

January 30, 2024

## Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	489		487	
Sales (Rs.m)	6,69,017	7,26,354	6,74,825	7,33,792
% Chng.	(0.9)	(1.0)		
EBITDA (Rs.m)	2,50,330	2,77,361	2,58,204	2,82,077
% Chng.	(3.0)	(1.7)		
EPS (Rs.)	16.6	17.9	16.6	17.9
% Chng.	0.5	(0.4)		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	660	669	726	785
EBITDA (Rs. bn)	239	250	277	300
Margin (%)	36.3	37.4	38.2	38.2
PAT (Rs. bn)	187	207	223	240
EPS (Rs.)	15.0	16.6	17.9	19.2
Gr. (%)	23.0	10.7	7.4	7.6
DPS (Rs.)	15.4	13.8	15.0	16.0
Yield (%)	3.4	3.1	3.3	3.6
RoE (%)	29.0	30.3	31.1	31.4
RoCE (%)	34.5	34.1	36.2	36.7
EV/Sales (x)	8.2	8.0	7.4	6.8
EV/EBITDA (x)	22.5	21.5	19.3	17.8
PE (x)	29.9	27.0	25.2	23.4
P/BV (x)	8.3	8.1	7.6	7.1

### Key Data

### ITC.BO | ITC IN

52-W High / Low	Rs.500 / Rs.327
Sensex / Nifty	71,942 / 21,738
Market Cap	Rs.5,613bn/ \$ 67,512m
Shares Outstanding	12,479m
3M Avg. Daily Value	Rs.4964.08m

### Shareholding Pattern (%)

Promoter's	-
Foreign	43.26
Domestic Institution	41.99
Public & Others	14.75
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	(4.0)	30.8
Relative	(3.5)	(11.0)	9.5

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## Cigarette & Paper drag 3Q, lacks triggers

### Quick Pointers:

- Cig volumes down 1.6%, FMCG sales grow 7.6%, margins up 100bps YoY
- Hotel outlook remains strong with higher ARR; Paper outlook remains muted

**ITC EBIDTA de-grew by 3.2% due to 1.6% decline in cigarette volumes and 50% decline in paperboard profitability. FMCG EBIDTA margins of 11% (24.1% EBIT growth) and 57.1% EBIT growth in hotels have been positive. 3Q reported PAT includes onetime tax refund of Rs4.68bn excluding which PAT increased by just 1.6%.**

**Demand scenario remains mixed with mass segment under pressure across cigarettes and FMCG. We expect 4.3/4% cigarette volume growth in FY25/26 in a steady state while FMCG will continue to expand margins by 100bps. Although Hotels have a high base, revival of business and foreign tourist flow will cushion the performance in FY25. Outlook on Paper remains muted in near term given high input costs of wood and pressure on end product prices due to Chinese dumping.**

**We are largely retaining our estimates and estimate 7.5% EPS CAGR over FY24-26. We believe FMCG and IT services will add significant shareholder value over coming few years. ITC trades at 23.4x FY26 EPS with ROE/ROCE of 31.4/41.7% and ~80%+ dividend payout. We assign SOTP based target price of Rs489 (Rs487 earlier) as we roll forward to Dec25. We expect returns to be back ended given tepid EPS growth despite favorable valuations. Retain Accumulate.**

**3Q PAT up 1.3%:** Revenues grew by 1.6% YoY to Rs164.8bn (PLe: Rs168.7bn). EBITDA\* declined by -3.2% YoY to Rs60.2bn (PLe:Rs 64.8bn); Margins contracted by -181bps YoY to 36.5% (PLe:38.4%) Adj PAT\* grew by 10.9% YoY to Rs55.8bn (PLe:Rs52.9bn). ITC has received a tax refund of Rs4.68bn in 3Q, adjusting for the same, PAT growth would be just 1.6% (Rs51.09bn) Board declares an interim dividend of Rs. 6.25/share for FY 24

## 3QFY24 Segment Wise Performance

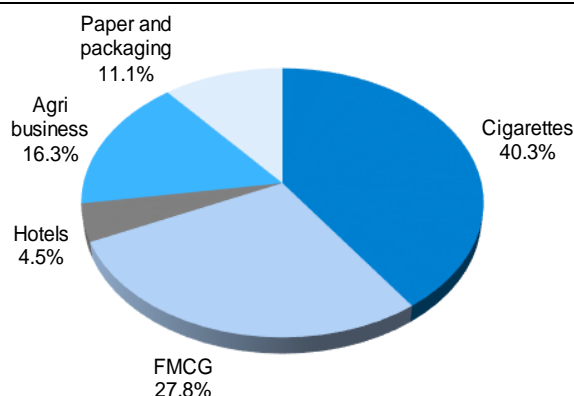
- Cigarette Revenues grew by 10.1% YoY to Rs76.6bn; volumes declined by ~1.6% due to high base and demand pressure in the economy end. EBIT grew by 8% YoY to 47.8bn. Margins contracted by -125bps YoY to 62.4%
- FMCG Revenues grew 8.3% YoY to Rs52.9bn; EBIT grew 37% YoY to 4.4bn. EBIDTA margins increased 100bps YoY to 11%
- Hotels Revenues grew by 21.2% YoY to Rs6.5bn; EBIT grew by 50% YoY to 1.3bn. Margins expanded by 370bps YoY to 19.4%
- Agri Revenues declined by -1.7% YoY to Rs39.3bn; EBIT grew by 3% YoY to 3.6bn. Margins expanded by 44bps YoY to 9.1%. Liquid nicotine plant has started commercial production during the quarter.

- Paperboard & Paper Revenues declined by 9.5% YoY to Rs20.7bn; EBIT declined 50% YoY to 3.2bn. Margins contracted 1227bps YoY to 15.3%. lower realization on cheaper Chinese imports continue to hurt profitability.
- ITC InfoTech Revenues grew 11.0% YoY to Rs9.7bn; EBITDA grew by 16.3% YoY to 1.93bn. Margins expanded by 90bps YoY to 19.0%.

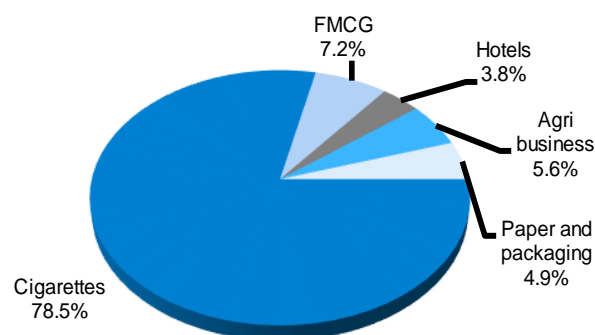
**Exhibit 1: 2QFY24 Result Overview: Net Sales up 1.6%, Adj. PAT up 10.9%**

Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
<b>Net Sales</b>	<b>1,64,833</b>	<b>1,62,257</b>	<b>1.6</b>	<b>1,65,501</b>	<b>4,88,615</b>	<b>4,96,453</b>	<b>(1.6)</b>
EBITDA	60,243	62,232	(3.2)	60,416	1,83,160	1,77,351	3.3
<i>Margins (%)</i>	<i>36.5</i>	<i>38.4</i>	<i>(1.8)</i>	<i>36.5</i>	<i>37.5</i>	<i>35.7</i>	<i>1.8</i>
Depreciation	4,168	4,072	2.3	4,132	12,325	12,408	(0.7)
Interest	123.8	101.8	21.6	105.1	336.1	299.8	12.1
Other Income	11,353	8,717	30.2	8,956	27,397	16,913	62.0
<b>PBT</b>	<b>67,305</b>	<b>66,775</b>	<b>0.8</b>	<b>65,135</b>	<b>1,97,896</b>	<b>1,81,556</b>	<b>9.0</b>
Tax	11,529	16,465	(30.0)	15,865	43,823	44,892	(2.4)
<i>Tax Rate (%)</i>	<i>17.1</i>	<i>24.7</i>	<i>(7.5)</i>	<i>24.4</i>	<i>22.1</i>	<i>24.7</i>	<i>(2.6)</i>
<b>Adjusted PAT</b>	<b>55,776</b>	<b>50,310</b>	<b>10.9</b>	<b>49,270</b>	<b>1,54,073</b>	<b>1,36,665</b>	<b>12.7</b>

Source: Company, PL

**Exhibit 2: Sales Mix: Cigarettes 40.3%, FMCG 27.8%**


Source: Company, PL

**Exhibit 3: Cigarettes contribute 78.5% of EBIT**


Source: Company, PL

**Exhibit 4: SOTP on Sep25 - cigarette account of 58% of value**

SOTP	Basis	X	EV (Rs mn)	PAT (Rs mn)	% of PAT	EPS (Rs)	Value/Share
Cigarettes	P/E	22		156352	67.6	12.5	276
FMCG - Others	EV/Sales	5.0	1265110	19110	8.3	1.5	102
Hotels	EV/EBIDTA	25	3,00,263	6446	2.8	0.5	24
Agri business	P/E	15		13230	5.7	1.1	16
Paper and packaging	P/E	14		14562	6.3	1.2	16
ITC Infotech	P/E	20		6588		0.5	11
Business Value						16.8	445
Cash and Invst			427485				34
<b>Total Value/share</b>							<b>479</b>

Source: PL

Biscuits segment saw sustained traction in premium segments even as demand pressures and competition from local/ regional players impacted demand for mass segments.

Instant Noodles faced competition from regional and smaller player and ITC entered the entry level segment with Vow masala.

Strong growth in Atta, spices, personal wash, Dairy and Agarbatti. Notebooks, Homecare and pens report strong growth.

Rising unorganized competition amidst soft commodity prices, however Wheat, Maida, Sugar prices inch up

FMCG EBIDTA margins at 11% given benefits of input costs, supply chain efficiencies and scale benefits.

Paperboards remains impacted by low-priced Chinese supplies in global markets, muted domestic demand, unprecedented increase in domestic wood costs and high base effect;

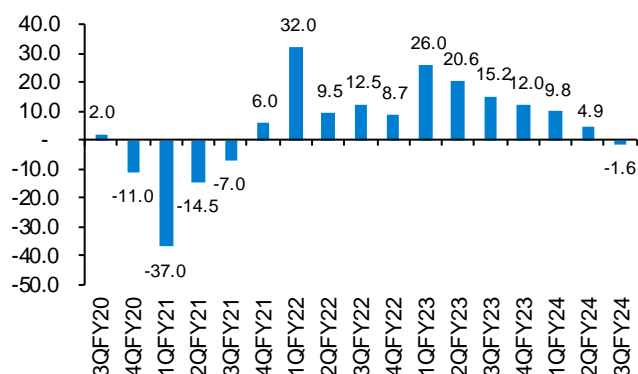
Hotels continue to make headway on higher ARR and Occupancy. Renovation of existing properties to aid growth in FY25.

#### Exhibit 5: Cigarette volumes degrew 1.6%, FMCG margins at 8.3%

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
<b>Cigarette Volume gr %</b>	<b>20.6</b>	<b>15.2</b>	<b>12.0</b>	<b>9.8</b>	<b>4.9</b>	<b>-1.6</b>
<b>Sales (INR m)</b>	1,86,591	1,82,713	1,88,821	2,10,576	1,95,995	1,87,355
Cigarettes	69,538	72,882	73,558	74,653	76,577	75,488
FMCG	48,848	48,414	49,450	51,660	52,916	52,091
Hotels	5,360	7,124	7,817	6,002	6,494	8,420
Agri business	39,970	31,238	35,786	57,054	39,310	30,547
Paper and packaging	22,876	23,055	22,210	21,208	20,699	20,809
<b>Sales growth (YoY)</b>	28.0	2.6	7.7	-1.4	5.0	2.5
Cigarettes	23.3	16.7	14.2	13.0	10.1	3.6
FMCG	21.0	18.4	19.4	16.1	8.3	7.6
Hotels	81.8	50.5	100.6	8.1	21.2	18.2
Agri business	44.0	(37.1)	(18.0)	(23.7)	(1.7)	(2.2)
Paper and packaging	25.0	12.7	1.8	(6.5)	(9.5)	(9.7)
<b>EBIT (INR m)</b>	58,088	61,116	61,424	60,466	60,186	60,248
Cigarettes	44,293	46,197	46,891	46,561	47,817	47,281
FMCG	3,206	3,481	5,016	4,309	4,386	4,318
Hotels	840	1,462	1,996	1,312	1,258	2,297
Agri business	3,452	3,915	3,071	3,560	3,567	3,393
Paper and packaging	6,298	6,062	4,450	4,725	3,158	2,960
<b>EBIT growth (YoY)</b>	28.7	22.6	22.6	11.9	3.6	(1.4)
Cigarettes	23.6	16.9	14.0	11.2	8.0	2.3
FMCG	17.9	43.9	112.6	111.3	36.8	24.1
Hotels	NA	189.1	NA	17.0	49.8	57.1
Agri business	16.6	32.6	25.9	25.3	3.3	(13.3)
Paper and packaging	54.0	35.2	(1.0)	(22.9)	(49.9)	(51.2)
<b>EBIT Margin (%)</b>						
Cigarettes	63.7	63.4	63.7	62.4	62.4	62.6
FMCG	6.6	7.2	10.1	8.3	8.3	8.3
Hotels	15.7	20.5	25.5	21.9	19.4	27.3
Agri business	8.6	12.5	8.6	6.2	9.1	11.1
Paper and packaging	27.5	26.3	20.0	22.3	15.3	14.2

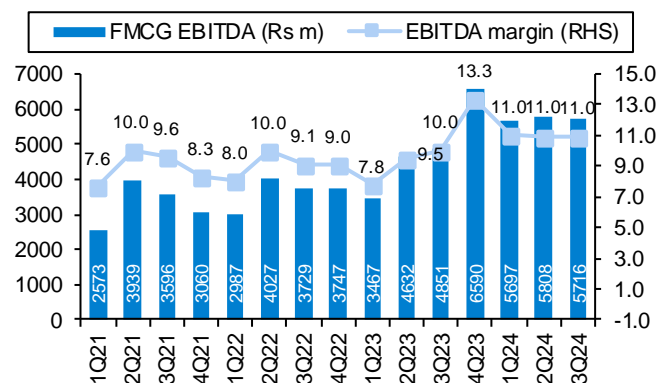
Source: Company, PL

Exhibit 6: Cigarette Volumes down by 1.6%



Source: Company, PL

Exhibit 7: Margins at 11.0%



Source: Company, PL

- Cigarette volumes degrew 1.6%; EBIT up 2.3%:** Revenues grew by 3.6% YoY to Rs75.5bn; EBIT grew by 2.3% YoY to 47.3bn. Margins contracted by 80bps YoY to 62.6%. New offerings and premium segments in both RSFT and longs grew faster. Relative stability in taxes, backed by deterrent actions by enforcement agencies, enables continued volume recovery from illicit trade. We are factoring in 4.3% and 4% volume growth in FY25/26.
- FMCG EBITDA margins increase 149bps YoY:** Revenues grew by 7.6% YoY to Rs52bn; EBIT grew by 24.1% YoY to 4.3bn. Margins expand by 110bps YoY to 8.3%. EBITDA margin up 100bps YoY to 11.0%. The FMCG Businesses delivered resilient performance amidst slowdown in consumer demand; Staples, Dairy, Beverages, Fragrances, Personal Wash, Homecare, Agarbattis, Classmate Notebooks & Pens drive growth. Growth in both traditional and emerging channels (viz. Modern Trade, e-Commerce, Quick Commerce) continued to be driven by sharp execution of channel-specific business plans, collaborations, format-based assortments and category-specific sell-out strategies. Competitive intensity remained high in certain categories such as Biscuits, Snacks, Noodles, popular Soaps, including from local/regional players.
- Hotels Revenues up 21.2% YoY:** Revenues grew by 18.2% YoY to Rs8.4bn; EBIT grew by 57.1% YoY to 2.3bn. Margins expanded by 680bps YoY to 27.3% led by strong growth in ARR's across properties. Occupancy witnessed strong growth driven by retail, MICE segment and events like ICC WC. Business and foreign tourist demand has shown a recovery to the extent of 80% and should provide cushion to demand in FY25.
- Paperboards, Paper & Packaging:** Revenues declined by 9.7% YoY to Rs20.7bn; EBIT declined by 13.3% YoY to 2.96bn. Margins contracted by 1210bps YoY to 14.2% amid sharp drop in realizations due to cheap imports from China and unprecedented surge in domestic wood costs due to increased demand from competing industries
- Agri Business:** Revenues declined by 2.2% YoY to Rs3.0bn; EBIT declined by 50% YoY to 3.4bn. Margins contracted by 140bps YoY to 11.1%. The operating environment remained challenging due to various policy interventions of the Government of India to ensure food security and control inflation which limited business opportunities for the Agri Business. • Capacity utilisation of the recently commissioned state-of-the-art value-added Spices processing facility in Guntur was ramped up.

**Exhibit 8: Cigarettes and FMCG to drive growth over FY23-26**

	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales (Rs m)</b>						
Cigarettes	1,73,976	2,00,748	2,41,527	2,59,770	2,74,129	2,87,945
FMCG	1,47,086	1,59,648	1,90,815	2,10,479	2,37,736	2,68,308
Hotel	6,236	12,793	25,732	29,944	32,167	33,654
Agri	1,25,822	1,61,961	1,81,723	1,64,173	1,81,506	2,01,754
Paper and Paperboard	56,186	76,416	90,814	83,373	92,712	1,00,295
<b>Sales Growth (%)</b>						
Cigarettes	(13.6)	15.4	20.3	7.6	5.5	5.0
FMCG	14.8	8.5	19.5	10.3	12.9	12.9
Hotel	(65.8)	105.2	101.1	16.4	7.4	4.6
Agri	22.9	28.7	12.2	(9.7)	10.6	11.2
Paper and Paperboard	(8.0)	36.0	18.8	(8.2)	11.2	8.2
<b>EBIT (Rs m)</b>						
Cigarettes	1,27,204	1,48,691	1,79,271	1,90,542	2,01,715	2,13,563
FMCG	8,327	9,232	13,742	17,891	22,585	28,172
Hotel	-5,349	-1,831	5,419	7,336	8,203	8,918
Agri	8,207	10,312	13,277	13,462	15,973	19,167
Paper and Paperboard	10,987	17,000	22,940	14,590	17,615	21,062
<b>EBIT Margin (%)</b>						
Cigarettes	62.6	63.4	63.6	62.8	63.0	63.5
FMCG	5.7	5.8	7.2	8.5	9.5	10.5
Hotel	-85.8	-14.3	21.1	24.5	25.5	26.5
Agri	6.5	6.4	7.3	8.2	8.8	9.5
Paper and Paperboard	19.6	22.2	25.3	17.5	19.0	21.0
<b>EBIT Growth (%)</b>						
Cigarettes	-14.4	16.9	20.6	6.3	5.9	5.9
FMCG	96.8	10.9	48.8	30.2	26.2	24.7
Hotel	-439.1	-65.8	-396.0	35.4	11.8	8.7
Agri	4.0	25.6	28.8	1.4	18.6	20.0
Paper and Paperboard	-15.8	54.7	34.9	-36.4	20.7	19.6

Source: Company, PL

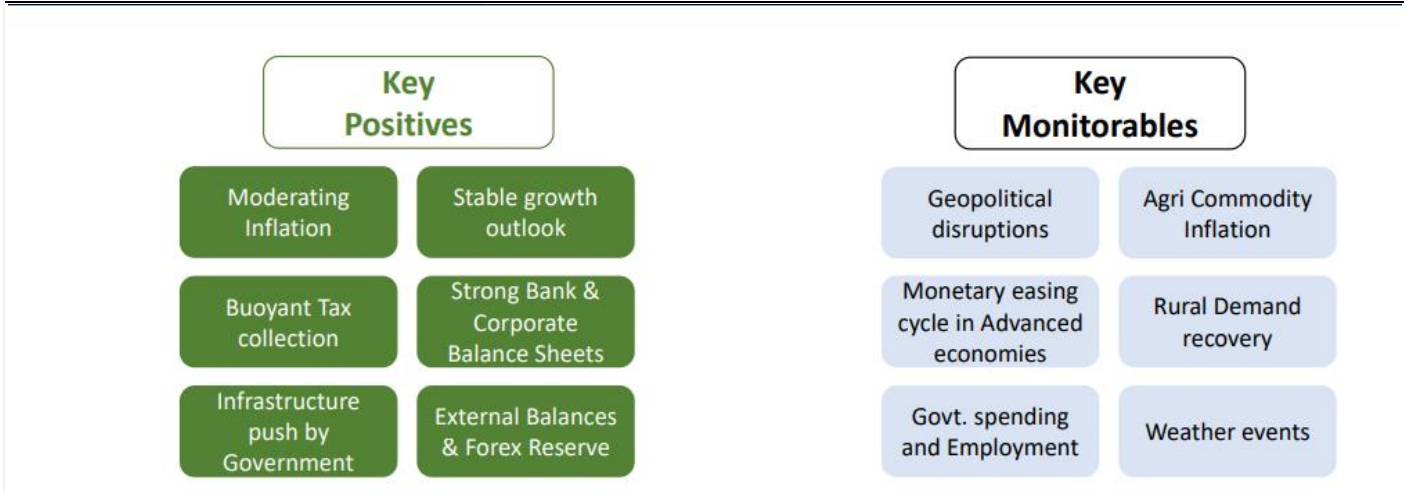
**Exhibit 9: ITC Infotech – Revenues up 11%, EBITDA up 16.3% YoY**

(INR m)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
ITC Infotech	7,490	7,360	6,720	7,510	8,210	8,720	8,770	8,380	9,300	9,680
Sales growth (YoY)	26	17	2	8	10	18	31	12	13.3	11.0
EBITDA	2,110	1,920	1,180	1,190	1,350	1,660	1,580	1,140	1,670	1,930
EBITDA growth (YoY)	50	12	-40	-39	-36	-14	34	-4	23.7	16.3
Margin (%)	28.2	26.1	17.6	15.8	16.4	19.0	18.0	13.6	18.0	19.9

Source: Company, PL

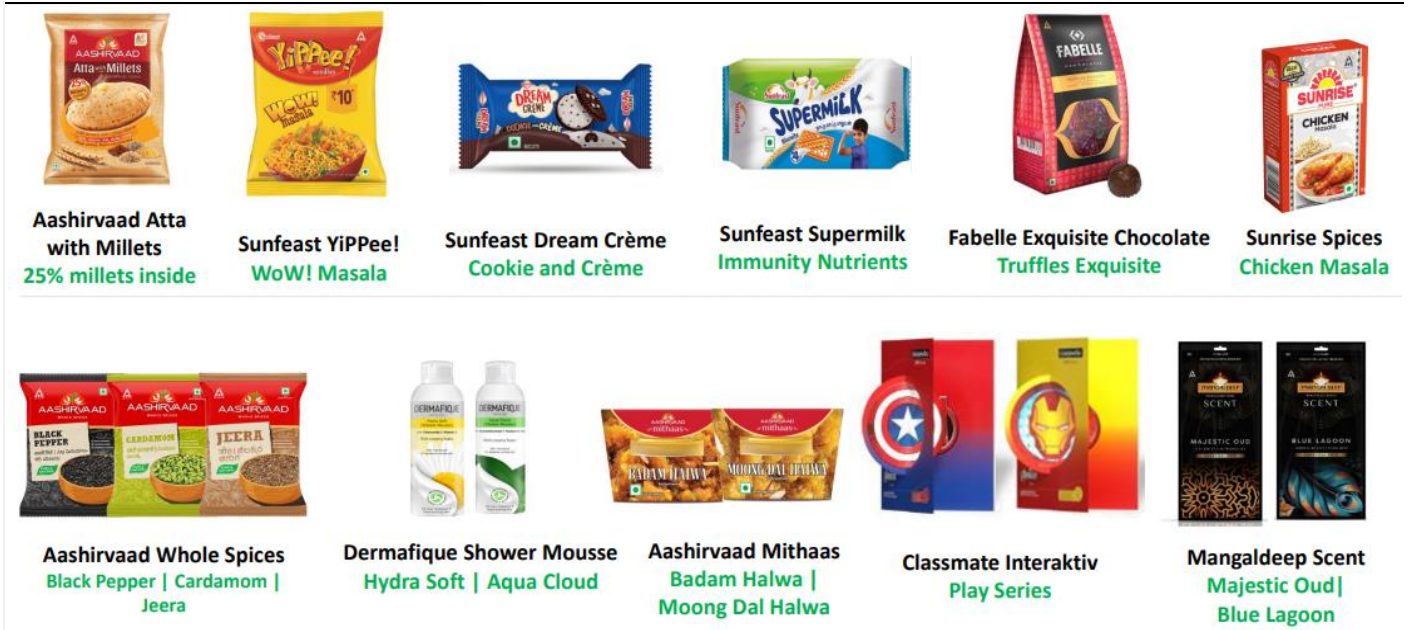


Exhibit 10: Inflation moderating however rural recovery remains key thing to watch out for

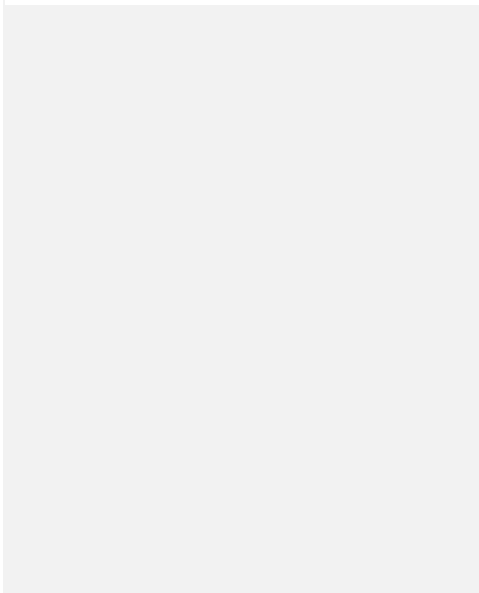


Source: Company, PL

Exhibit 11: Recent launches in FMCG business



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>6,60,433</b>	<b>6,69,017</b>	<b>7,26,354</b>	<b>7,85,187</b>
YoY gr. (%)	17.2	1.3	8.6	8.1
Cost of Goods Sold	2,88,802	2,83,868	3,05,931	3,32,511
Gross Profit	3,71,631	3,85,149	4,20,423	4,52,676
Margin (%)	56.3	57.6	57.9	57.7
Employee Cost	35,695	37,091	39,732	41,883
Other Expenses	46,079	46,019	48,645	51,298
<b>EBITDA</b>	<b>2,39,445</b>	<b>2,50,330</b>	<b>2,77,361</b>	<b>3,00,245</b>
YoY gr. (%)	26.5	4.5	10.8	8.3
Margin (%)	36.3	37.4	38.2	38.2
Depreciation and Amortization	16,627	17,373	18,334	19,426
<b>EBIT</b>	<b>2,22,817</b>	<b>2,32,957</b>	<b>2,59,026</b>	<b>2,80,819</b>
Margin (%)	33.7	34.8	35.7	35.8
Net Interest	418	418	418	418
Other Income	24,376	36,142	36,984	37,947
<b>Profit Before Tax</b>	<b>2,46,775</b>	<b>2,68,680</b>	<b>2,95,592</b>	<b>3,18,348</b>
Margin (%)	37.4	40.2	40.7	40.5
Total Tax	59,971	61,689	73,011	78,632
Effective tax rate (%)	24.3	23.0	24.7	24.7
<b>Profit after tax</b>	<b>1,86,804</b>	<b>2,06,991</b>	<b>2,22,581</b>	<b>2,39,716</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,86,804</b>	<b>2,06,991</b>	<b>2,22,581</b>	<b>2,39,716</b>
YoY gr. (%)	24.1	10.8	7.5	7.7
Margin (%)	28.3	30.9	30.6	30.5
Extra Ord. Income / (Exp)	729	-	-	-
<b>Reported PAT</b>	<b>1,87,533</b>	<b>2,06,991</b>	<b>2,22,581</b>	<b>2,39,716</b>
YoY gr. (%)	24.5	10.4	7.5	7.7
Margin (%)	28.4	30.9	30.6	30.5
Other Comprehensive Income	293	-	-	-
Total Comprehensive Income	1,87,826	2,06,991	2,22,581	2,39,716
<b>Equity Shares O/s (m)</b>	<b>12,428</b>	<b>12,441</b>	<b>12,454</b>	<b>12,465</b>
<b>EPS (Rs)</b>	<b>15.0</b>	<b>16.6</b>	<b>17.9</b>	<b>19.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,28,360</b>	<b>3,53,560</b>	<b>3,80,760</b>	<b>4,07,960</b>
Tangibles	3,05,362	3,30,362	3,57,362	3,84,362
Intangibles	22,998	23,198	23,398	23,598
<b>Acc: Dep / Amortization</b>	<b>99,399</b>	<b>1,15,360</b>	<b>1,32,253</b>	<b>1,50,215</b>
Tangibles	96,775	1,12,388	1,28,931	1,46,539
Intangibles	2,624	2,972	3,323	3,677
<b>Net fixed assets</b>	<b>2,28,961</b>	<b>2,38,200</b>	<b>2,48,507</b>	<b>2,57,745</b>
Tangibles	2,08,587	2,17,974	2,28,431	2,37,823
Intangibles	20,374	20,226	20,075	19,921
Capital Work In Progress	16,815	20,000	20,000	20,000
Goodwill	5,772	5,772	5,772	5,772
Non-Current Investments	1,63,676	1,71,776	1,83,632	1,96,567
Net Deferred tax assets	(16,211)	(15,401)	(14,631)	(13,899)
Other Non-Current Assets	55,359	36,160	37,557	39,016
<b>Current Assets</b>				
Investments	1,63,571	2,00,705	2,25,170	2,49,689
Inventories	1,05,939	1,04,963	1,11,975	1,18,894
Trade receivables	23,213	23,526	25,538	27,600
Cash & Bank Balance	38,313	17,736	16,536	15,278
Other Current Assets	13,881	14,049	15,253	16,489
<b>Total Assets</b>	<b>8,22,617</b>	<b>8,41,068</b>	<b>8,99,340</b>	<b>9,57,854</b>
<b>Equity</b>				
Equity Share Capital	12,428	12,441	12,454	12,465
Other Equity	6,63,510	6,77,560	7,27,708	7,76,011
<b>Total Networth</b>	<b>6,75,938</b>	<b>6,90,001</b>	<b>7,40,162</b>	<b>7,88,476</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	33	33	33	33
Provisions	2,018	2,091	2,251	2,396
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	43,513	43,351	46,542	50,334
Other current liabilities	80,644	85,701	90,970	97,682
<b>Total Equity &amp; Liabilities</b>	<b>8,22,617</b>	<b>8,41,068</b>	<b>8,99,340</b>	<b>9,57,854</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,46,775	2,68,680	2,95,592	3,18,348
Add. Depreciation	16,629	17,373	18,334	19,426
Add. Interest	418	418	418	418
Less Financial Other Income	24,376	36,142	36,984	37,947
Add. Other	(19,927)	18,494	(1,590)	(1,580)
Op. profit before WC changes	2,43,894	3,04,966	3,12,754	3,36,612
Net Changes-WC	(32,870)	(13,925)	(26,920)	(27,312)
Direct tax	(59,971)	(61,689)	(73,011)	(78,632)
<b>Net cash from Op. activities</b>	<b>1,51,052</b>	<b>2,29,352</b>	<b>2,12,823</b>	<b>2,30,668</b>
Capital expenditures	(18,437)	(29,797)	(28,641)	(28,664)
Interest / Dividend Income	-	-	-	-
Others	(7,062)	(8,098)	(11,855)	(12,934)
<b>Net Cash from Invt. activities</b>	<b>(25,499)</b>	<b>(37,895)</b>	<b>(40,496)</b>	<b>(41,598)</b>
Issue of share cap. / premium	10,612	(1,289)	(1,353)	(4,596)
Debt changes	(13)	-	-	-
Dividend paid	(1,35,473)	(1,91,639)	(1,71,067)	(1,86,806)
Interest paid	(418)	(418)	(418)	(418)
Others	107	194	(155)	(186)
<b>Net cash from Fin. activities</b>	<b>(1,25,185)</b>	<b>(1,93,152)</b>	<b>(1,72,993)</b>	<b>(1,92,006)</b>
<b>Net change in cash</b>	<b>368</b>	<b>(1,696)</b>	<b>(666)</b>	<b>(2,935)</b>
Free Cash Flow	1,32,615	1,99,555	1,84,182	2,02,004

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	15.0	16.6	17.9	19.2
CEPS	16.4	18.0	19.3	20.8
BVPS	54.4	55.5	59.4	63.3
FCF	10.7	16.0	14.8	16.2
DPS	15.4	13.8	15.0	16.0
<b>Return Ratio(%)</b>				
RoCE	34.5	34.1	36.2	36.7
ROIC	35.9	37.4	39.4	40.5
RoE	29.0	30.3	31.1	31.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	47	46	46	45
<b>Valuation(x)</b>				
PER	29.9	27.0	25.2	23.4
P/B	8.3	8.1	7.6	7.1
P/CEPS	16.4	18.0	19.3	20.8
EV/EBITDA	22.5	21.5	19.3	17.8
EV/Sales	8.2	8.0	7.4	6.8
Dividend Yield (%)	3.4	3.1	3.3	3.6

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

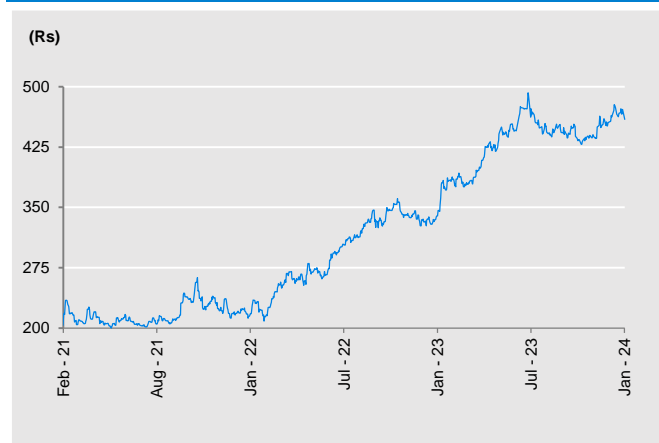
Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Net Revenue</b>	<b>1,63,980</b>	<b>1,58,282</b>	<b>1,65,501</b>	<b>1,64,833</b>
YoY gr. (%)	5.6	(8.5)	2.6	1.6
Raw Material Expenses	67,941	64,155	70,642	68,494
Gross Profit	96,038	94,127	94,858	96,339
Margin (%)	58.6	59.5	57.3	58.4
<b>EBITDA</b>	<b>62,094</b>	<b>62,501</b>	<b>60,416</b>	<b>60,243</b>
YoY gr. (%)	18.9	10.7	3.0	(3.2)
Margin (%)	37.9	39.5	36.5	36.5
Depreciation / Depletion	4,219	4,025	4,132	4,168
<b>EBIT</b>	<b>57,875</b>	<b>58,476</b>	<b>56,284</b>	<b>56,075</b>
Margin (%)	35.3	36.9	34.0	34.0
Net Interest	118	107	105	124
Other Income	7,463	7,087	8,956	11,353
<b>Profit before Tax</b>	<b>65,219</b>	<b>65,456</b>	<b>65,135</b>	<b>67,305</b>
Margin (%)	39.8	41.4	39.4	40.8
Total Tax	15,079	16,429	15,865	11,529
Effective tax rate (%)	23.1	25.1	24.4	17.1
<b>Profit after Tax</b>	<b>50,140</b>	<b>49,027</b>	<b>49,270</b>	<b>55,776</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>50,140</b>	<b>49,027</b>	<b>49,270</b>	<b>55,776</b>
YoY gr. (%)	19.6	17.6	10.3	10.9
Margin (%)	30.6	31.0	29.8	33.8
Extra Ord. Income / (Exp)	729	-	-	(55)
<b>Reported PAT</b>	<b>50,869</b>	<b>49,027</b>	<b>49,270</b>	<b>55,721</b>
YoY gr. (%)	21.4	17.6	10.3	10.8
Margin (%)	31.0	31.0	29.8	33.8
Other Comprehensive Income	(1,279)	4,230	907	2,424
<b>Total Comprehensive Income</b>	<b>49,590</b>	<b>53,257</b>	<b>50,176</b>	<b>58,145</b>
Avg. Shares O/s (m)	12,309	12,309	12,309	12,309
<b>EPS (Rs)</b>	<b>4.1</b>	<b>4.0</b>	<b>4.0</b>	<b>4.5</b>

Source: Company Data, PL Research



## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Accumulate	487	466
2	12-Dec-23	Accumulate	492	453
3	20-Oct-23	Accumulate	492	450
4	07-Oct-23	Accumulate	475	442
5	15-Aug-23	Accumulate	478	449
6	28-Jul-23	Accumulate	478	465
7	06-Jul-23	Accumulate	455	474
8	18-May-23	Accumulate	455	420
9	11-Apr-23	Accumulate	444	389
10	03-Feb-23	Accumulate	438	381

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,170	2,536
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Accumulate	2,764	2,590
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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