

Bloomberg Code	ITC:IN
No of share O/S (in Cr)	1,240
Market Cap (in Rs Cr)	4,38,539
Face Value (in Rs)	1.0
Dividend Yield (%)	3.31
52 Wk High/Low (in Rs)	354/207

Key result highlights

ITC Ltd's (ITC) revenue stood at INR 17,108 cr in Q2FY23, a YoY increase of 24.4% and a decline of 7.5% on a QoQ basis. The raw material cost to sales was at 39.7%, marking a 660 bps fall. Revenue from the cigarette segment increased by 23% YoY; the FMCG segment saw a rise of 21% YoY in revenue; the Hotels segment's revenue was up 80% over Q2 FY22; Paper & Packaging revenue was up by 25% YoY; Agri business revenue increased by 43% YoY.

Shareholding (%)	
Promoters	0.00
Institutional	85.10
Public	14.89
Total	100.00

Agri business saw a high growth trajectory mainly due to exports of wheat, rice and leaf tobacco. For the Hotel business, the ARR and Occupancy was ahead of pre-pandemic levels. In the FMCG segment, robust growth was seen in Discretionary/Out-Of-Home categories; Staples & Convenience Foods remained resilient the quarter despite facing headwinds due to global unrest.

Performance Highlights

EBITDA grew by 24.7% YoY in Q2FY23 to INR 6,259 cr as against INR 5,018 cr in Q2FY22. EBITDA margin was reported at 36.6% in Q2FY23, an increase of ~10 bps/370 bps on a YoY/QoQ basis. The Cigarette segment EBIT was up by 23.6% YoY; the EBITDA margin for the FMCG segment saw a marginal decline of ~50 bps YoY; EBITDA margins for the hotel segment was at 29% in Q2FY23.

Net Profit stood at INR 4,620 cr in Q2FY23 with an increase of 24.4%/5.2% on a YoY/QoQ basis. The net profit margin increased by ~330 bps to 27% in Q2FY23 vs. 23.7% in Q1FY23.

Presentation Highlights

- In the FMCG segment, Sharp escalation in input costs was tackled by various solutions like Strategic cost management, premiumisation, supply chain agility, judicious pricing actions and fiscal incentives etc.
- State-of-the-art Packaging & Printing facility at Nadiad, Gujarat commenced operations during the quarter.
- Integrated business model, Industry 4.0 initiatives, strategic investments and proactive capacity augmentation enable margin expansion amidst commodity price escalation in Paper & Packaging.

Segmental Performance Highlights

- **Cigarettes:**
 - Segment Revenue up 23.4% YoY; Segment EBIT up 23.6% YoY.
 - Stability in taxes enabled continued volume recovery from illicit trade.
 - Recent interventions include innovative launches such as 'Classic Connect', 'Gold Flake Indie Mint', ' American Club Clove Mint', ' Gold Flake Neo', ' Capstan Fresh', 'Gold Flake Kings Mixpod', ' Classic Verve Balanced Taste', ' American Club Smash' and ' Gold Flake Smart Mintz'.
- **FMCG:**
 - Revenue up 21% YoY and 48.5% over Q2 FY20.
 - EBITDA margin sustained (-50 bps YoY) despite unprecedented inflationary headwinds; up 280 bps over Q2 FY20.
 - Hygiene portfolio sales remained subdued while being higher than pre-pandemic levels, backed by good performance in Personal Wash products.
 - Market and Outlet coverage at 2.0x and 1.3x of pre-pandemic levels.
 - Leveraging Digital to expand reach by initiatives like eB2B: UNNATI that has Over 4.4 lakh Outlet penetration.

Presentation Highlights Contd.

- **Hotels:**
 - Revenue up 81.9% over Q2 FY20. Retail (packages), Leisure, Weddings & MICE segments drive growth.
 - Higher RevPAR, operating leverage and structural cost interventions boost EBITDA margins to 29.0% this quarter.
 - ITC Narmada, a luxurious 291-key property in the city of Ahmedabad was launched in Aug'22.
 - Healthy pipeline of properties under Welcomhotel, Mementos, Storii and Fortune; phased openings over the next few quarters.
 - Welcomhotel Bengaluru received LEED® Zero Carbon Certification - 4th in the chain.
- **Paperboards, Paper & Packaging:**
 - Segment Revenue up 25.0% and Segment Results up 54.0% YoY, driven by strong demand across end-user segments and exports.
 - Investments in VAP capacity, pulp import substitution, cost-competitive fibre chain, decarbonisation of operations, data analytics and Industry 4.0 enabled margin expansion despite escalation in key input prices.
 - State-of-the-art facility at Nadiad, Gujarat commissioned during the quarter.
- **Agri Business:**
 - Segment Revenue up 44.0% and Segment Results up 16.6% YoY, driven by wheat, rice and leaf tobacco exports.
 - ITCMAARS – an AgriTech platform being scaled up with 460+ FPOs in 9 states with about 1.8 lac farmer registrations till date.
 - World-class manufacturing facility at Mysuru for export of Nicotine & Nicotine derivative products to US/EU is making steady progress; expected to be commissioned in Q4 FY23.

Valuation

ITC is currently trading at FY25 P/E of 19.40x.

Financial Summary

Revenue growth of 24.4% YoY to INR 17,108.0 Cr. On QoQ basis, revenue decreased by 7.5%.

Raw material costs have increased significantly by 24.0% on a YoY basis but declined by 20.6% on a QoQ basis.

EBITDA growth of 24.7% YoY and 3.0% QoQ at INR 6,259.1 Cr.

PAT stood at INR 4,670.3 cr in Q2FY23 with a 24.1% growth on YoY basis and 4.7% growth on QoQ basis.

Figures are in Rs Cr	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY20	YoY (%)	FY21	YoY (%)	FY22	YoY (%)
Net Sales	17,108.0	13,757.2	24.4	18,489.5	-7.5	49,404.1	2.2	49,272.8	-0.3	60,668.1	23.1
Raw Material Cost	6,788.2	5,472.6	24.0	8,551.5	-20.6	17,345.5	-0.4	20,131.4	16.1	26,385.1	31.1
RM Cost to Sales (%)	39.7	39.8		46.3		35.1		40.9		43.5	
Employee Cost	1,476.0	1,218.7	21.1	1,370.7	7.7	4,295.8	2.8	4,463.3	3.9	4,890.6	9.6
Employee Cost to Sales (%)	8.6	8.9		7.4		8.7		9.1		8.1	
Other Expenses	2,584.7	2,048.3	26.2	2,490.1	3.8	8,478.6	1.8	7,663.1	-9.6	8,769.3	14.4
Other Exp to Sales (%)	15.1	14.9		13.5		17.2		15.6		14.5	
EBITDA	6,259.1	5,017.6	24.7	6,077.1	3.0	19,284.2	4.7	17,014.9	-11.8	20,623.2	21.2
EBITDA Margin (%)	36.6	36.5	0.11	32.9	3.72	39.0		34.5		34.0	
Depreciation	462.4	421.7	9.6	438.1	5.5	1,644.9	17.8	1,645.6	0.0	1,732.4	5.3
Interest	12.6	9.8	29.1	9.3	36.1	81.4	14.0	58.0	-28.8	60.0	3.5
Interest Coverage	460.4	471.4		609.6		216.8		265.1		314.9	
Other Income	454.7	468.8	-3.0	320.7	41.8	2,600.6	19.3	2,633.7	1.3	1,892.2	-28.2
Other Income to Sales (%)	2.7	3.4		1.7		5.3		5.3		3.1	
Profit Before Tax	6,238.8	5,054.9	23.4	5,950.5	4.8	20,158.5	5.3	17,945.1	-11.0	20,723.0	15.5
Tax Rate (%)	25.1	25.5		25.0		22.7		25.4		25.3	
Profit After Tax	4,670.3	3,763.7	24.1	4,462.3	4.7	15,584.6	21.5	13,389.8	-14.1	15,485.7	15.7
PAT Margin (%)	27.3	27.4	-0.1	24.1	3.2	31.5		27.2		25.5	
Share of Assoc / Minority Int	-50.6	-50.0		-72.5		-278.3		-228.6		-243.0	
Net Profit	4,619.8	3,713.8	24.4	4,389.8	5.2	15,306.2	21.6	13,161.2	-14.0	15,242.7	15.8
Net Margin (%)	27.0	27.0	0.0	23.7	3.3	31.0		26.7		25.1	
Adjusted EPS	159.7	128.3	24.4	151.7	5.2	529.0	21.6	454.8	-14.0	526.8	15.8
Shareholder's Funds						65,273.3	10.4	60,347.3	-7.5	62,455.6	3.5
BV per share						2,255.7	10.4	2,085.5	-7.5	2,158.4	3.5
Net Debt						-25,216.1	44.2	-19,495.5	-22.7	-16,913.1	-13.2
Net Debt to Equity						-0.4		-0.3		-0.3	
Net Debt to EBITDA						-1.3		-1.1		-0.8	
RoE						23.4		21.8		24.4	
RoIC						34.0		28.1		31.0	
P/E						6.9		8.0		6.9	
EV/EBITDA						4.2		5.1		4.3	

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