

October 24, 2024

## Q2FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	539		541	
Sales (Rs. m)	7,86,014	8,50,447	7,68,312	8,31,294
% Chng.	2.3	2.3		
EBITDA (Rs. m)	2,87,505	3,12,542	2,90,086	3,13,845
% Chng.	(0.9)	(0.4)		
EPS (Rs.)	18.5	20.0	18.7	20.1
% Chng.	(1.3)	(0.5)		

### Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	654	727	786	850
EBITDA (Rs. bn)	245	257	288	313
Margin (%)	37.4	35.4	36.6	36.8
PAT (Rs. bn)	204	207	231	250
EPS (Rs.)	16.4	16.5	18.5	20.0
Gr. (%)	8.9	1.0	11.7	8.3
DPS (Rs.)	13.8	14.5	15.5	16.5
Yield (%)	2.9	3.1	3.3	3.5
RoE (%)	29.2	28.6	31.1	31.6
RoCE (%)	32.7	33.1	36.0	36.8
EV/Sales (x)	8.7	7.9	7.2	6.7
EV/EBITDA (x)	23.3	22.2	19.8	18.2
PE (x)	28.8	28.5	25.6	23.6
P/BV (x)	8.2	8.2	7.7	7.2

### Key Data

ITC.BO | ITC IN

52-W High / Low	Rs.529 / Rs.399
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.5,900bn/ \$ 70,172m
Shares Outstanding	12,508m
3M Avg. Daily Value	Rs.7016.75m

### Shareholding Pattern (%)

Promoter's	-
Foreign	14.83
Domestic Institution	40.52
Public & Others	44.57
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(8.5)	10.0	8.2
Relative	(2.9)	1.4	(12.7)

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## Resilient performance

### Quick Pointers:

- Cig volumes up ~3.3%, FMCG sales grow 6.8% amid muted environment, Hotels perform well despite high base
- Paper business continues to face weakness while Agri business sees uptick

**ITC EBIDTA growth missed estimates due to higher than expected margin pressure in Paper business and impact of demand and cost headwinds in FMCG. Cigarette volumes grew by ~3.3% as ITC continued to invest behind brands and go to market initiatives. FMCG business sales grew 7% (ex of stationary) which although lower than previous years, however seems better than most of its FMCG peers.**

**We remain optimistic on cigarette demand and expect further increase in volume growth; margins are unlikely to improve due to higher leaf tobacco prices. FMCG sales are likely to show slow recovery, margin headwinds are likely in near term due to rising RM price of wheat, edible oils etc. Although Hotels have, a high, base, expect better performance in 2H25 due to uptick in seasonal demand. We believe paper margins will continue to face pressure in near term & expect delayed recovery.**

**We cut our FY 25/26/27 estimates by 4.4%/1.3%/0.6% & estimate 10% EPS CAGR over FY25-27 given pressure in Paper margins & tepid FMCG environment. ITC trades at 24.5x Sep'26 EPS with ROE/ROCE of 31.6/41.9% and ~80%+ dividend payout. We assign SOTP based target price of Rs539 (Rs541 earlier) based on Sept26. Retain Accumulate**

**2Q Revenue up 16.8%:** Revenues grew by 16.8% YoY to Rs193.3bn (PLe: Rs179bn). EBITDA grew by 4.9% YoY to Rs63.4bn (PLe:Rs 65bn); Margins contracted by 373bps YoY to 32.8% (PLe:36.4%) Adj PAT grew by 3.1% YoY to Rs50.8bn (PLe:Rs52.5bn).We estimate ~3.3% cigarette volume growth

## 2QFY25: Hotels and Agri key drivers: Paper and FMCG drag

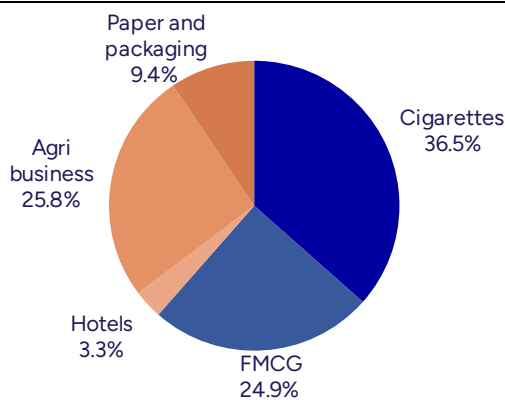
- Cigarette Revenues grew by 6.8% YoY to Rs81.8bn; EBIT grew by 5% YoY to 50.2bn. Margins contracted by 101bps YoY to 61.4%. Volumes grew 3.3%
- FMCG Revenues grew by 5.4% YoY to Rs55.8bn; EBIT grew by 1% YoY to 4.4bn. Margins contracted by 37bps YoY to 7.9%
- Hotels Revenues grew by 12.1% YoY to Rs7.3bn; EBIT grew by 20% YoY to 1.5bn. Margins expanded by 140bps YoY to 20.8%
- Agri Revenues grew by 47.1% YoY to Rs57.8bn; EBIT grew by 27% YoY to 4.5bn. Margins contracted by 121bps YoY to 7.9%
- Paperboard & Paper Revenues grew by 2.1% YoY to Rs21.1bn; EBIT grew by 23% YoY to 2.4bn. Margins contracted by 379bps YoY to 11.5%

**Exhibit 1: 2QFY25: Net Sales up 16.8%, margins contract due to higher Agri contribution and Paper margin pressure**

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	H1FY25	H1FY24	YoY gr. (%)
<b>Net Sales</b>	<b>1,93,277</b>	<b>1,65,501</b>	<b>16.8</b>	<b>1,79,237</b>	<b>7.8</b>	<b>1,70,001</b>	<b>3,63,278</b>	<b>3,23,783</b>	<b>12.2</b>
Gross profit	90,237	83,308	8.3	95,046	(5.1)	85,920	1,76,157	1,65,762	6.3
<b>Margins</b>	<b>46.7</b>	<b>50.3</b>	<b>(3.65)</b>	<b>53.0</b>	<b>(6.34)</b>	<b>50.5</b>	<b>48.5</b>	<b>51.2</b>	<b>(2.7)</b>
Other Exp	26,886	22,892	17.4	29,804	(9.8)	22,965	49,851	42,845	16.4
<b>EBITDA</b>	<b>63,352</b>	<b>60,416</b>	<b>4.9</b>	<b>65,242</b>	<b>(2.9)</b>	<b>62,955</b>	<b>1,26,306</b>	<b>1,22,917</b>	<b>2.8</b>
<b>Margins (%)</b>	<b>32.8</b>	<b>36.5</b>	<b>(3.7)</b>	<b>36.4</b>	<b>(3.6)</b>	<b>37.0</b>	<b>34.8</b>	<b>38.0</b>	<b>(3.2)</b>
Depreciation	4,443	4,132	7.5	4,500	(1.3)	4,309	8,752	8,157	7.3
Interest	147.8	105.1	40.6	115	28.5	111.4	259.2	212.3	22.1
Other Income	8,786	8,956	(1.9)	9,400	(6.5)	7,013	15,799	16,044	(1.5)
<b>PBT</b>	<b>67,547</b>	<b>65,135</b>	<b>3.7</b>	<b>70,027</b>	<b>(3.5)</b>	<b>65,547</b>	<b>1,33,094</b>	<b>1,30,591</b>	<b>1.9</b>
Tax	16,752	15,865	5.6	17,507	(4.3)	16,343	33,094	32,294	2.5
<b>Rate (%)</b>	<b>24.8</b>	<b>24.4</b>	<b>0.4</b>	<b>25.0</b>	<b>(0.2)</b>	<b>24.9</b>	<b>24.9</b>	<b>24.7</b>	<b>0.1</b>
<b>Adjusted PAT</b>	<b>50,795</b>	<b>49,270</b>	<b>3.1</b>	<b>52,521</b>	<b>(3.3)</b>	<b>49,205</b>	<b>1,00,000</b>	<b>98,297</b>	<b>1.7</b>

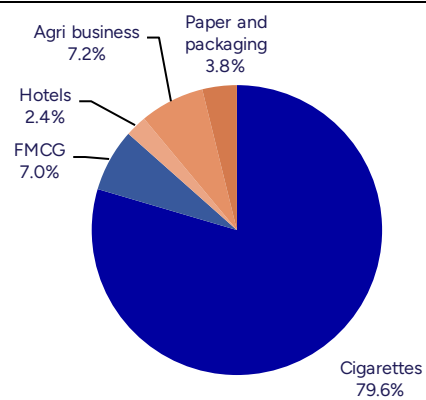
Source: Company, PL

**Exhibit 2: Sales Mix: Cigarettes 36.5%, Agri business 25.8%**



Source: Company, PL

**Exhibit 3: Cigarettes contribute ~80% of EBIT**



Source: Company, PL

**Exhibit 4: SOTP on FY27- cigarette account of 59% of value**

SOTP	Basis	X	EV (Rs mn)	PAT (Rs mn)	% of PAT	EPS (Rs)	Value/Share
Cigarettes	P/E	24		170845	74.0	13.7	328
FMCG - Others	EV/Sales	5.5	1583669	22826	9.9	1.8	127
Hotels	EV/EBIDTA	25	2,07,225	7486	3.2	0.6	17
Agri business	P/E	15		18124	7.8	1.4	22
Paper and packaging	P/E	14		14859	6.4	1.2	17
ITC Infotech	P/E	20		8288		0.7	13
Business Value						18.7	523
Cash and Invst			425244				34
<b>Total Value/share</b>							<b>557</b>

Source: PL

*Demand impacted due to unusual heavy rains and high food inflation due to volatility in commodity prices*

*Staples, Biscuits, Snacks, Frozen Snacks, Dairy, Premium Soaps, Homecare and Agarbatti continue to drive Growth*

*Education & stationery products witnessed heightened competitive intensity especially from regional/local players on the back of reduction in paper prices. Notebooks were impacted by high base effect and competition from local brands led by sharp drop in paper prices*

*Competitive intensity remained high in certain categories such as Biscuits, Snacks, Noodles, popular Soaps, including from local/regional players. ITC to continue focus on premiumisation.*

*Incessant rains and flooding in certain parts of the country adversely impacted categories with higher salience of discretionary/out-of-home consumption*

*FMCG EBIDTA margins at 10.6% amidst inflationary headwinds in input costs (edible oil, wheat, maida, potato etc)*

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

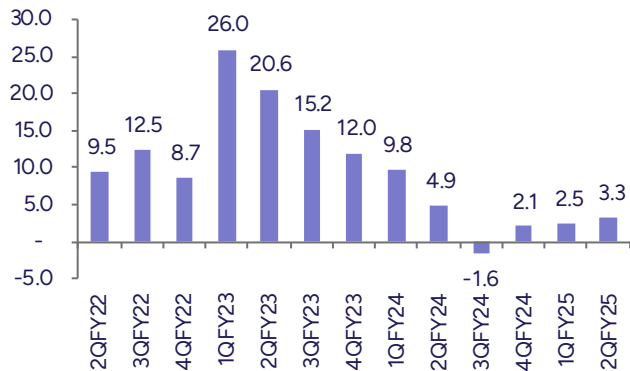
*Hotels business continues to grow in spite of high base on account of higher occupancy and stable ARR. Demerger likely to be completed by Mar'25*

**Exhibit 5: Cigarette volumes grew ~3.3%, Cigarettes margins at 62.6%**

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
<b>Cigarette Volume gr %</b>	<b>9.8</b>	<b>4.9</b>	<b>-1.6</b>	<b>2.0</b>	<b>2.5</b>	<b>3.3</b>
<b>Sales (INR m)</b>	<b>2,10,576</b>	<b>1,95,995</b>	<b>1,87,355</b>	<b>1,92,965</b>	<b>2,30,247</b>	<b>2,23,773</b>
Cigarettes	74,653	76,577	75,488	79,248	79,181	81,773
FMCG	51,660	52,916	52,091	53,002	54,910	55,777
Hotels	6,002	6,494	8,420	8,979	6,656	7,277
Agri business	57,054	39,310	30,547	31,007	69,733	57,805
Paper and packaging	21,208	20,699	20,809	20,729	19,767	21,141
<b>Sales growth (YoY)</b>	<b>-1.4</b>	<b>5.0</b>	<b>2.5</b>	<b>2.2</b>	<b>9.3</b>	<b>14.2</b>
Cigarettes	13.0	10.1	3.6	<b>7.7</b>	6.1	6.8
FMCG	16.1	8.3	7.6	7.2	6.3	5.4
Hotels	8.1	21.2	18.2	14.9	10.9	12.1
Agri business	(23.7)	(1.7)	(2.2)	(13.4)	22.2	47.1
Paper and packaging	(6.5)	(9.5)	(9.7)	(6.7)	(6.8)	2.1
<b>EBIT (INR m)</b>	<b>60,466</b>	<b>60,186</b>	<b>60,248</b>	<b>61,636</b>	<b>61,990</b>	<b>63,135</b>
Cigarettes	46,561	47,817	47,281	49,233	49,596	50,234
FMCG	4,309	4,386	4,318	4,773	4,759	4,418
Hotels	1,312	1,258	2,297	2,671	1,464	1,512
Agri business	3,560	3,567	3,393	2,026	3,558	4,547
Paper and packaging	4,725	3,158	2,960	2,934	2,613	2,425
<b>EBIT growth (YoY)</b>	<b>11.9</b>	<b>3.6</b>	<b>(1.4)</b>	<b>0.3</b>	<b>2.5</b>	<b>4.9</b>
Cigarettes	11.2	8.0	2.3	5.0	6.5	5.1
FMCG	111.3	36.8	24.1	(4.9)	10.4	0.7
Hotels	17.0	49.8	57.1	33.8	11.5	20.2
Agri business	25.3	3.3	(13.3)	(34.0)	(0.0)	27.5
Paper and packaging	(22.9)	(49.9)	(51.2)	(34.1)	(44.7)	(23.2)
<b>EBIT Margin (%)</b>						
Cigarettes	62.4	62.4	62.6	62.1	62.6	61.4
FMCG	8.3	8.3	8.3	9.0	8.7	7.9
Hotels	21.9	19.4	27.3	29.7	22.0	20.8
Agri business	6.2	9.1	11.1	6.5	5.1	7.9
Paper and packaging	22.3	15.3	14.2	14.2	13.2	11.5

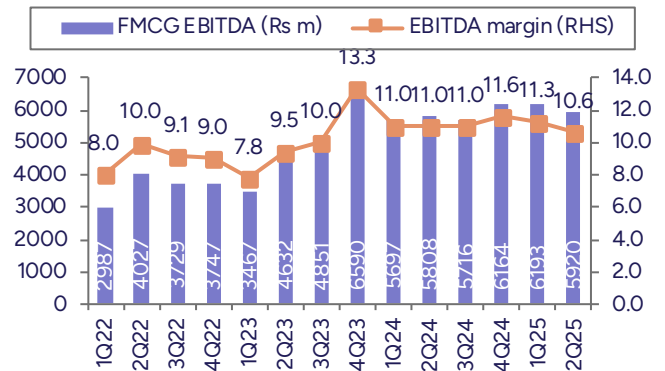
Source: Company, PL

**Exhibit 6: Cigarette Volumes up ~3.3%**



Source: Company, PL

**Exhibit 7: FMCG margins down 36bps at 10.6%**



Source: Company, PL

- Cigarette volumes grew ~3.3%; EBIT up 5.1%:** Cigarette Revenues grew by 6.8% YoY to Rs81.8bn; EBIT grew by 5% YoY to 50.2bn. Margins contracted by 101bps YoY to 61.4% due to high leaf tobacco prices. Cigarettes Segment witnessed stable growth led by differentiated and premium offerings. Significant cost increases in leaf tobacco were partially offset by an improved product mix, strategic cost management, and carefully adjusted pricing actions. ITC has launched classic in RSFT and improved its go to market initiatives, which enabled regain lost market share, in our view.
- FMCG EBITDA margins up 7.9%:** FMCG Revenues grew by 5.4% YoY (7% YoY ex-Notebooks) to Rs55.8bn; EBIT grew by 1% YoY to 4.4bn. Margins contracted by 37bps YoY to 7.9% due to subdued demand and input cost inflation in certain segments. Stationary business suffered due to local competition led by low paper prices. Staples, Biscuits, Snacks, Frozen Snacks, Dairy, Premium Soaps, Homecare and Agarbatti drive growth. Near term, margin headwinds might sustain due to low paper prices in stationary and higher input costs of wheat, edible oils and potato.
- Hotels Revenues up 12.1% YoY:** Hotels Revenues grew by 12.1% YoY to Rs7.3bn; EBIT grew by 20% YoY to 1.5bn. Margins expanded by 140bps YoY to 20.8% Hotels Segment delivered strong performance on a high base (PY includes G20 related business). F&B, Retail & Wedding segments drive growth. Outlook remains strong given rising Revpar and occupancy levels.
- Paperboards, Paper & Packaging:** Paperboard & Paper Revenues grew by 2.1% YoY to Rs21.1bn; EBIT grew by 23% YoY to 2.4bn. Margins contracted by 379bps YoY to 11.5%. Lower realizations, a sharp rise in domestic wood prices, and increased ocean freight costs continue to pressure margins. Unseasonal rains have negatively affected wood availability, quality, and procurement prices. Higher domestic wood prices and inability to pass on higher input costs will continue to pressurize margins in near term.
- Agri Business:** Agri Revenues grew by 47.1% YoY to Rs57.8bn EBIT grew 23%YoY to 2.4bn. Margins contracted by bps YoY to 5.1%. Robust growth in leaf tobacco exports was driven by strong customer relationships and strong domestic sales opportunity in coffee, fruits and vegetables, and spices boosted sales growth.

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

	FY22	FY23	FY24	FY25E	FY26E	FY26E
<b>Net Sales (Rs m)</b>						
Cigarettes	2,00,748	2,41,527	2,59,770	2,77,967	2,92,764	3,07,519
FMCG	1,59,648	1,90,815	2,10,479	2,26,726	2,55,458	2,87,940
Hotel	12,793	25,732	29,944	33,090	34,603	36,722
Agri	1,61,961	1,81,723	1,62,059	1,95,921	2,17,311	2,40,052
Paper and Paperboard	76,416	90,814	80,627	85,394	91,963	98,407
<b>Sales Growth (%)</b>						
Cigarettes	15.4	20.3	7.6	7.0	5.3	5.0
FMCG	8.5	19.5	10.3	7.7	12.7	12.7
Hotel	105.2	101.1	16.4	10.5	4.6	6.1
Agri	28.7	12.2	(10.8)	20.9	10.9	10.5
Paper and Paperboard	36.0	18.8	(11.2)	5.9	7.7	7.0
<b>EBIT (Rs m)</b>						
Cigarettes	1,48,691	1,79,271	1,89,329	2,01,292	2,13,718	2,26,285
FMCG	9,232	13,742	17,891	19,839	24,907	30,234
Hotel	-1,831	5,419	7,546	8,934	9,170	9,915
Agri	10,312	13,277	12,803	17,241	19,558	24,005
Paper and Paperboard	17,000	22,940	13,303	11,955	15,634	19,681
<b>EBIT Margin (%)</b>						
Cigarettes	63.4	63.6	62.4	62.0	62.5	63.0
FMCG	5.8	7.2	8.5	8.8	9.8	10.5
Hotel	-14.3	21.1	25.2	27.0	26.5	27.0
Agri	6.4	7.3	7.9	8.8	9.0	10.0
Paper and Paperboard	22.2	25.3	16.5	14.0	17.0	20.0
<b>EBIT Growth (%)</b>						
Cigarettes	16.9	20.6	5.6	6.3	6.2	5.9
FMCG	10.9	48.8	30.2	10.9	25.5	21.4
Hotel	-65.8	-396.0	39.2	18.4	2.6	8.1
Agri	25.6	28.8	-3.6	34.7	13.4	22.7
Paper and Paperboard	54.7	34.9	-42.0	-10.1	30.8	25.9

Source: Company, PL

**Exhibit 9: H1FY25 saw 9 openings & 15 signings**



Source: PL, Company

**Exhibit 10: Innovation-led launches in FMCG business**

Fortifying the Core	Addressing Adjacencies	New Growth Vectors
 <b>Bingo!</b> Original Style Himalayan Pink Salt  <b>Mangaldeep Scent</b> Crystal Waters   Mystic Amber  <b>Sunfeast Biscuits</b> Super Egg & Milk	 <b>Aashirvaad Svasti Milk</b> Creamy Rich  <b>Aashirvaad</b> Roasted Short Vermicelli	 <b>Dermafique</b> Face Serum Aqua Cloud  <b>Sunfeast Fantastik!</b> 4D Chocolate
 <b>YiPPee! Korean Noodles</b> Fiery Hot   Spicy Kimchi  <b>Vivel Soap</b> Pure Sandal Oil	 <b>Bingo! Tedhe Medhe</b> Bhavnagari Gathiya   Papdi Gathiya  <b>Classmate pen</b> Loop Ball Pen	 <b>Fabelle Exquisite Chocolates</b> Hazelnut Mousse  <b>ITC Master Chef</b> Sabudana Tikki

Source: PL, Company

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>6,54,408</b>	<b>7,26,611</b>	<b>7,86,014</b>	<b>8,50,447</b>
YoY gr. (%)	(0.9)	11.0	8.2	8.2
Cost of Goods Sold	2,69,821	3,26,088	3,45,985	3,75,527
Gross Profit	3,84,587	4,00,522	4,40,029	4,74,921
Margin (%)	58.8	55.1	56.0	55.8
Employee Cost	37,322	40,034	42,240	45,597
Other Expenses	45,215	48,845	51,546	53,939
<b>EBITDA</b>	<b>2,44,786</b>	<b>2,57,410</b>	<b>2,87,505</b>	<b>3,12,542</b>
YoY gr. (%)	2.2	5.2	11.7	8.7
Margin (%)	37.4	35.4	36.6	36.8
Depreciation and Amortization	16,478	18,638	19,728	21,010
<b>EBIT</b>	<b>2,28,308</b>	<b>2,38,772</b>	<b>2,67,777</b>	<b>2,91,532</b>
Margin (%)	34.9	32.9	34.1	34.3
Net Interest	457	457	457	457
Other Income	35,383	35,340	38,502	40,361
<b>Profit Before Tax</b>	<b>2,63,233</b>	<b>2,73,654</b>	<b>3,05,822</b>	<b>3,31,436</b>
Margin (%)	40.2	37.7	38.9	39.0
Total Tax	58,938	67,045	74,926	81,202
Effective tax rate (%)	22.4	24.5	24.5	24.5
<b>Profit after tax</b>	<b>2,04,295</b>	<b>2,06,609</b>	<b>2,30,895</b>	<b>2,50,234</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,04,295</b>	<b>2,06,609</b>	<b>2,30,895</b>	<b>2,50,234</b>
YoY gr. (%)	9.4	1.1	11.8	8.4
Margin (%)	31.2	28.4	29.4	29.4
Extra Ord. Income / (Exp)	(76)	-	-	-
<b>Reported PAT</b>	<b>2,04,220</b>	<b>2,06,609</b>	<b>2,30,895</b>	<b>2,50,234</b>
YoY gr. (%)	8.9	1.2	11.8	8.4
Margin (%)	31.2	28.4	29.4	29.4
Other Comprehensive Income	22,811	-	-	-
Total Comprehensive Income	2,27,030	2,06,609	2,30,895	2,50,234
<b>Equity Shares O/s (m)</b>	<b>12,485</b>	<b>12,497</b>	<b>12,509</b>	<b>12,521</b>
<b>EPS (Rs)</b>	<b>16.4</b>	<b>16.5</b>	<b>18.5</b>	<b>20.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,59,599</b>	<b>3,86,799</b>	<b>4,13,999</b>	<b>4,41,199</b>
Tangibles	3,36,105	3,63,105	3,90,105	4,17,105
Intangibles	23,494	23,694	23,894	24,094
<b>Acc: Dep / Amortization</b>	<b>1,15,065</b>	<b>1,32,228</b>	<b>1,50,456</b>	<b>1,69,929</b>
Tangibles	1,12,128	1,28,935	1,46,805	1,65,917
Intangibles	2,937	3,292	3,651	4,012
<b>Net fixed assets</b>	<b>2,44,534</b>	<b>2,54,571</b>	<b>2,63,543</b>	<b>2,71,270</b>
Tangibles	2,23,977	2,34,169	2,43,300	2,51,188
Intangibles	20,557	20,402	20,244	20,082
Capital Work In Progress	10,780	20,000	20,000	20,000
Goodwill	5,772	5,772	5,772	5,772
Non-Current Investments	2,28,246	2,27,711	2,44,896	2,63,687
Net Deferred tax assets	(20,837)	(19,795)	(18,805)	(17,865)
Other Non-Current Assets	23,238	25,728	27,205	28,808
<b>Current Assets</b>				
Investments	1,19,169	1,23,524	1,41,483	1,61,585
Inventories	1,26,315	1,12,339	1,19,370	1,26,828
Trade receivables	33,115	25,621	27,711	29,977
Cash & Bank Balance	62,177	65,693	62,398	64,287
Other Current Assets	11,342	15,259	16,506	17,859
<b>Total Assets</b>	<b>8,73,276</b>	<b>8,86,087</b>	<b>9,40,225</b>	<b>10,03,104</b>
<b>Equity</b>				
Equity Share Capital	12,485	12,497	12,509	12,521
Other Equity	7,09,848	7,08,160	7,53,216	8,05,061
<b>Total Networkth</b>	<b>7,22,333</b>	<b>7,20,657</b>	<b>7,65,725</b>	<b>8,17,582</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	18	18	18	18
Provisions	2,215	2,264	2,412	2,606
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	44,896	49,033	52,033	56,345
Other current liabilities	79,261	90,205	96,899	1,04,123
<b>Total Equity &amp; Liabilities</b>	<b>8,73,276</b>	<b>8,86,087</b>	<b>9,40,224</b>	<b>10,03,104</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,63,233	2,73,654	3,05,822	3,31,436
Add. Depreciation	16,478	18,638	19,728	21,010
Add. Interest	457	457	457	457
Less Financial Other Income	35,383	35,340	38,502	40,361
Add. Other	36,588	(3,123)	(1,910)	(1,903)
Op. profit before WC changes	3,16,757	2,89,627	3,24,097	3,51,000
Net Changes-WC	(11,158)	27,534	(21,782)	(22,860)
Direct tax	(58,938)	(67,045)	(74,926)	(81,202)
<b>Net cash from Op. activities</b>	<b>2,46,661</b>	<b>2,50,116</b>	<b>2,27,388</b>	<b>2,46,938</b>
Capital expenditures	(26,016)	(37,896)	(28,699)	(28,737)
Interest / Dividend Income	-	-	-	-
Others	(64,584)	535	(17,184)	(18,791)
<b>Net Cash from Invt. activities</b>	<b>(90,600)</b>	<b>(37,360)</b>	<b>(45,883)</b>	<b>(47,528)</b>
Issue of share cap. / premium	33,739	(36,621)	(4,617)	(4,491)
Debt changes	(15)	-	-	-
Dividend paid	(1,91,639)	(1,71,665)	(1,81,210)	(1,93,886)
Interest paid	(457)	(457)	(457)	(457)
Others	(174)	37	(192)	(215)
<b>Net cash from Fin. activities</b>	<b>(1,58,547)</b>	<b>(2,08,705)</b>	<b>(1,86,477)</b>	<b>(1,99,049)</b>
<b>Net change in cash</b>	<b>(2,485)</b>	<b>4,050</b>	<b>(4,971)</b>	<b>361</b>
Free Cash Flow	2,20,645	2,12,220	1,98,689	2,18,201

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	16.4	16.5	18.5	20.0
CEPS	17.7	18.0	20.0	21.7
BVPS	57.9	57.7	61.2	65.3
FCF	17.7	17.0	15.9	17.4
DPS	13.8	14.5	15.5	16.5
<b>Return Ratio(%)</b>				
RoCE	32.7	33.1	36.0	36.8
ROIC	33.0	34.3	36.4	37.5
RoE	29.2	28.6	31.1	31.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	64	45	44	43
<b>Valuation(x)</b>				
PER	28.8	28.5	25.6	23.6
P/B	8.2	8.2	7.7	7.2
P/CEPS	17.7	18.0	20.0	21.7
EV/EBITDA	23.3	22.2	19.8	18.2
EV/Sales	8.7	7.9	7.2	6.7
Dividend Yield (%)	2.9	3.1	3.3	3.5

Source: Company Data, PL Research

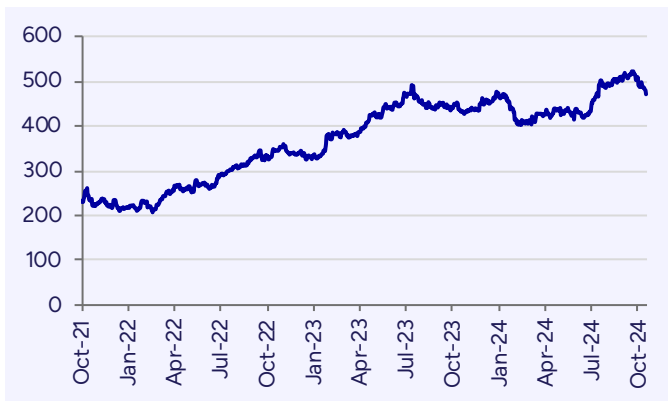
**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
<b>Net Revenue</b>	<b>1,64,833</b>	<b>1,65,793</b>	<b>1,70,001</b>	<b>1,93,277</b>
YoY gr. (%)	1.6	1.1	7.4	16.8
Raw Material Expenses	68,494	66,529	71,885	90,944
Gross Profit	96,339	99,264	98,116	1,02,334
Margin (%)	58.4	59.9	57.7	52.9
<b>EBITDA</b>	<b>60,243</b>	<b>61,626</b>	<b>62,955</b>	<b>63,352</b>
YoY gr. (%)	(3.2)	(0.8)	0.7	4.9
Margin (%)	36.5	37.2	37.0	32.8
Depreciation / Depletion	4,168	4,154	4,309	4,443
<b>EBIT</b>	<b>56,075</b>	<b>57,473</b>	<b>58,646</b>	<b>58,908</b>
Margin (%)	34.0	34.7	34.5	30.5
Net Interest	124	121	111	148
Other Income	11,353	7,986	7,013	8,786
<b>Profit before Tax</b>	<b>67,305</b>	<b>65,338</b>	<b>65,547</b>	<b>67,547</b>
Margin (%)	40.8	39.4	38.6	34.9
Total Tax	11,529	15,115	16,343	16,752
Effective tax rate (%)	17.1	23.1	24.9	24.8
<b>Profit after Tax</b>	<b>55,776</b>	<b>50,223</b>	<b>49,205</b>	<b>50,795</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>55,776</b>	<b>50,223</b>	<b>49,205</b>	<b>50,795</b>
YoY gr. (%)	10.9	0.2	0.4	3.1
Margin (%)	33.8	30.3	28.9	26.3
Extra Ord. Income / (Exp)	(55)	(21)	(30)	(12)
<b>Reported PAT</b>	<b>55,721</b>	<b>50,202</b>	<b>49,175</b>	<b>50,783</b>
YoY gr. (%)	10.8	(1.3)	0.3	3.1
Margin (%)	33.8	30.3	28.9	26.3
Other Comprehensive Income	2,424	15,250	(1,476)	(4,499)
<b>Total Comprehensive Income</b>	<b>58,145</b>	<b>65,452</b>	<b>47,699</b>	<b>46,285</b>
Avg. Shares O/s (m)	12,309	12,309	12,309	12,309
<b>EPS (Rs)</b>	<b>4.5</b>	<b>4.1</b>	<b>4.0</b>	<b>4.1</b>

Source: Company Data, PL Research



**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	541	504
2	01-Aug-24	Accumulate	519	494
3	09-Jul-24	Accumulate	491	434
4	23-May-24	Accumulate	491	441
5	09-Apr-24	Accumulate	488	426
6	30-Jan-24	Accumulate	489	450
7	08-Jan-24	Accumulate	487	466
8	12-Dec-23	Accumulate	492	453

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	3,130	3,740
5	Dabur India	Hold	603	572
6	Emami	Hold	836	743
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	541	504
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	286	292
11	Marico	Hold	681	690
12	Metro Brands	Hold	1,268	1,255
13	Mold-tek Packaging	Accumulate	853	749
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,454	3,226
16	Restaurant Brands Asia	Accumulate	129	110
17	Titan Company	Accumulate	3,969	3,670
18	Westlife Foodworld	Hold	889	889

**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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