

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
27,882	8,641
Bloomberg	ITC IN
Equity Shares (m)	12070.8
M.Cap.(INRb)/(USDb)	3,108.2 / 47.6
52-Week Range (INR)	267 / 178
1, 6, 12 Rel. Per (%)	4/3/10
Avg Val, INRm	2731
Free float (%)	100.0

#### Financials & Valuations (INR b)

Y/E Mar	2016	2017E	2018E
Net Sales	362.2	384.4	426.1
EBITDA	137.2	143.1	162.4
NP	93.1	101.1	114.8
EPS (INR)	7.7	8.4	9.5
EPS Gr. (%)	-3.5	8.6	13.5
BV/Sh. (INR)	27.3	31.6	36.1
RoE (%)	29.3	28.4	28.1
RoCE (%)	27.8	27.3	27.4
P/E (x)	33.4	30.7	27.1
P/BV (x)	9.4	8.1	7.1
EV/EBITDA (x)	21.2	20.2	17.5
Div. Yield	2.6	2.1	2.4

**Estimate change**

**TP change**

**Rating change**

**CMP: INR258**
**TP: INR295 (+15%)**
**Buy**

#### Cigarette volumes surprise positively again

- **3QFY17 performance better than expectation:** Net revenues increased 4.3% YoY (est. of -4% YoY) to INR92.5b. EBITDA margin contracted 80bp YoY (est. of -100bp). EBITDA thus grew 2.1% YoY (est. of -6.4%) to INR35.5b, while PAT before other comprehensive income rose 6% YoY (est. of -3%) to INR26.5b.
- **We reckon cigarette volumes fell 1% YoY** (better than est. of -7%), aided by higher growth in the sub-65mm segment (well over usual proportion of mid-20% share in overall volumes for the quarter, in our view). The impact of price increase in Gold Flake and Navy Cut toward end-December is yet to be ascertained. Gross cigarette revenue grew 2.2% YoY, while calculated net sales declined 1% YoY. Cigarette EBIT rose 1.7% YoY, with margin up 190bp. While cigarette volume performance has been commendable, the base becomes less favorable going forward (4QFY16 and 1QFY17 base of 0% and 3%, respectively).
- **FMCG – Other net sales increased 3.4% YoY to INR25.6b** (well above est. of -8%), but the segment reported small EBIT loss of INR196.6m (est. of loss of INR45.6m). Agri, Hotels and Paper business revenue grew 12.9%, 7.3% and -0.5% YoY, respectively.
- **Maintain Buy:** Near-term challenges and uncertainties remain due to (1) less favorable cigarette volume base going forward, (2) potential cess on cigarettes under the GST and (3) likely excise increase on cigarettes in the national budget next week. However, cigarette volumes and Other FMCG sales have shown some resilience in a weak market. At 25.6x FY18E, ITC trades at a significant discount to peers. Maintain **Buy** with target multiple of 28x Dec-2018E EPS (in line with three-year average P/E), leading to a TP of INR295 (prior: INR290).

#### Quarterly Performance

Y/E March	FY16				FY17				FY16	FY17E	FY17	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
<b>Cigarette Vol Gr (%)</b>	-17.0	-14.0	-5.0	0.0	3.0	4.0	-1.0	-4.0	-9.0	0.6	-7.0	
<b>Net Sales</b>	91,600	87,989	88,671	97,567	100,540	96,607	92,484	98,798	365,827	388,429	88,097	5.0%
YoY Change (%)					9.8	9.8	4.3	1.3	0.2	6.2	-4.0	
<b>Total Exp</b>	59,078	54,162	53,924	61,483	65,278	60,307	57,020	62,759	228,647	245,364	54,368	
<b>EBITDA</b>	32,522	33,827	34,746	36,084	35,262	36,300	35,464	36,038	137,179	143,065	33,729	5.1%
Growth (%)					8.4	7.3	2.1	-0.1	1.4	4.3	-6.4	
Margins (%)	35.5	38.4	39.2	37.0	35.1	37.6	38.3	36.5	37.5	36.8	38.3	
Depreciation	2,576	2,582	2,619	2,543	2,613	2,684	2,665	3,272	10,319	11,234	2,888	
Interest	105	103	161	123	101	107	136	234	491	578	195	
Other Income	3,565	3,926	6,490	3,712	4,205	4,754	6,879	3,797	17,693	19,636	6,779	
<b>PBT</b>	33,407	35,068	38,456	37,131	36,754	38,262	39,542	36,330	144,061	150,888	37,426	5.7%
Tax	11,746	12,443	13,419	13,342	12,907	13,262	13,075	10,549	50,949	49,793	11,602	
Rate (%)	35.2	35.5	34.9	35.9	35.1	34.7	33.1	29.0	35.4	33.0	31.0	
<b>Adj PAT</b>	21,661	22,625	25,038	23,789	23,847	25,000	26,467	25,781	93,113	101,095	25,824	2.5%

E: MOSL Estimates

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Exhibit 1: Segmental performance**

	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17
<b>Sales (INR m)</b>													
Cigarettes	41,161	40,788	42,011	42,509	41,419	42,107	47,284	42,346	41,016	46,392	51,020	46,596	40,615
FMCG - Others	20,778	23,145	19,346	21,960	23,141	25,665	21,714	23,504	24,767	27,041	23,788	26,637	25,606
Hotels	3,154	3,205	2,487	2,616	3,303	3,464	2,878	2,901	3,453	3,630	2,874	2,973	3,705
Agri business	17,864	20,042	32,961	20,587	15,979	14,279	23,254	18,437	14,810	18,068	27,941	18,801	16,719
Paper and packaging	12,574	12,612	12,885	12,841	11,988	12,026	12,826	12,547	12,558	12,382	12,589	12,523	12,494
<b>Sales growth (YoY)</b>													
Cigarettes	12.5	12.6	18.8	14.2	0.6	3.2	12.6	-0.4	-1.0	10.2	7.9	10.0	-1.0
FMCG - Others	16.6	13.7	10.9	11.9	11.4	10.9	12.2	7.0	7.0	5.4	9.6	13.3	3.4
Hotels	1.9	1.6	-0.5	5.9	4.7	8.1	15.7	10.9	4.6	4.8	-0.2	2.5	7.3
Agri business	9.5	8.1	50.6	16.1	-10.6	-28.8	-29.5	-10.4	-7.3	26.5	20.2	2.0	12.9
Paper and packaging	18.5	19.3	10.8	8.9	-4.7	-4.6	-0.5	-2.3	4.8	3.0	-1.8	-0.2	-0.5
<b>Vol. growth (YoY)</b>													
Cigarettes	-2.0	-3.0	-2.5	-4.0	-13.0	-12.0	-17.0	-14.0	-5.0	0.0	3.0	4.0	-1.0
<b>EBIT (INR m)</b>													
Cigarettes	26,526	25,519	27,218	28,821	28,863	27,062	27,811	29,689	29,838	30,186	30,046	32,169	30,337
FMCG - Others	104	431	-156	-103	115	485	-80	-111	188	708	-45	-33	-197
Hotels	622	599	-121	-96	287	420	-73	-55	258	427	12	7	422
Agri business	2,054	1,455	2,025	2,983	2,388	1,644	2,339	2,939	2,349	1,703	2,373	2,970	2,366
Paper and packaging	2,317	1,884	2,749	2,421	2,139	1,906	2,544	2,093	2,410	2,030	2,477	2,320	2,460
<b>EBIT growth (YoY)</b>													
Cigarettes	18.8	20.8	21.4	19.5	8.8	6.0	2.2	3.0	3.4	11.5	8.0	8.4	1.7
FMCG - Others	-143.2	263.0	-17.6	-18.8	10.7	12.6	-48.9	7.7	63.6	46.0	-43.3	-70.6	-204.9
Hotels	12.1	47.3	-235.2	-209.9	-53.8	-29.8	-40.0	-42.2	-10.0	1.5	-116.8	-111.7	63.2
Agri business	19.0	14.1	1.6	4.8	16.3	13.0	15.5	-1.5	-1.6	3.6	1.5	1.0	0.7
Paper and packaging	1.4	0.1	9.3	9.7	-7.7	1.1	-7.4	-13.6	12.7	6.5	-2.7	10.8	2.1
<b>EBIT Margin (%)</b>													
Cigarettes	64.4	62.6	64.8	67.8	69.7	64.3	58.8	70.1	72.7	65.1	58.9	69.0	74.7
FMCG - Others	0.5	1.9	-0.8	-0.5	0.5	1.9	-0.4	-0.5	0.8	2.6	-0.2	-0.1	-0.8
Hotels	19.7	18.7	-4.9	-3.7	8.7	12.1	-2.5	-1.9	7.5	11.8	0.4	0.2	11.4
Agri business	11.5	7.3	6.1	14.5	14.9	11.5	10.1	15.9	15.9	9.4	8.5	15.8	14.2
Paper and packaging	18.4	14.9	21.3	18.9	17.8	15.8	19.8	16.7	19.2	16.4	19.7	18.5	19.7

Note: 1QFY17, 2QFY17 & 3QFY17 Segmental Net Sales are calculated as company has stopped reporting the numbers 1QFY17 onwards.

Source: Company, MOSL

**Performance**

- ITC's 3QFY17 topline was better than estimates. Net revenues increased by 4.3% YoY (est. 4% decline) to INR 92.5b. EBITDA margin decline stood at 80bp YoY (vs. our estimate of 100bp decline) while PAT before other comprehensive income grew 6% YoY (est. 3% decline) to INR 26.5b.

**Cigarette volumes flattish; Cig EBIT margin grew 190bp YoY**

- Cigarette volumes were flattish YoY (vs. our expectation of 7% decline YoY) aided by credit extensions and trade promotions in a difficult quarter on account of tight liquidity conditions. Legal industry volumes remain under pressure even as the illegal trade of cigarette grows persistently.
- We observe that there has been rollback of these credit extensions and promotions towards the end of the quarter as liquidity is getting back into the system. Retailer level inventory is at normal levels.
- Gross cigarette revenue grew 2.2% YoY while calculated net sales declined by 1% YoY. Cig. EBIT posted 1.7% YoY growth with 190bp expansion of Cig EBIT margin. There has been an increase in proportion of Sub 64mm cigarette sales

which are now over 30% of volumes for the quarter compared to the usual proportion at mid-20% levels.

- *Cig.* volume outlook appears to be recovering compared to the demonetization period. It seems to be too early to gauge in any adverse reaction on volumes as a result of price increases taken in Gold Flake and Navy Cut towards the end of December as in many markets this is still being rolled out.
- There has been some delay in the hearing by the Karnataka High Court on the 85% packaging norm but is expected shortly.

### **FMCG - Others: Laudable performance despite difficult environment**

- FMCG - Others gross sales were up 3.4% YoY to INR 25.7b (well above our net sales decline assumptions of 8% and is also creditable in the current environment and given increasing size of this business) but the segment reported small EBIT loss of INR 196.6m (we were expecting EBIT loss of INR 45.6m). Losses persist due to gestation costs of new categories like juices, chocolates, dairy, gums and health & hygiene.
- In Staples, Snacks and Meals business, *Aashirvaad* atta and *Bingo* continued to grow healthy. In Confection business, *Sunfeast Mom's Magic* continued with strong growth. The company commissioned a state-of-the-art facility at Uluberia (West Bengal) in Nov'16 to in-house manufacture atta, potato chips and biscuits. In the personal care business, *Savlon* hand wash and antiseptic liquid continued to do well.

### **Agri business: Revenues grew 12.9% YoY**

- Revenues growth was led by trading opportunities in the domestic wheat market, external sales of leaf tobacco offset by intersegment sales.
- Segment reported small EBIT growth of 0.7% YoY to INR2.4b with EBIT margin contraction of 170bp YoY.

### **Hotels: Segment EBIT grew 63%**

- Hotel segment revenues grew only 7.3% YoY impacted by weak pricing scenario due to excessive room inventory in key domestic markets, and weak macro environment both in India and major source markets.
- Segment reported small EBIT growth of 63% YoY to INR422m with EBIT margin expansion of 390bp YoY driven by improvement in Average Room Rate and healthy growth in the Food & Beverage revenue.

### **Paper: Sales impacted by slowdown in FMCG and cigarette industry**

- Paper and Paperboard business sales declined by 0.5% YoY to INR12.5b impacted by the slowdown in the FMCG and legal Cigarette industry.
- Segment EBIT grew 2.1% YoY to INR2.5b as EBIT margin expanded 50bp YoY to 19.7%

### **Valuation and view**

- Near-term challenges and uncertainties remain due to less favorable cig volume base going forward, potential cess on cigarettes in the GST and likely excise increase on cigarettes in the national budget next week. However, cig volumes and Other FMCG sales have shown some resilience in a weak market.

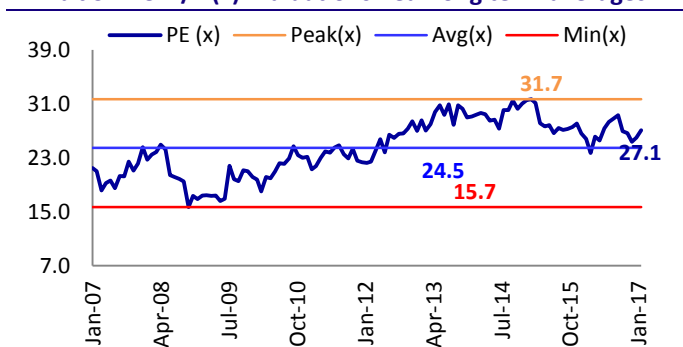
- At 25.6x FY18E, ITC trades at significant discount to peers. Maintain Buy with target multiple of 28x December 2018E EPS (in line with 3-year-average P/E) leading to a target price of INR295 (INR 290 earlier).

Exhibit 2: We change our estimates marginally for FY17/FY18

	New			Old			% Change		
INR Mn	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
Total Income	384,446	426,086	484,691	382,869	426,218	484,024	0.4%	0.0%	0.1%
EBITDA	143,065	162,445	187,749	142,244	162,386	187,289	0.6%	0.0%	0.2%
Adjusted PAT	101,095	114,775	130,891	101,042	115,530	132,455	0.1%	-0.7%	-1.2%

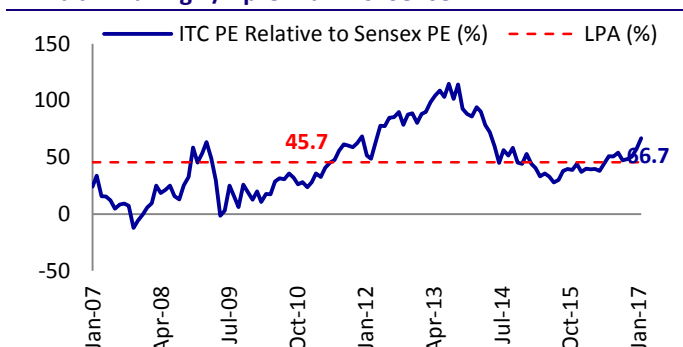
Source: Company, MOSL

Exhibit 3: ITC P/E (x): Valuations near long term averages



Source: Bloomberg, Company, MOSL

Exhibit 4: Falling P/E premium vs. Sensex



Source: Bloomberg, Company, MOSL

Exhibit 5: Valuation Matrix of coverage universe

Company	Reco	Price	Mkt Cap (USD M)	EPS Growth YoY (%)			P/E (x)			EV/EBITDA (x)			RoE (%)	Div.
		(INR)		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY16
Consumer														
Asian Paints	Neutral	969	13,655	26.3	8.1	13.3	51.8	47.9	42.3	32.8	30.2	27.2	34.7	0.9
Britannia	Buy	3,103	5,467	46.3	0.8	16.3	44.3	44.0	37.8	31.6	31.6	26.7	55.9	0.6
Colgate	Buy	881	3,518	8.7	-0.4	22.4	39.4	39.6	32.3	25.0	23.7	19.5	67.9	1.2
Dabur	Neutral	278	7,186	17.2	0.8	18.5	39.0	38.7	32.7	31.3	31.1	26.1	33.3	0.7
Emami	Buy	1,009	3,363	17.7	-1.9	23.6	40.0	40.8	33.0	34.3	30.4	25.9	43.4	0.8
Godrej	Neutral	1,551	7,756	24.4	10.8	19.0	46.7	42.2	35.4	34.7	32.1	27.8	23.4	0.6
GSK	Neutral	5,179	3,199	20.4	-5.6	13.4	31.0	32.8	29.0	20.2	22.6	19.6	30.8	1.1
HUL	Neutral	856	27,198	12.9	1.1	11.7	44.9	44.4	39.8	31.4	30.7	27.8	82.4	1.9
ITC	Buy	258	45,659	-3.5	8.6	13.5	33.4	30.7	27.1	21.2	20.2	17.5	29.3	2.6
Jyothy Labs	Neutral	355	944	-41.7	84.7	18.6	86.6	46.9	39.5	31.0	26.1	23.1	9.1	1.1
Marico	Buy	258	4,881	26.1	6.4	21.1	45.9	43.2	35.6	31.5	29.7	24.6	36.9	1.3
Nestle	Neutral	5,921	8,387	-7.3	-7.0	24.8	49.4	53.1	42.5	34.7	31.4	25.0	40.9	0.8
Page	Buy	14,470	2,371	18.7	18.6	26.4	69.4	58.5	46.3	43.0	38.2	29.5	46.0	0.6
Parag Milk	Neutral	264	327	-66.7	4.6	37.7	39.3	37.6	27.3	15.1	16.0	12.8	19.5	0.0
Pidilite Inds.	Buy	679	5,113	47.3	10.9	12.2	46.0	41.5	37.0	28.0	27.2	24.0	29.9	0.6
P&G Hygiene	Buy	6,963	3,320	22.0	6.6	22.0	53.6	50.3	41.2	35.6	32.6	26.0	30.8	0.5
Radico	Neutral	117	228	3.9	-23.5	33.8	17.0	22.2	16.6	11.5	12.6	11.3	10.3	0.6
United Brew.	Buy	811	3,150	12.8	11.2	32.6	73.1	65.7	49.6	32.2	31.4	25.2	14.8	0.1
United Spirits	Buy	2,270	4,846	LP	71.2	64.1	135.7	79.3	48.3	42.2	37.8	28.2	19.8	0.0

Note: For Nestle FY16 means CY15

Source: Company, MOSL

## Financials and Valuations

Income Statement							(INR Million)		
Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Net Sales</b>	<b>211,676</b>	<b>247,984</b>	<b>296,056</b>	<b>328,826</b>	<b>360,832</b>	<b>362,206</b>	<b>384,446</b>	<b>426,086</b>	<b>484,691</b>
Operational Income	2,914	3,490	2,957	3,560	4,242	3,621	3,983	4,382	4,820
<b>Total Revenue</b>	<b>214,590</b>	<b>251,475</b>	<b>299,013</b>	<b>332,386</b>	<b>365,074</b>	<b>365,827</b>	<b>388,429</b>	<b>430,468</b>	<b>489,510</b>
Change (%)	16.7	17.2	18.9	11.2	9.8	0.2	6.2	10.8	13.7
Total Expenditure	140,467	162,788	192,543	207,631	230,128	228,647	245,364	268,023	301,762
<b>EBITDA</b>	<b>74,123</b>	<b>88,687</b>	<b>106,470</b>	<b>124,755</b>	<b>134,946</b>	<b>137,179</b>	<b>143,065</b>	<b>162,445</b>	<b>187,749</b>
Change (%)	17.1	19.6	20.1	17.2	8.2	1.7	4.3	13.5	15.6
Margin (%)	35.0	35.8	36.0	37.9	37.4	37.9	37.2	38.1	38.7
Depreciation	6,560	6,985	7,956	8,999	9,617	10,319	11,234	12,484	13,734
Int. and Fin. Charges	679	980	1,059	236	785	491	578	578	578
Other Inc. - Recurring	5,798	8,253	9,387	11,071	15,431	17,693	19,636	21,923	21,923
<b>Profit before Taxes</b>	<b>72,682</b>	<b>88,975</b>	<b>106,842</b>	<b>126,591</b>	<b>139,975</b>	<b>144,061</b>	<b>150,888</b>	<b>171,305</b>	<b>195,359</b>
Change (%)	20.8	22.4	20.1	18.5	10.6	2.9	4.7	13.5	14.0
Margin (%)	34.3	35.9	36.1	38.5	38.8	39.8	39.2	40.2	40.3
Tax	22,804	26,777	29,348	37,911	40,210	50,949	45,266	51,392	58,608
Tax Rate (%)	31.4	30.7	30.6	30.6	31.4	35.4	33.0	33.0	33.0
<b>Profit after Taxes</b>	<b>49,876</b>	<b>61,624</b>	<b>74,184</b>	<b>87,852</b>	<b>96,077</b>	<b>93,113</b>	<b>101,095</b>	<b>114,775</b>	<b>130,891</b>
Change (%)	22.6	23.6	20.4	18.4	9.4	-3.1	8.6	13.5	14.0
Margin (%)	23.6	24.8	25.1	26.7	26.6	25.7	26.3	26.9	27.0
<b>Reported PAT</b>	<b>49,876</b>	<b>61,624</b>	<b>74,184</b>	<b>87,852</b>	<b>96,077</b>	<b>93,113</b>	<b>101,095</b>	<b>114,775</b>	<b>130,891</b>

Balance Sheet							(INR Million)		
Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Share Capital	11,455	11,728	11,853	11,930	12,023	12,071	12,071	12,071	12,071
Reserves	148,077	176,191	211,026	250,690	295,334	317,219	369,738	423,371	480,033
<b>Net Worth</b>	<b>159,532</b>	<b>187,919</b>	<b>222,879</b>	<b>262,620</b>	<b>307,357</b>	<b>329,290</b>	<b>381,808</b>	<b>435,441</b>	<b>492,104</b>
Loans	343	119	113	155	143	165	165	165	165
Deferred Liability	8,019	8,727	12,037	12,970	16,316	18,484	13,635	8,141	1,890
<b>Capital Employed</b>	<b>167,894</b>	<b>196,765</b>	<b>235,029</b>	<b>275,745</b>	<b>323,816</b>	<b>347,939</b>	<b>395,608</b>	<b>443,747</b>	<b>494,158</b>
Gross Block	127,658	138,033	165,884	181,756	209,908	218,684	224,684	249,684	274,684
Less: Accum. Depn.	44,208	48,197	54,698	62,269	72,136	80,516	91,750	104,234	117,968
<b>Net Fixed Assets</b>	<b>83,451</b>	<b>89,837</b>	<b>111,186</b>	<b>119,487</b>	<b>137,771</b>	<b>138,168</b>	<b>132,934</b>	<b>145,449</b>	<b>156,715</b>
Capital WIP	13,334	23,923	15,786	23,598	25,155	28,886	28,886	28,886	28,886
<b>Investments</b>	<b>55,547</b>	<b>63,166</b>	<b>70,603</b>	<b>88,234</b>	<b>84,055</b>	<b>128,542</b>	<b>147,805</b>	<b>172,923</b>	<b>198,312</b>
Current	42,189	43,633	50,594	63,113	59,638	64,613	77,483	95,569	113,222
Non-current	13,358	19,533	20,009	25,122	24,416	63,929	70,322	77,354	85,089
<b>Curr. Assets, L&amp;A</b>	<b>97,901</b>	<b>112,957</b>	<b>142,600</b>	<b>160,975</b>	<b>194,976</b>	<b>199,588</b>	<b>217,569</b>	<b>243,370</b>	<b>275,746</b>
Inventory	52,692	56,378	66,002	73,595	78,368	85,198	90,445	95,640	105,559
Account Receivables	8,851	9,824	11,633	21,654	17,224	16,864	17,590	19,261	21,911
Cash and Bank Balance	22,432	28,189	36,150	32,894	75,886	65,640	75,536	91,328	107,121
Others	13,926	18,565	28,815	32,832	23,498	31,887	33,999	37,141	41,155
<b>Curr. Liab. and Prov.</b>	<b>82,338</b>	<b>93,117</b>	<b>105,146</b>	<b>116,549</b>	<b>118,140</b>	<b>147,246</b>	<b>131,586</b>	<b>146,882</b>	<b>165,500</b>
Account Payables	39,685	46,989	50,571	54,498	53,817	60,523	62,008	68,048	75,798
Other Liabilities	8,219	10,945	13,091	14,332	14,226	18,038	13,976	15,708	17,712
Provisions	34,435	35,183	41,485	47,719	50,097	68,685	55,602	63,126	71,990
<b>Net Current Assets</b>	<b>15,563</b>	<b>19,840</b>	<b>37,454</b>	<b>44,426</b>	<b>76,835</b>	<b>52,343</b>	<b>85,983</b>	<b>96,488</b>	<b>110,245</b>
<b>Application of Funds</b>	<b>167,894</b>	<b>196,765</b>	<b>235,029</b>	<b>275,745</b>	<b>323,816</b>	<b>347,939</b>	<b>395,608</b>	<b>443,747</b>	<b>494,158</b>

E: MOSL Estimates

## Financials and Valuations

<b>Ratios</b>									
<b>Y/E March</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>Basic (INR)</b>									
<b>EPS</b>	<b>4.4</b>	<b>5.3</b>	<b>6.3</b>	<b>7.4</b>	<b>8.0</b>	<b>7.7</b>	<b>8.4</b>	<b>9.5</b>	<b>10.8</b>
Cash EPS	4.9	5.9	6.9	8.1	8.8	8.6	9.3	10.5	12.0
BV/Share	13.9	16.0	18.8	22.0	25.6	27.3	31.6	36.1	40.8
DPS	3.5	3.5	4.1	4.7	5.0	6.8	5.4	6.1	7.0
Payout %	80.2	66.4	65.4	63.5	62.8	88.4	64.4	64.4	64.4
<b>Valuation (x)</b>									
P/E			41.1	35.0	32.2	33.4	30.7	27.1	23.7
Cash P/E			37.2	31.7	29.3	30.1	27.7	24.4	21.5
EV/Sales			10.1	9.1	8.2	8.0	7.5	6.7	5.8
EV/EBITDA			28.2	23.9	21.8	21.2	20.2	17.5	14.9
P/BV			13.7	11.7	10.1	9.4	8.1	7.1	6.3
Dividend Yield (%)			1.6	1.8	1.9	2.6	2.1	2.4	2.7
<b>Return Ratios (%)</b>									
RoE	33.2	35.5	36.1	36.2	33.7	29.3	28.4	28.1	28.2
RoCE	31.8	34.2	34.7	34.5	32.2	27.8	27.3	27.4	28.0
RoIC	63.2	71.6	70.5	66.0	63.8	62.2	65.9	68.4	75.1
<b>Working Capital Ratios</b>									
Debtor (Days)	15	14	13	18	20	17	16	16	16
Asset Turnover (x)	1.3	1.3	1.3	1.2	1.1	1.0	1.0	1.0	1.0
<b>Leverage Ratio</b>									
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow Statement</b>									
<b>(INR Million)</b>									
<b>Y/E March</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
OP/(loss) before Tax	72,682	88,975	106,842	126,591	139,975	144,061	150,888	171,305	195,359
Int./Div. Received	5,798	8,253	9,387	11,071	15,431	17,693	19,636	21,923	21,923
Depreciation and Amort.	6,560	6,985	7,956	8,999	9,617	10,319	11,234	12,484	13,734
Interest Paid	679	980	1,059	236	785	491	578	578	578
Direct Taxes Paid	22,806	27,352	32,658	38,739	43,898	50,949	49,793	56,531	64,468
Incr in WC	4,522	-1,480	9,654	10,228	-10,583	-14,246	23,744	-5,287	-2,036
<b>CF from Operations</b>	<b>47,402</b>	<b>65,811</b>	<b>65,612</b>	<b>77,217</b>	<b>101,381</b>	<b>102,416</b>	<b>69,527</b>	<b>111,202</b>	<b>125,316</b>
Incr Decr in FA	11,224	20,964	19,714	23,684	29,709	12,507	6,000	25,000	25,000
<b>Free Cash Flow</b>	<b>36,178</b>	<b>44,847</b>	<b>45,898</b>	<b>53,532</b>	<b>71,673</b>	<b>89,909</b>	<b>63,527</b>	<b>86,202</b>	<b>100,316</b>
Pur of Investments	-1,722	7,619	7,437	17,631	-4,180	44,488	19,263	25,118	25,388
<b>CF from Invest.</b>	<b>-9,502</b>	<b>-28,582</b>	<b>-27,149</b>	<b>-41,313</b>	<b>-25,529</b>	<b>-56,995</b>	<b>-25,263</b>	<b>-50,118</b>	<b>-50,388</b>
Issue of shares	5,118	7,570	9,140	6,859	9,726	5,285	0	0	0
Incr in Debt	183	-224	-6	43	-12	21	0	0	0
Interest Income	5,798	8,253	9,387	11,071	15,431	17,693	19,636	21,923	21,923
Interest Paid	679	980	1,059	236	785	491	578	578	578
Dividend Paid	38,182	34,435	35,183	41,485	47,719	50,097	68,401	55,602	63,126
Others	1,031	-11,656	-12,781	-15,413	-9,501	-28,079	14,975	-11,033	-17,353
<b>CF from Fin. Activity</b>	<b>-26,731</b>	<b>-31,472</b>	<b>-30,503</b>	<b>-39,160</b>	<b>-32,860</b>	<b>-55,668</b>	<b>-34,369</b>	<b>-45,291</b>	<b>-59,135</b>
<b>Incr of Cash</b>	<b>11,170</b>	<b>5,757</b>	<b>7,961</b>	<b>-3,256</b>	<b>42,992</b>	<b>-10,246</b>	<b>9,896</b>	<b>15,793</b>	<b>15,793</b>
Add: Opening Balance	11,263	22,432	28,189	36,150	32,894	75,886	65,640	75,536	91,328
<b>Closing Balance</b>	<b>22,432</b>	<b>28,189</b>	<b>36,150</b>	<b>32,894</b>	<b>75,886</b>	<b>65,640</b>	<b>75,535</b>	<b>91,329</b>	<b>107,121</b>
E: MOSL Estimates									

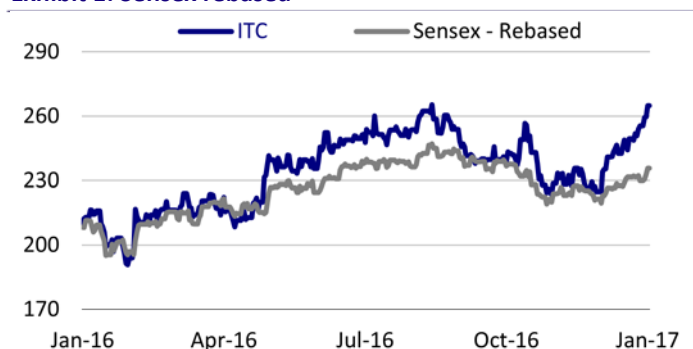


## Corporate profile

### Company description

ITC is an associate of BAT (British American Tobacco) controls more than 2/3rd of the cigarette market in India. ITC has emerged as a diversified conglomerate with leading presence in Paperboards, Hotels and Processed foods. E-Choupal, the agri rural initiative of the company has been widely appreciated for its foresight in harnessing the potential in the rural market.

### Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

### Exhibit 2: Shareholding pattern (%)

	Sep-16	Jun-16	Sep-15
Promoter	0.0	0.0	0.0
DII	35.3	34.9	35.2
FII	20.4	21.1	21.0
Others	44.2	44.0	43.8

Note: FII Includes depository receipts

Source: Capitaline

### Exhibit 3: Top holders

Holder Name	% Holding
Tobacco Manufacturers (India) Limited	24.6
LIC of India	14.3
Specified Undertaking of the Unit Trust of India	11.1
Myddleton Investment Company Limited	4.0
GIC of India	1.8

Source: Capitaline

### Exhibit 4: Top management

Name	Designation
Yogesh Chander Deveshwar	Chairman
Biswa Behari Chatterjee	Executive VP & CS
Sanjiv Puri	Whole Time Director & COO

Source: Capitaline

### Exhibit 5: Directors

Name	Name
Anil Bajjal	Arun Duggal
Meera Shankar	P B Ramanujam
S B Mainak	S Banerjee
Sahibzada Syed Habib ur Rehman	Sunil Behari Mathur
Nirupama Rao	Nakul Anand
Rajiv Tandon	

\*Independent

### Exhibit 6: Auditors

Name	Type
Deloitte Haskins & Sells	Statutory
Shome & Banerjee	Cost Auditor

Source: Capitaline

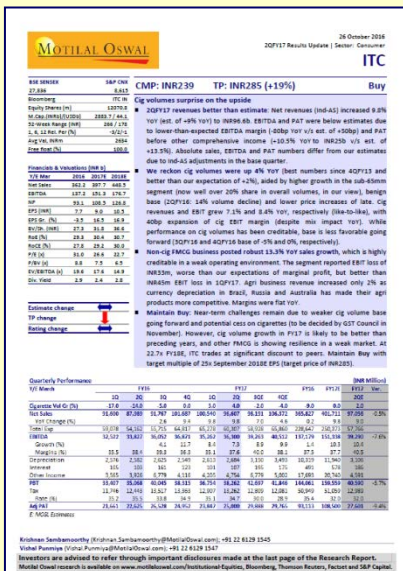
### Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	8.4	8.6	-2.6
FY18	9.5	9.9	-3.6
FY19	10.8	11.3	-4.8

Source: Bloomberg

# PRODUCT GALLERY

## Our recent reports on ITC





NOTES

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No  
No

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