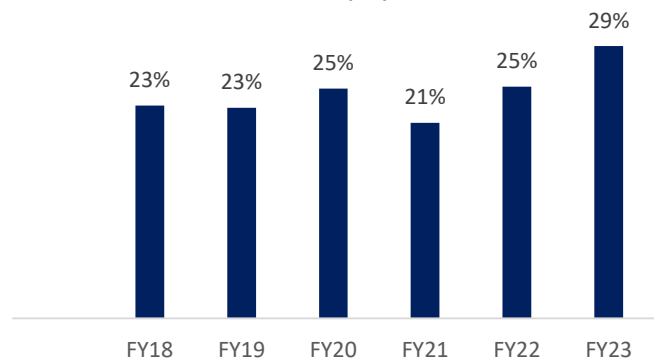
PBT registered a CAGR of 8.3% over FY18-FY23



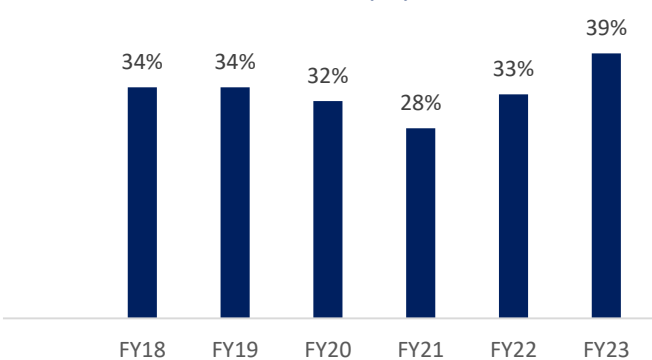
PAT registered a CAGR of 11.1% over FY18-FY23



ROE(%)



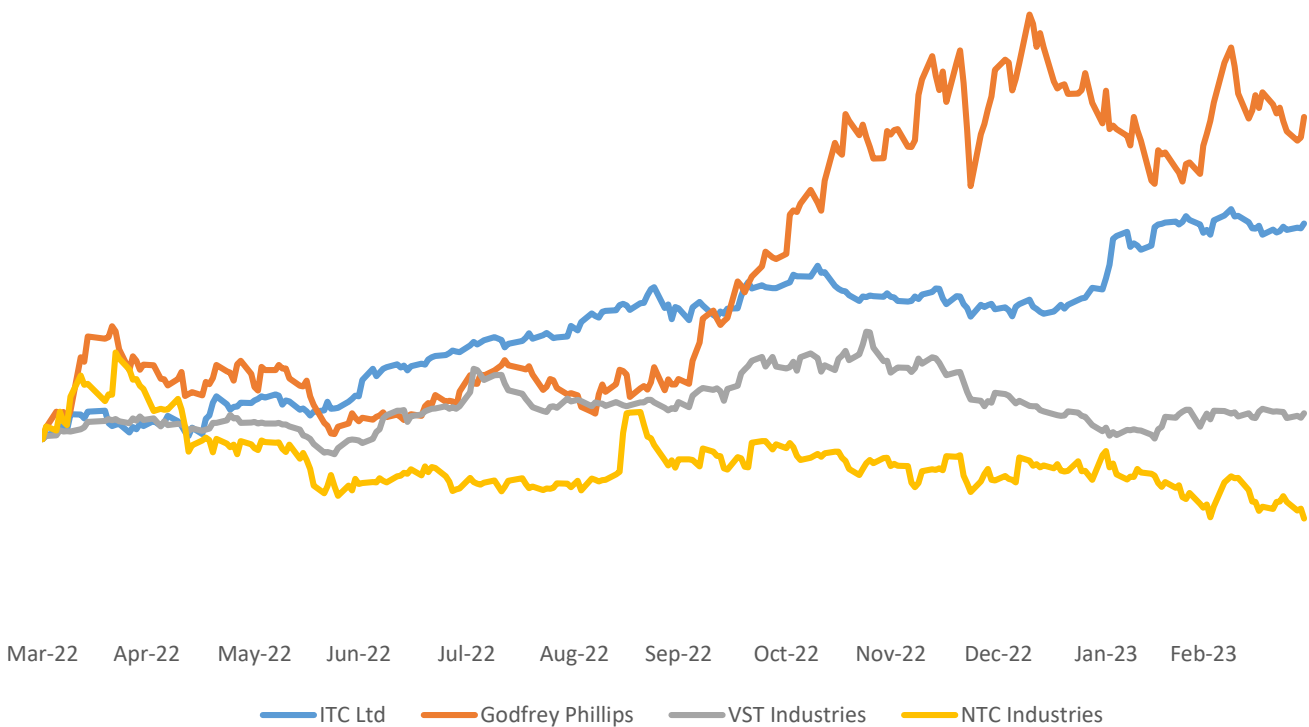
ROCE(%)





Peer Comparison

Peer Stock Performance(1YR)-Indexed



Source- Company, Screener

Peers Financial Performance

S.No.	Name	CMP	MKTCAP(in Crs)	P/E	PEG	EV / EBITDA	Debt	Int Coverage	ROCE %	ROE %
1	ITC	429.15	535781.77	26.17	2.24	18.36	284.06	595.11	39.01	29.09
2	Godfrey Phillips	3086.55	16048.18	19.66	0.52	15.61	346.63	31.8	21.51	18.17
3	VST Industries	3573.15	5516.95	19.54	1.55	13.53	0	0	38.05	29.01
4	NTC Industries	108.55	129.65	27.65	6.73	9.8	6.33	18.11	10.03	7.35

Source- Company, Screener



## Analyst Coverage Universe

Sr. No.	DATE	RESEARCH HOUSE	RATING	PRICE AT RECO	TARGET
1	13/03/2024	Sharekhan	Buy	417.45	515
2	31/01/2024	KRChoksey	Buy	441.55	533
3	30/01/2024	HDFC Securities	Accumulate	438.05	460
4	30/01/2024	BOB Capital Markets Ltd.	Buy	438.05	532
5	30/01/2024	Motilal Oswal	Buy	438.05	515
6	30/01/2024	Prabhudas Lilladhar	Accumulate	438.05	489
7	30/01/2024	Axis Direct	Buy	438.05	500
8	14/12/2023	KRChoksey	Buy	455.65	533
9	14/12/2023	BOB Capital Markets Ltd.	Buy	460.1	523
10	13/12/2023	Motilal Oswal	Buy	455.65	535
11	12/12/2023	Prabhudas Lilladhar	Accumulate	453.1	492
12	26/10/2023	KRChoksey	Buy	432.7	533
13	20/10/2023	HDFC Securities	Accumulate	450	450
14	20/10/2023	ICICI Securities Limited	Accumulate	450.4	500
15	20/10/2023	Prabhudas Lilladhar	Accumulate	438.3	492
16	20/10/2023	Axis Direct	Buy	438.3	540
17	19/10/2023	Sharekhan	Buy	438.3	515
18	22/08/2023	Geojit BNP Paribas	Hold	454.25	478
19	16/08/2023	HDFC Securities	Accumulate	450.25	450

Source- Trendlyne

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