

<b>ITC Ltd.</b>			<b>BUY</b>
<b>CMP</b>	<b>₹404.45 (12<sup>th</sup> Mar'24)</b>	<b>Target</b>	<b>₹ 515</b>

Equity (₹ Cr)	1248.15
FV (₹)	1.00
M. Cap (₹ Cr)	504563.43
52 Wk High (NSE)	499.70
52 Wk Low (NSE)	369.25
Book Value (₹ Cr)	59.69
P/B	6.77
TTM EPS (₹)	16.44
TTM P/E	24.60

Share Holding Pattern		
	Sep-23	Dec-23
Promoters		
FIIIs	43.34	43.26
DIIIs	41.94	41.98
Public	14.68	14.71

Financials (₹ Cr)			
	FY23	FY22	FY21
Gross Sales	76518.21	65205	53155.12
Gross Profit	41931.08	34283	29141.34
PBIDT	27679.99	22515.4	19648.65
PAT	19476.72	15503.1	13382.88
Equity Paid Up	1242.8	1232.33	1230.88
Reserves & Surplus	67171.01	59906.9	57409.94
Net Worth	68413.81	61139.2	58640.82
Total Debt	38.81	5.59	9.81
Operating CF	18877.55	15775.5	12526.97
Investing CF	-5732.29	-2238.5	5682.91
Financing CF	-13006	-13581	-18633.8
Free Cash flow	17775.92	14994.4	12778.93

### 3-year Price Chart



### Investment Rationale

- **British American Tobacco (BAT) Stake Sale, Non-Event:** BAT is trimming its stake by 3.5% in ITC to meet its own cash crunch and to strengthen its own financial statements. There is nothing wrong with ITC's business and it stays firm. The FMCG business continue to remain strong and the long-term growth potential holds intact. The company is expected to witness substantial margin expansion for over the next 5 years.

- **Strong Business Growth:** ITC is strengthening its competitive position in various FMCG categories. The company is benefitting from expanded distribution reach, a stronger e-commerce presence and notable innovation intensity.

- **Unlocking Value:** ITC hotel Demerger 1:10 to also unlock value. ITC will hold 40% share in ITC Hotels, the demerged entity. According to the management, ITC Hotels will have a debt-free strong balance sheet.

- **Strong Financials:** The company has demonstrated a commendable transformation in capital efficiency and cash generation from FY18 to FY23, fundamentally transforming its ROCE across non-cigarette businesses.

### Outlook & Valuation:

We remain optimistic on the company, considering recovery in rural growth, growth in non-cigarette segments, and the hotels segment being on track to list independently. The stake sale by BAT has nothing to do with ITC and the stock has corrected recently following Q3FY24 results and the overhang of the BAT stake sale. At the CMP, the scrip trades at 22x FY26E EPS (consensus) and with 4% dividend yield. Moreover, the stake sale by BAT is expected to be lapped by large institutions who would be keen to increase large cap exposure in their portfolio.

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