


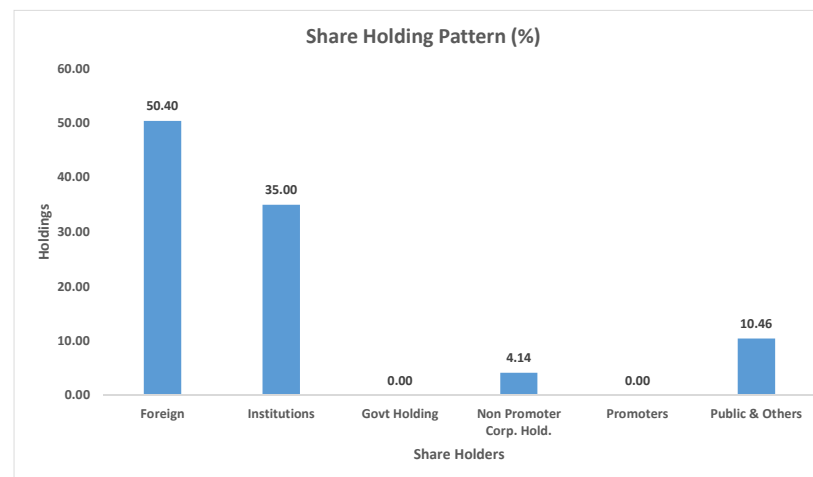
<h2 style="text-align: center;">Research Report</h2>	 <p style="text-align: center;">Spearhead FinServe PRIVATE LIMITED <small>A subsidiary of Spearhead Services Pvt Ltd</small></p>																		
<h3 style="text-align: center;">ITC</h3>	<table> <tr> <td>Recommendation</td><td style="text-align: right;">Accumulate</td></tr> <tr> <td>Current Market Price</td><td style="text-align: right;">343</td></tr> <tr> <td>Target</td><td style="text-align: right;">390</td></tr> <tr> <td>Accumulation Price Band</td><td style="text-align: right;">330 - 345</td></tr> <tr> <td>Derivative Segment</td><td style="text-align: right;">Yes</td></tr> <tr> <td>Time Frame</td><td style="text-align: right;">6 Months</td></tr> </table>	Recommendation	Accumulate	Current Market Price	343	Target	390	Accumulation Price Band	330 - 345	Derivative Segment	Yes	Time Frame	6 Months						
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<h4 style="text-align: center;">Company Overview</h4> <ul style="list-style-type: none"> Incorporated in the year 1910 as Imperial Tobacco Company, ITC Ltd is one of India's foremost private sector companies and the largest manufacturer of cigarette by along with a leading market share through its popular brands. Being rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, among India's Most Respected Companies by Business World and among India's Most Valuable Companies by Business Today and having won number of awards for quality, productivity, safety etc. the company has a diversified presence in cigarettes, hotels, paperboards & specialty papers, packaging, agri-business, packaged poods & confectionery etc. 	<table> <tr> <td colspan="2">Financials</td></tr> <tr> <td>EPS (Rs)</td><td style="text-align: right;">10.03</td></tr> <tr> <td>Book Value (Rs)</td><td style="text-align: right;">34.04</td></tr> <tr> <td>P/E</td><td style="text-align: right;">31.78</td></tr> <tr> <td>P/BV</td><td style="text-align: right;">11.93</td></tr> <tr> <td>ROE</td><td style="text-align: right;">33.45</td></tr> <tr> <td>ROCE (%)</td><td style="text-align: right;">51.94</td></tr> <tr> <td>Dividend Yeild (%)</td><td style="text-align: right;">1.73</td></tr> <tr> <td>Debt - Equity</td><td style="text-align: right;">0.01</td></tr> </table>	Financials		EPS (Rs)	10.03	Book Value (Rs)	34.04	P/E	31.78	P/BV	11.93	ROE	33.45	ROCE (%)	51.94	Dividend Yeild (%)	1.73	Debt - Equity	0.01
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<h4 style="text-align: center;">Industry Overview</h4> <ul style="list-style-type: none"> The cigarette industry in India , faces a new concern through a steep increase in Excise Duty for the second year in succession along with discriminatory and punitive increases in Value Added Tax (VAT) rates by some States, leading to the gradual decrease of the the legal domestic cigarette industry ,and also an erosion of the potential revenue from the sector would occur in the process of achieving the objective of tobacco control in the country. Even though the tobacco consumption in the country has seen an increase, the share of legal cigarettes in overall tobacco consumption has declined from 21% in 1981/82 to below 12% in 2013/14. The cigarette production has come down by 8% in January – March 2014 periode of which ITC, which contributes 92% to top-line and 96% to aggregate bottom-line, while volume is in negative territory for last 4 quarters. However, the cigarette sector is expected to see the double digit rise in top-line for FY15 with the rise in margin on back of higher realization. The government had created a new segment of cigarettes of up to 64 mm in length in the budget for 2012-13, which has helped the cigarette companies to arrest fall in volume to some extent 	<table> <tr> <td colspan="2">Highlights</td></tr> <tr> <td>Debt (Rs Cr)</td><td style="text-align: right;">66.54</td></tr> <tr> <td>Reserves (Rs Crs)</td><td style="text-align: right;">25,466.70</td></tr> <tr> <td>FII Holdings (%)</td><td style="text-align: right;">19.26</td></tr> <tr> <td>MF Holdings (%)</td><td style="text-align: right;">13.35</td></tr> <tr> <td>Free Float Market Capitaliation (Rs Cr)</td><td style="text-align: right;">190,605</td></tr> <tr> <td>Beta</td><td style="text-align: right;">0.44</td></tr> <tr> <td>Avg Volume Per day (no. of shares)</td><td style="text-align: right;">346,721</td></tr> <tr> <td>Avg Volume Per Month (no. of shares)</td><td style="text-align: right;">7,281,137</td></tr> </table>	Highlights		Debt (Rs Cr)	66.54	Reserves (Rs Crs)	25,466.70	FII Holdings (%)	19.26	MF Holdings (%)	13.35	Free Float Market Capitaliation (Rs Cr)	190,605	Beta	0.44	Avg Volume Per day (no. of shares)	346,721	Avg Volume Per Month (no. of shares)	7,281,137
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<h4 style="text-align: center;">Key Highlights</h4> <ul style="list-style-type: none"> ITC has a strong economic moat,with its brand strength, pricing power etc adding an advantage to its core business. Has a greater than majority market share with a revenue of Rs.32882.56 Cr in FY14, of which 87% forms the part of domestic revenue. ITC gets high court approval the Scheme of Arrangement between Wimco and the Company. 																			
<h4 style="text-align: center;">Key Risks</h4> <ul style="list-style-type: none"> Regulatory changes brought in by the government such as taxation, advertising or distribution bans Inflationary Trend Increase in Input Costs 																			

Financial Highlights

Income Statement (Annual) - Stand Alone					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Net Sales	33238.60	29901.27	25147.46	21458.98	18153.19
EBITDA	13582.66	11585.65	9694.00	8012.13	6714.30
EBITDA Margin	28.86	27.52	27.52	26.00	25.57
Depreciation	899.92	795.56	698.51	655.99	608.71
Interest	23.63	105.91	97.96	87.98	90.28
Other Income	1107.14	938.70	825.34	579.82	636.55
PBT	12659.11	10684.18	8897.53	7268.16	6015.31
APAT	8785.21	7418.39	6162.37	4987.61	4061.00
PAT Margin (%)	18.66	17.62	17.50	16.18	15.46
Earnings Per Share	10.03	8.50	7.15	5.72	8.98

Balance Sheet - Stand Alone					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Equity Share Capital	795.32	790.18	781.84	773.81	381.82
Reserves and Surplus	25466.70	21497.67	18010.05	15179.46	13682.56
Tangible Net Worth	190.69	289.79	292.57	286.54	179.01
Deferred Tax Liability :	1741.46	1706.25	1296.97	1210.16	1121.24
Long Term Debt	51.00	77.67	87.35	97.26	107.71
ShortTerm Debt	15.54	-	1.77	1.94	-
Total Debt	66.54	77.67	89.12	99.20	107.71
Current Liabilities	5604.07	5186.33	4810.46	4452.40	3514.42
Total Provisions	5884.71	5133.13	4303.95	4012.46	4549.94
Total Liabilities	26443.65	22494.25	19001.07	16167.11	14172.09
Gross Block	18544.87	16944.38	14144.35	12765.86	11967.86
Net Fixed Assets	12012.74	11209.34	9099.19	8345.11	8142.40
Investments	8823.43	7060.29	6316.59	5554.62	5726.87
Current Assets	14617.47	12532.04	10099.74	9054.22	8143.20
Deferred Tax Asset :	444.50	502.53	424.25	408.31	336.23
Receivables	2165.36	1163.34	982.37	885.10	873.35
Inventories	7359.54	6600.20	5637.83	5269.17	4549.07
Cash	3289.37	3615.00	2818.93	2243.24	1126.28
Total Assets	26443.65	22494.25	19001.07	16167.11	14172.09

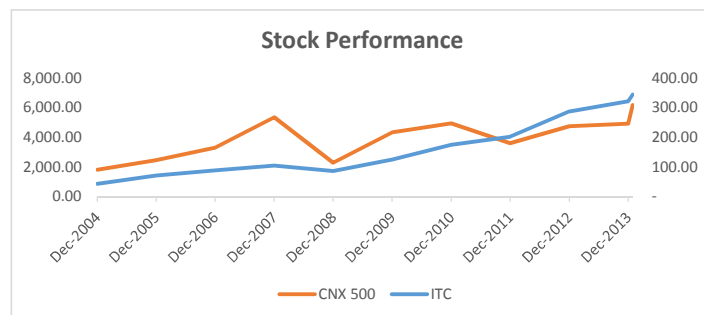
Income Statement (Quarterly) - Stand Alone								
Particulars (Rs Cr)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	9,145.14	8,623.11	7,775.79	7,338.52	8,180.30	7,627.07	7,146.00	6,652.21
EBITDA	3,470.10	3,675.36	3,422.03	2,994.49	2,960.30	3,187.56	2,873.25	2,545.10
EBITDA Margin	37.94	42.62	44.01	40.81	36.19	41.79	40.21	38.26
Depreciation	237.83	225.92	220.87	215.30	206.69	205.22	188.86	194.79
Interest	9.53	9.14	(32.67)	16.95	24.27	25.15	23.29	13.76
Other Income	266.71	391.06	246.19	203.18	253.98	329.30	184.00	169.94
PBT	3,222.74	3,440.30	3,233.83	2,762.24	2,729.34	2,957.19	2,661.10	2,336.55
APAT	2,278.01	2,385.34	2,230.53	1,891.33	1,927.98	2,051.85	1,836.42	1,602.14
PAT Margin (%)	37.94	27.66	28.69	25.77	23.57	26.90	25.70	24.08
Earnings Per Share	2.87	3.01	2.82	2.39	2.44	2.61	2.34	2.05



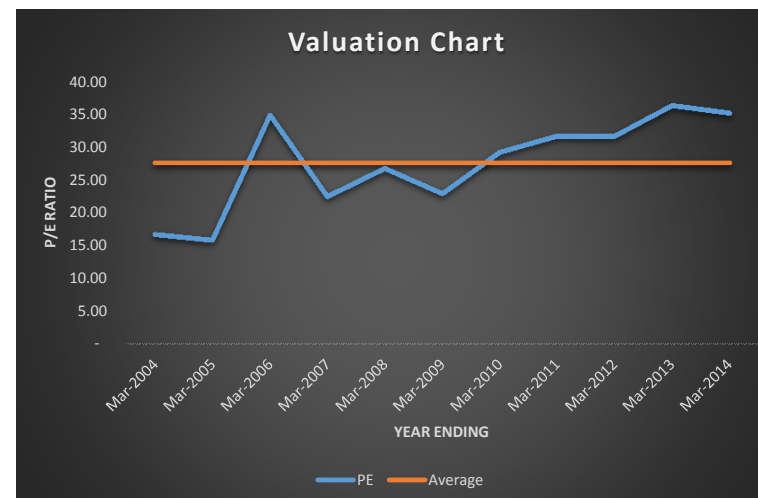
Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	33,238.60	29,901.27	25,147.46	21,458.98	18,153.19
EBITDA Margins	%	28.86	27.52	27.52	26.00	25.57
PAT	Crs	8,785.21	7,418.39	6,162.37	4,987.61	4,061.00
PAT Margins	%	18.66	17.62	17.50	16.18	15.46
Revenue Growth	%	11.16	18.90	17.19	18.21	16.28
EBITDA Growth	%	17.24	19.51	20.99	19.33	23.82
PAT Growth	%	18.42	20.38	23.55	22.82	24.43
Debt - Equity	times	0.01	0.01	0.01	0.01	0.01
ROCE	%	51.94	52.14	51.31	48.67	43.65
ROE	%	33.45	33.28	32.98	31.47	29.10

Stock Performance vis-a-vis Index

Particulars	Return	
	YTD	QTD
ITC	7.55%	1.32%
CNX 500	29%	3%



Peer Comparison				
Particulars	Units	ITC	VST Inds	Godfrey Phillips
Revenue	Rs Cr	33,238.60	1,626.07	3,642.21
EBITDA Margins	%	28.86	12.70	8.93
PAT	Rs Cr	8,785.21	119.02	150.71
PAT Margins	%	18.66	7.76	4.14
Debt - Equity	%	0.01	-	0.32
EPS	Rs / Share	10.03	107.67	191.76
PE	times	31.78	14.21	14.46
P/BV	times	11.93	9.19	3.16
ROCE	%	51.94	62.66	17.82
ROE	%	33.45	45.75	*16.26
EV/EBITDA	times	20.43	11.02	8.91
* FY 13				



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