

January 30, 2024



**Current Price:** ₹ 450.00

## STOCK DATA

BSE Code	500875
NSE Symbol	ITC
Reuters	ITC.BO
Bloomberg	ITC IN

## VALUE PARAMETERS

52 W H/L(Rs)	499.60/329.00
Mkt. Cap.(Rs Cr)	561560.19
Latest Equity(Subscribed)	1247.91
Latest Reserve (cons.)	67852.15
Latest EPS (cons.) -Unit Curr.	16.13
Latest P/E Ratio -cons	27.90
Latest Bookvalue (cons.) -Unit Curr.	55.37
Latest P/BV - cons	8.13
Dividend Yield -%	3.43
Face Value	1.00

## SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/12/2023
Foreign	44.09
Institutions	41.97
Govt Holding	0.04
Non Promoter Corp. Hold.	0.93
Public & Others	12.98

## Consolidated Financial Result

In Cr.

Particulars	Qtr Ending	Qtr Ending	Var. (%)
	Dec. 23	Dec. 22	
Net Sales (including other operating income)	18,019.37	17,704.52	2
OPM (%)	36.09	37.87	-178 bps
OP	6,503.82	6,704.70	-3
Other Inc.	656.83	595.43	10
PBIDT	7,160.65	7,300.13	-2
Interest	13.60	9.21	48
PBDT	7,147.05	7,290.92	-2
Depreciation	459.45	447.11	3
PBT	6,687.60	6,843.81	-2
Share of Profit/(Loss) from Associates	6.01	10.16	-41
PBT before EO	6,693.61	6,853.97	-2
EO Income	-5.52	0.00	-
PBT after EO	6,688.09	6,853.97	-2
Taxation	1,281.57	1,773.72	-28
PAT	5,406.52	5,080.25	6
Minority Interest (MI)	71.29	73.60	-3
Net profit	5,335.23	5,006.65	7
EPS	4.28	4.03	

### ITC Q3FY24, Consolidated NP up 6.56% but margins declined, misses estimates

For quarter ending Dec 2023, consolidated Net sales (including other operating income) of ITC has increased 1.78% to Rs 18019.37 crore compared to quarter ended Dec 2022. Sales of FMCG-Cigarettes segment has gone up 2.59% to Rs 8,295.18 crore (accounting for 40.09% of total sales). Sales of FMCG-Others segment has gone up 7.62% to Rs 5,218.25 crore (accounting for 25.22% of total sales). Sales of Hotels segment rose 18.01% to Rs 872.46 crore (accounting for 4.22% of total sales). Sales of Agri Business segment has gone down 0.97% to Rs 3,273.23 crore (accounting for 15.82% of total sales). Sales of Paper boards, Paper & Packaging segment has gone down 9.74% to Rs 2,080.91 crore (accounting for 10.06% of total sales). Sales of Others segment has gone up 10.87% to Rs 950.04 crore (accounting for 4.59% of total sales). Inter-segment sales rose Rs 1,239.89 crore to Rs 1,352.23 crore.

Profit before interest, tax and other unallocable items (PBIT) has slumped 1.21% to Rs 6,486.87 crore. PBIT of FMCG-Cigarettes segment rose 2.14% to Rs 4,966.57 crore (accounting for 76.56% of total PBIT). PBIT of FMCG-Others segment rose 23.27% to Rs 433.80 crore (accounting for 6.69% of total PBIT). PBIT of Hotels segment rose 56.43% to Rs 233.47 crore (accounting for 3.60% of total PBIT). PBIT of Agri Business segment fell 12.80% to Rs 380.66 crore (accounting for 5.87% of total PBIT). PBIT of Paper boards, Paper & Packaging segment fell 51.30% to Rs 295.22 crore (accounting for 4.55% of total PBIT). PBIT of Others segment rose 10.46% to Rs 177.15 crore (accounting for 2.73% of total PBIT).

PBIT margin of FMCG-Cigarettes segment fell from 60.13% to 59.87%. PBIT margin of FMCG-Others segment rose from 7.26% to 8.31%. PBIT margin of Hotels segment rose from 20.19% to 26.76%. PBIT margin of Agri Business segment fell from 13.21% to 11.63%. PBIT margin of Paper boards, Paper & Packaging segment fell from 26.29% to 14.19%. PBIT margin of Others segment fell from 18.72% to 18.65%. Overall PBIT margin fell from 32.60% to 31.35%.

## Segment Result

In Cr.

	Qtr Ending Dec.23	Qtr Ending Dec.22	Var.(%)	% of (Total)
<b>Sales</b>				
FMCG-Cigarettes	8,295.18	8,085.72	3	40
FMCG-Others	5,218.25	4,848.95	8	25
Hotels	872.46	739.32	18	4
Agri Business	3,273.23	3,305.21	-1	16
Paper boards,Paper & Packaging	2,080.91	2,305.54	-10	10
Others	950.04	856.91	11	5
Total Reported Sales	20,690.07	20,141.65	3	100
Less: Inter segment revenues	1,352.23	1,239.89	9	
Net Sales	19,337.84	18,901.76	2	
<b>PBIT</b>				
FMCG-Cigarettes	4,966.57	4,862.33	2	77
FMCG-Others	433.8	351.91	23	7
Hotels	233.47	149.25	56	4
Agri Business	380.66	436.55	-13	6
Paper boards,Paper & Packaging	295.22	606.21	-51	5
Others	177.15	160.38	10	3
Total PBIT	6,486.87	6,566.63	-1	100
Less : Interest	13.6	9.21	48	
Add: Other un-allocable	208.81	286.39	-27	
<b>PBIT Margin(%)</b>				
FMCG-Cigarettes	59.87	60.13	-26	
FMCG-Others	8.31	7.26	106	
Hotels	26.76	20.19	657	
Agri Business	11.63	13.21	-158	
Paper boards,Paper & Packaging	14.19	26.29	-1211	
Others	18.65	18.72	-7	
<b>PBT</b>	6,682.08	6,843.81	-2	

Operating profit margin has declined from 37.87% to 36.09%, leading to 3% decline in operating profit to Rs 6,503.82 crore. Raw material cost as a % of total sales (net of stock adjustments) increased from 29.32% to 31.28%. Purchase of finished goods cost rose from 7.90% to 8.64%. Employee cost increased from 8.40% to 8.68%. Other expenses rose from 15.44% to 15.80%.

Other income rose 10.31% to Rs 656.83 crore. PBIDT fell 1.91% to Rs 7160.65 crore. Provision for interest rose 47.67% to Rs 13.6 crore. PBDT fell 1.97% to Rs 7147.05 crore. Provision for depreciation rose 2.76% to Rs 459.45 crore. Profit before tax down 2.28% to Rs 6,687.60 crore. Share of profit/loss was 40.85% lower at Rs 6.01 crore. Provision for tax was expense of Rs 1281.57 crore, compared to Rs 1773.72 crore. Effective tax rate was 19.16% compared to 25.88%. Net profit attributable to owners of the company increased 6.56% to Rs 5,335.23 crore.

### Other Highlights

Board declared Interim Dividend of Rs 6.25 per Ordinary Share of Re 1 each for the financial year ending on 31st March, 2024. Record Date for the purpose is 8th Feb 2024.

## Segmental Performance

- Resilient performance in FMCG – Others amidst subdued demand conditions; Segment Revenue up 7.6% YoY on a high base; 2-yr CAGR @ 12.8%. Segment EBITDA margin expanded 100 bps YoY to 11.0%; Segment PBIT up 24.1% YoY.
- Cigarettes Segment witnesses consolidation on a high base after a period of sustained growth momentum; Net Segment Revenue and Segment PBIT up 2.3% YoY.
- Best ever quarter for the Hotels Segment; Segment Revenue and PBIT up 18% and 57% YoY respectively. Segment EBITDA margin up 470 bps YoY to 36.2% driven by higher RevPARs, structural cost interventions and operating leverage. Demerger update-The Stock Exchanges have given their no-objection to the Scheme of Arrangement for demerger. Segment EBITDA margin expanded by 470 bps YoY to 36.2% driven mainly by higher RevPAR, operating leverage and strategic cost management initiatives.
- Agri Business Segment impacted by trade restrictions on agri commodities (-2.2% YoY); Revenue +14.2% YoY (excl. Wheat & Rice).
- 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.

## Outlook

The global economy remains sluggish with the pace of growth projected to decelerate for the third year in a row - from 2.6% in 2023 to 2.4% in 2024, nearly 75 bps below the average of the 2010s. Developing economies are projected to grow just 3.9% representing about 100 bps below the average of the previous decade, largely due to structural weakness in the Chinese economy. In Advanced economies, growth is set to slow to 1.2% in 2024 from 1.5% in 2023 (source: World Bank GEP Jan'24). The recent conflict in the Middle East has heightened geopolitical risks, and an escalation could weigh on growth even as the global economy continues to cope with the overlapping shocks of the past four years—the COVID-19 pandemic, the Russia-Ukraine conflict, unprecedented inflation, and subsequent sharp increase in interest rates.

India remains a bright spot amidst a slowing global economy with Real GDP growing by an impressive 7.6% YoY in Q2 FY24. This was driven by multi-dimensional and purposeful policy interventions by the Government of India with particular focus on infrastructure creation, which, inter alia, reflected in the strong growth of 11% YoY in Fixed Investments. Private Consumption, on the other hand, remained muted (especially in the value segment and rural markets), growing by only 3.1% YoY- well below the long-term average of about 7% p.a. Improving farm terms of trade, good recovery in winter crop sowing, and higher government spending augur well for a pick-up in rural demand going forward.

Amidst a challenging macro-economic and operating environment as stated above, and high base effect in some of its operating segments, the Company delivered resilient performance during the quarter.

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