

ITC Ltd

Result Update Q3 FY24



CMP INR 440

Result Update Q3 FY24

In Q3FY24 ITC's gross revenue declined by 2.8% on QoQ basis to INR20690 cr and rose by 2.7% on YoY basis led by flat growth in Cigarettes and Agri segment while Hotels reported their best quarter and Paperboards, Paper and Packaging Segment remains impacted by low priced Chinese supplies in global markets, muted domestic demand, surge in wood cost and high base effect.

EBITDA reported a flat growth of 0.77% on QoQ basis and saw a decline of 3% on YoY basis to INR 6503 cr. EBITDA margins stood at 36.1%, down by 20bps/178bps on QoQ/YoY basis to 36.1% due to Agri Commodity Inflation affecting the margins. PAT rose by 9.1%/6.6% on QoQ/YoY basis due to lower tax rates. PAT margins stood at 30% which expanded by 212bps/136bps on QoQ/YoY basis.

FMCG (excl agri) showed resilient performance and showed improvement in profitability, agriculture segment remains impacted due to trade restrictions led by geopolitical tensions. Cigarettes recorded flat growth

The Paperboards, Paper, and Packaging Segment continues to face challenges due to the prevalence of competitively priced Chinese supplies in global markets, subdued domestic demand, a significant increase in wood costs, and the long-term impact of a high base effect.

Hotels segment witnessed their best quarter with strong growth in revenue and expansion in profitability, The Stock Exchanges have given their no-objection to the Scheme of Arrangement for demerger.

The Board of Directors have recommended Interim Dividend of Rs. 6.25 per share (previous year Rs. 6.00 per share) for the financial year ending 31st March 2024.

Key Consolidated Financial Data (INR Cr, unless specified)

	Q3FY23	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
Revenue	17704.5	17774.5	18019.4	1.8	1.4	52447.4	52958.3	1.0
EBITDA	6704.7	6454.2	6503.8	-3.0	0.8	19587.8	19628.1	0.2
EBITDAM (%)	37.9	36.3	36.1			37.3	37.1	
Net Profit	5006.7	4898.1	5334.7	6.6	8.9	14965.4	15542.0	3.9
Net margin (%)	28.3	27.6	29.6			28.5	29.3	

Source: Ventura Research

Industry Retail

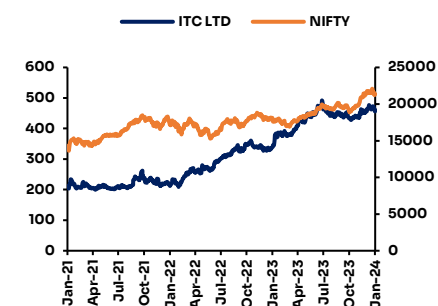
Scrip Details

Face Value (INR)	1.0
Market Cap (INR Cr)	550,079
Price (INR)	440
No of Sh O/S (Cr)	1248
3M Avg Vol (000)	1024
52W H/L (INR)	499.6/329
Div. Yield (%)	2.82%

Shareholding (%)

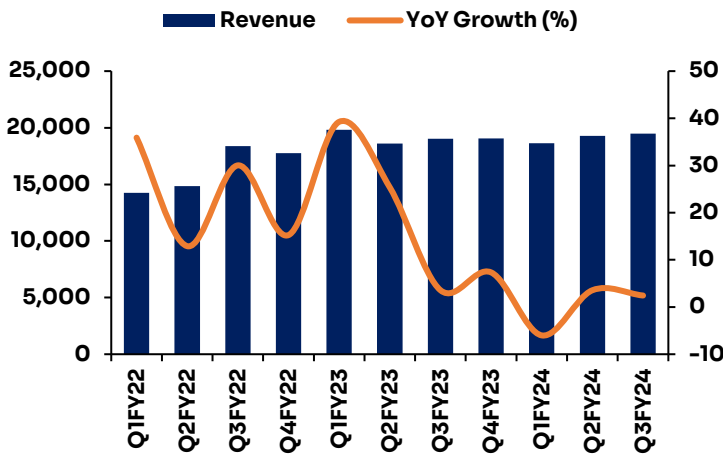
FII's	43.3
DII's	42.0
Public	14.7
TOTAL	100.0

Price chart

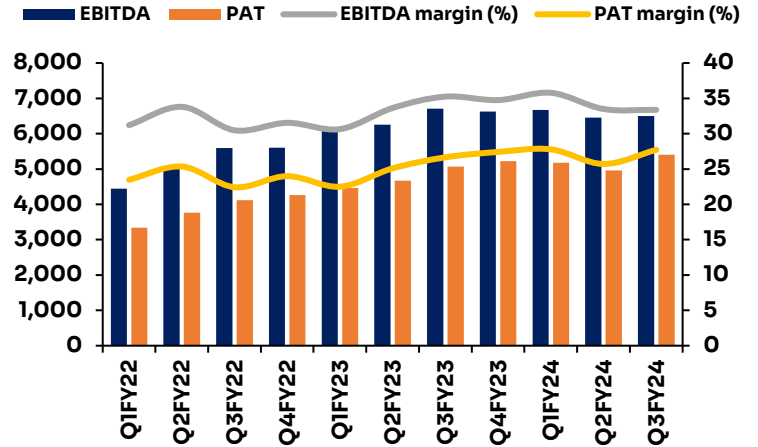


Financial Summary in Charts

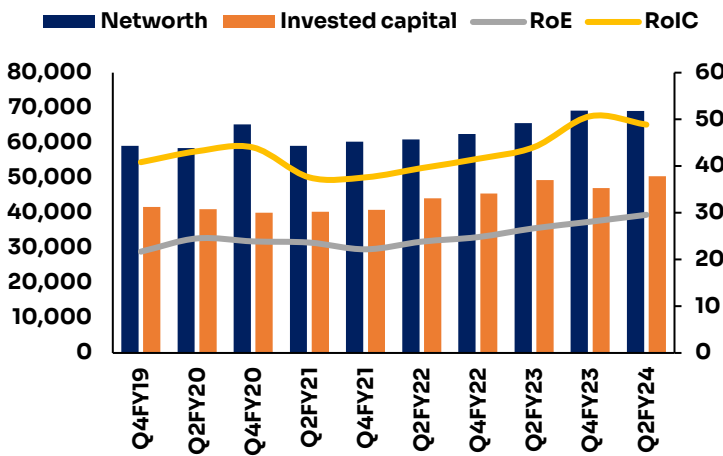
Revenue



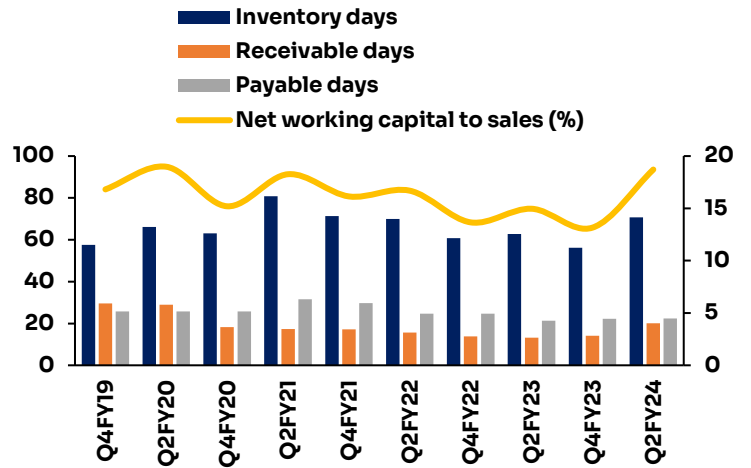
PROFITABILITY MARGINS



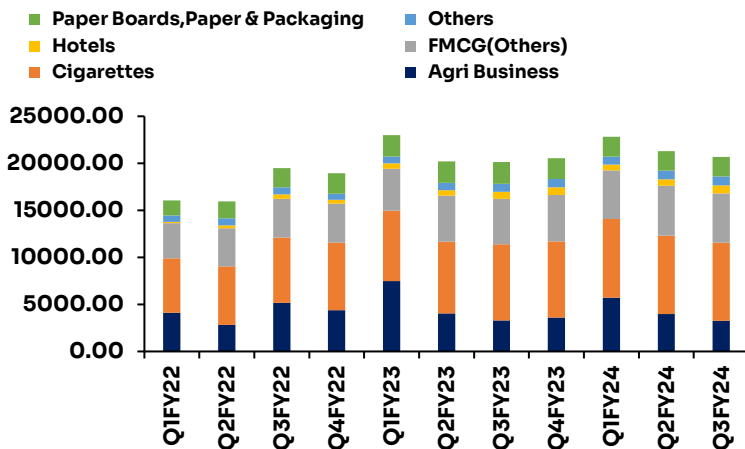
RETURN RATIOS



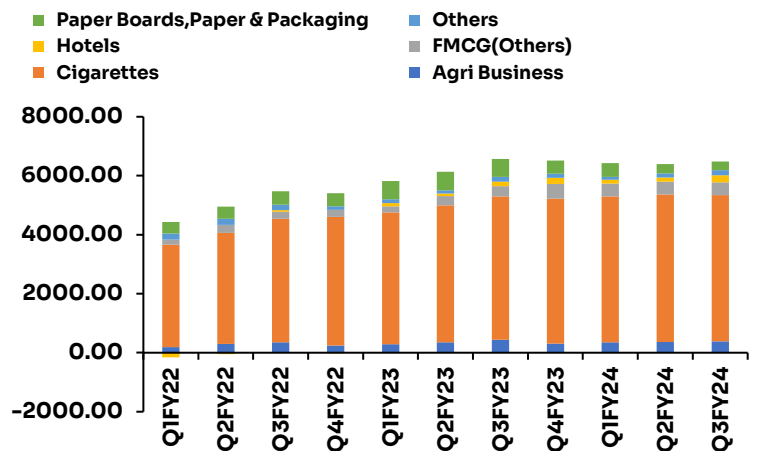
WORKING CAPITAL CYCLE



SEGMENTAL REVENUE



SEGMENTAL EBITDA



Peer comparison

Sr No	Company Name	CMP	Sales(cr)	EBITDAM(%)	Market Cap	ROE(%)	ROIC(%)	PE(X)	EV/EBITDA
1	ITC	440.0	70593.2	36.2	550703.4	27.8	50.7	28.4	20.3
2	Godfrey Phillips	2465.0	4249.9	20.2	13067.9	18.2	49.0	16.0	12.8
3	VST Industries	3623.1	1347.2	25.1	5594.0	29.0	55.0	19.8	13.7
4	HUL	2463.9	61901.0	23.7	578904.0	20.5	18.6	56.1	37.1
5	Colgate-Palmoli	2526.0	5541.0	32.9	68702.2	61.2	79.2	53.9	35.6

Source: Ventura Research & Company reports

Key Management Personnel

Sr. No.	Name	FY22	FY23
1	S Puri	CH&MD	CH&MD
2	N Anand	ED	ED
3	S Dutta	ED&CFO	ED&CFO
4	B Sumant	ED	ED
5	S Banerjee	ID	ID
6	H Bhargava	ID	ID

Source: Company reports

Financial Summary

Fig in INR Cr (unless specified)	FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	Q3FY24
Revenue from operations	49,272.8	13,247.3	13,757.2	17,108.2	16,555.5	60,668.1	18,489.5	17,108.0	17,704.5	17,634.9	70,936.9	17,164.5	17,774.5	18,019.4
YoY Growth (%)	(0.3)	35.5	13.9	30.8	15.4	23.1	39.6	24.4	3.5	6.5	16.9	(7.2)	3.9	1.8
Raw Material Cost	20,131.4	5,806.9	5,472.6	7,849.5	7,256.1	26,385.1	8,551.5	6,788.2	6,895.5	6,770.6	29,005.8	6,549.7	7,068.7	7,041.9
RM Cost to Sales (%)	40.9	43.8	39.8	45.9	43.8	43.5	46.3	39.7	38.9	38.4	40.9	38.2	39.8	39.1
Employee Cost	4,463.3	1,171.8	1,218.7	1,232.1	1,268.0	4,890.6	1,370.7	1,476.0	1,446.7	1,442.8	5,736.2	1,482.1	1,507.9	1,586.4
Employee Cost to Sales (%)	9.1	8.8	8.9	7.2	7.7	8.1	7.4	8.6	8.2	8.2	8.1	8.6	8.5	8.8
Other Expenses	7,663.1	1,824.9	2,048.3	2,428.9	2,432.0	8,769.3	2,490.1	2,584.7	2,657.6	2,797.5	10,496.8	2,462.6	2,743.7	2,887.3
Other Expenses to Sales (%)	15.6	13.8	14.9	14.2	14.7	14.5	13.5	15.1	15.0	15.9	14.8	14.3	15.4	16.0
EBITDA	17,014.9	4,443.7	5,017.6	5,597.7	5,599.4	20,623.2	6,077.1	6,259.1	6,704.7	6,624.0	25,698.1	6,670.1	6,454.2	6,503.8
EBITDA Margin (%)	34.5	33.5	36.5	32.7	33.8	34.0	32.9	36.6	37.9	37.6	36.2	38.9	36.3	36.1
PAT	13,389.8	3,343.4	3,763.7	4,118.8	4,259.7	15,485.7	4,462.3	4,670.3	5,070.1	5,225.0	19,427.7	5,180.1	4,955.9	5,406.0
PAT Margin (%)	27.2	25.2	27.4	24.1	25.7	25.5	24.1	27.3	28.6	29.6	27.4	30.2	27.9	30.0
Net Profit	13,161.2	3,276.5	3,713.8	4,056.7	4,195.7	15,242.7	4,389.8	4,619.8	5,006.7	5,175.5	19,191.7	5,104.9	4,898.1	5,334.7
Net Margin (%)	26.7	24.7	27.0	23.7	25.3	25.1	23.7	27.0	28.3	29.3	27.1	29.7	27.6	29.6
Adjusted EPS	10.6					12.2					15.4			
P/E (X)	41.4					35.8					28.4			
Adjusted BVPS	48.4					50.1					55.5			
P/BV (X)	9.0					8.7					7.9			
Enterprise Value	5,25,006.5					5,27,588.9					5,22,427.8			
EV/EBITDA (X)	30.9					25.6					20.3			
Net Worth	60,347.3					62,455.6					69,155.3			
Return on Equity (%)	21.8					24.4					27.8			
Capital Employed	60,357.2					62,461.2					69,194.1			
Return on Capital Employed (%)	19.0					22.6					25.9			
Invested Capital	40,851.8					45,542.5					47,081.0			
Return on Invested Capital (%)	37.6					41.5					50.7			
Cash Flow from Operations	12,527.0					15,775.5					18,877.6			
Cash Flow from Investing	5,682.9					(2,238.5)					(5,732.3)			
Cash Flow from Financing	(18,633.8)					(13,580.5)					(13,006.0)			
Net Cash Flow	(424.0)					(43.5)					139.2			
Free Cash Flow	10,736.1					13,811.8					16,242.1			
FCF to Revenue (%)	21.8					22.8					22.9			
FCF to EBITDA (%)	63.1					67.0					63.2			
FCF to Net Profit (%)	81.6					90.6					84.6			
FCF to Net Worth (%)	17.8					22.1					23.5			
Total Debt	10					6					39			
Net Debt	-19,496					-16,913					-22,074			
Net Debt to Equity (X)	(0.3)					(0.3)					(0.3)			
Net Debt to EBITDA (X)	(1.1)					(0.8)					(0.9)			
Interest Coverage Ratio (X)	265.1					314.9					307.2			

Source: Ventura Research

Financial Analysis

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23
Income Statement					Per share data & Yields				
Revenue	49,404.1	49,272.8	60,668.1	70,936.9	Adjusted EPS (INR)	12.3	10.6	12.2	15.4
<i>YoY Growth (%)</i>	<i>2.2</i>	<i>(0.3)</i>	<i>23.1</i>	<i>16.9</i>	Adjusted Cash EPS (INR)	13.6	11.9	13.6	16.9
Raw Material Cost	17,345.5	20,131.4	26,385.1	29,005.8	Adjusted BVPS (INR)	52.7	48.7	50.4	55.8
<i>RM Cost to Sales (%)</i>	<i>35.1</i>	<i>40.9</i>	<i>43.5</i>	<i>40.9</i>	Adjusted CFO per share (INR)	11.8	10.1	12.7	15.2
Employee Cost	4,295.8	4,463.3	4,890.6	5,736.2	CFO Yield (%)	2.7	2.3	2.9	3.5
<i>Employee Cost to Sales (%)</i>	<i>8.7</i>	<i>9.1</i>	<i>8.1</i>	<i>8.1</i>	Adjusted FCF per share (INR)	9.9	8.6	11.1	13.0
Other Expenses	8,478.6	7,663.1	8,769.3	10,496.8	FCF Yield (%)	2.3	2.0	2.5	3.0
<i>Other Exp to Sales (%)</i>	<i>17.2</i>	<i>15.6</i>	<i>14.5</i>	<i>14.8</i>	Solvency Ratio (X)				
EBITDA	19,284.2	17,014.9	20,623.2	25,698.1	Total Debt to Equity	0.0	0.0	0.0	0.0
<i>Margin (%)</i>	<i>39.0</i>	<i>34.5</i>	<i>34.0</i>	<i>36.2</i>	Net Debt to Equity	(0.4)	(0.3)	(0.3)	(0.3)
<i>YoY Growth (%)</i>	<i>4.7</i>	<i>(11.8)</i>	<i>21.2</i>	<i>24.6</i>	Net Debt to EBITDA	(1.3)	(1.1)	(0.8)	(0.9)
Depreciation & Amortization	1,644.9	1,645.6	1,732.4	1,809.0	Return Ratios (%)				
EBIT	17,639.3	15,369.3	18,890.7	23,889.1	Return on Equity	23.4	21.8	24.4	27.8
<i>Margin (%)</i>	<i>35.7</i>	<i>31.2</i>	<i>31.1</i>	<i>33.7</i>	Return on Capital Employed	21.0	19.0	22.6	25.9
<i>YoY Growth (%)</i>	<i>3.6</i>	<i>(12.9)</i>	<i>22.9</i>	<i>26.5</i>	Return on Invested Capital	44.0	37.6	41.5	50.7
Other Income	2,600.6	2,633.7	1,892.2	1,981.9	Working Capital Ratios				
Bill discounting & other charges	81.4	58.0	60.0	77.8	Payable Days (Nos)	27	32	27	24
Fin Charges Coverage (X)	216.8	265.1	314.9	307.2	Inventory Days (Nos)	66	77	65	61
Exceptional Item	(132.1)	0.0	0.0	72.9	Receivable Days (Nos)	19	19	15	15
PBT	20,026.4	17,945.1	20,723.0	25,866.1	Net Working Capital Days (Nos)	58	64	54	52
<i>Margin (%)</i>	<i>40.5</i>	<i>36.4</i>	<i>34.2</i>	<i>36.5</i>	Net Working Capital to Sales (%)	15.8	17.4	14.7	14.2
<i>YoY Growth (%)</i>	<i>4.6</i>	<i>(10.4)</i>	<i>15.5</i>	<i>24.8</i>	Valuation (X)				
Tax Expense	4,441.8	4,555.3	5,237.3	6,438.4	P/E	35.6	41.4	35.7	28.4
<i>Tax Rate (%)</i>	<i>22.2</i>	<i>25.4</i>	<i>25.3</i>	<i>24.9</i>	P/BV	8.3	9.0	8.7	7.8
PAT	15,584.6	13,389.8	15,485.7	19,427.7	EV/EBITDA	26.9	30.9	25.6	20.3
<i>Margin (%)</i>	<i>31.5</i>	<i>27.2</i>	<i>25.5</i>	<i>27.4</i>	EV/Sales	10.5	10.7	8.7	7.4
<i>YoY Growth (%)</i>	<i>21.5</i>	<i>(14.1)</i>	<i>15.7</i>	<i>25.5</i>	Cash Flow Statement				
Min Int/Sh of Assoc	(278.3)	(228.6)	(243.0)	(236.0)	PBT	20,026.4	17,945.1	20,723.0	25,866.1
Net Profit	15,306.2	13,161.2	15,242.7	19,191.7	Adjustments	(1,468.2)	(94.7)	618.5	609.4
<i>Margin (%)</i>	<i>31.0</i>	<i>26.7</i>	<i>25.1</i>	<i>27.1</i>	Change in Working Capital	573.3	(768.2)	(328.7)	(1,159.6)
<i>YoY Growth (%)</i>	<i>21.6</i>	<i>(14.0)</i>	<i>15.8</i>	<i>25.9</i>	Less: Tax Paid	(4,441.8)	(4,555.3)	(5,237.3)	(6,438.4)
Balance Sheet					Cash Flow from Operations	14,689.7	12,527.0	15,775.5	18,877.6
Share Capital	1,229.2	1,230.9	1,232.3	1,242.8	Net Capital Expenditure	(2,414.1)	(1,834.1)	(2,008.5)	(2,693.8)
Total Reserves	64,421.5	59,463.3	61,589.5	68,296.0	Change in Investments	(3,759.9)	7,517.0	(230.0)	(3,038.5)
Shareholders Fund	65,650.7	60,694.2	62,821.9	69,538.8	Cash Flow from Investing	(6,174.0)	5,682.9	(2,238.5)	(5,732.3)
Long Term Borrowings	5.9	5.6	4.9	3.5	Change in Borrowings	(1,423.8)	14.9	(24.0)	11.9
Deferred Tax Assets / Liabilities	1,570.9	1,677.9	1,609.9	1,577.0	Less: Finance Cost	(81.4)	(58.0)	(60.0)	(77.8)
Other Long Term Liabilities	348.1	506.0	374.6	713.1	Proceeds from Equity	625.3	290.7	291.8	2,477.4
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	175.4	187.5	221.1	259.2	Dividend Paid	(7,301.6)	(18,881.4)	(13,788.3)	(15,417.5)
Total Liabilities	67,751.0	63,071.1	65,032.3	72,091.6	Cash flow from Financing	(8,181.5)	(18,633.8)	(13,580.5)	(13,006.0)
Net Block	21,328.0	22,921.9	23,867.4	25,499.0	Net Cash Flow	334.2	(424.0)	(43.5)	139.2
Capital Work in Progress	3,251.6	4,004.5	3,198.5	2,984.7	Forex Effect	0.0	0.0	0.0	0.0
Intangible assets under development	4.9	6.8	27.1	18.6	Opening Balance of Cash	342.9	677.0	310.2	266.7
Non Current Investments	10,715.0	10,024.5	12,576.7	12,182.2	Closing Balance of Cash	677.0	253.1	266.7	405.9
Long Term Loans & Advances	2,109.8	1,401.3	2,909.9	2,976.4					
Other Non Current Assets	10.8	33.2	19.8	2,146.9					
Net Current Assets	30,330.9	24,678.9	22,432.9	26,283.7					
Total Assets	67,751.0	63,071.1	65,032.3	72,091.6					

Source: Ventura Research

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