NARNOLIA
Advance Strategy Simple Solutions
SEBI Registered Portfolio Manager

ITC

BUY

ITC Limited

9-Feb-16

Result Update	
CMP	315
Target Price	355
Previous Target Price	385
Upside	13%
Change from Previous	8%

Market Data	
BSE Code	500875
NSE Symbol	ITC
52wk Range H/L	409.95/294.00
Mkt Capital (Rs Cr)	251,548
Av. Volume	1861453
Nifty	7387

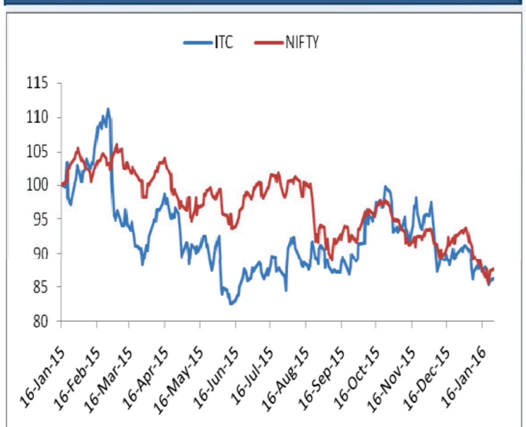
Stock Performance

	1Month	3 Month	1Year
Absolute	-4.2	-9.6	-14.0
Rel.to Nifty	1.2	-4.0	1.9

Share Holding Pattern-%

	2QFY16	3QFY16	4QFY15
Promoters	-	-	-
FII	20.7	20.8	20.3
DII	34.8	34.8	34.8
Others	44.5	44.4	44.9

Company Vs NIFTY



The company reported a flat revenue growth of 2.6% YoY to Rs 9177 Cr for the 3QFY16. Its cigarette business revenue grew by 6% YoY while non-ciagrette FMCG business grew by 7% YoY during the quarter.Hotel sales and Paper sales grew by 5% YoY.Company's all segments shows the growth in the sales while Agri business shows decline of 7% YoY to Rs 1481 Cr. due to lack of trading opportunities.

The overall revenue growth of the company was affected by decline in Agri business. However the Operating profit grew by 4.1% YoY and PAT grew by 0.7% YoY.

Q3FY16 _Result Update

>The Cigarette business shows the growth of 6% YoY to Rs 2478 Cr. The cigarette sales volume declined by 5% YoY during the quarter.

>The food business of the companies continues to perform well. Thus the non-cigarette FMCG revenues shows the growth of 7% during the quarter.

>Lower exports affected the performance of Agri business.Agri business dipped 7% YoY hit by lack of export opportunities in wheat, coffee and soya.

>The demand for tobacco has declined in the global markets due to decline in the global cigarette sales.

>The Hotel business grew by 5% during the quarter driven by improvement in the Occupancies and higher food and beverages sale.

>The reported COGS for the quarter was Rs 3336 Cr.

>The gross profit margin (GPM) improved by 224bps YoY to 63.4% and the opearting profit margin (OPM) improved by 86bps YoY to 39.6%.

>The reported PAT for the quarter was Rs 2652 Cr against Rs 2635 Cr for the same quarter previous year.

Outlook and Valuation

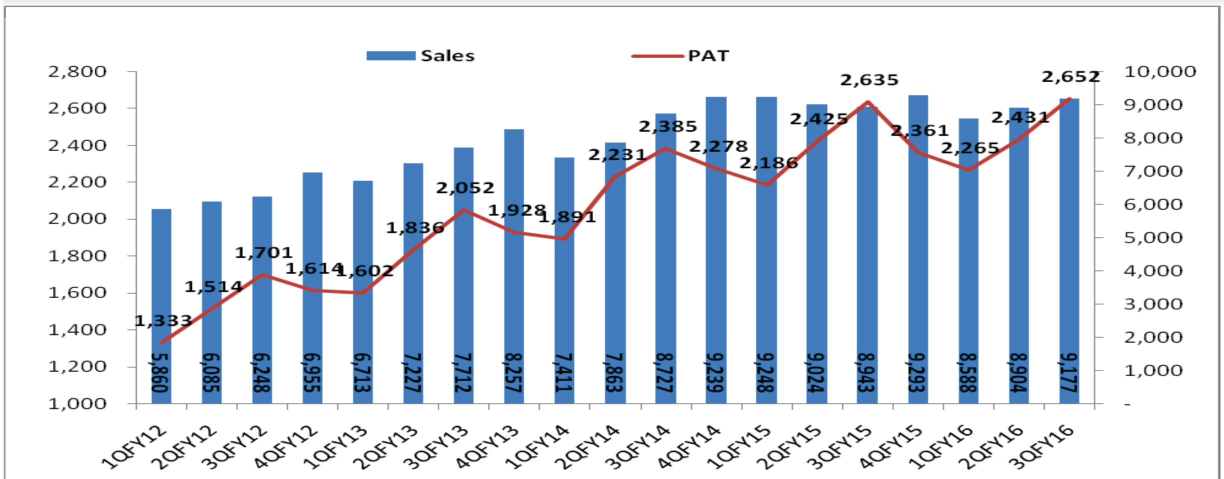
The company at CMP Rs 315 is trading at 12.5 x of one year forward p/e of 25.In the light of business matrix and financial performance we will remain BUY with new TP of Rs 355.We have slightly tapered our target price.

Financials	*FY12*	*FY13*	*FY14*	*FY15*	*FY16E*
Sales	*26525*	*31628*	*35317*	*38835*	*38643*
EBITDA	*9210*	*11174*	*13052*	*14202*	*15128*
Net Profit	*6258*	*7608*	*8891*	*9663*	*10124*
EBIDTA%	*34.7%*	*35.3%*	*37.0%*	*36.6%*	*39.1%*
P/E	*28.3*	*32.1*	*31.6*	*29.4*	*28.2*

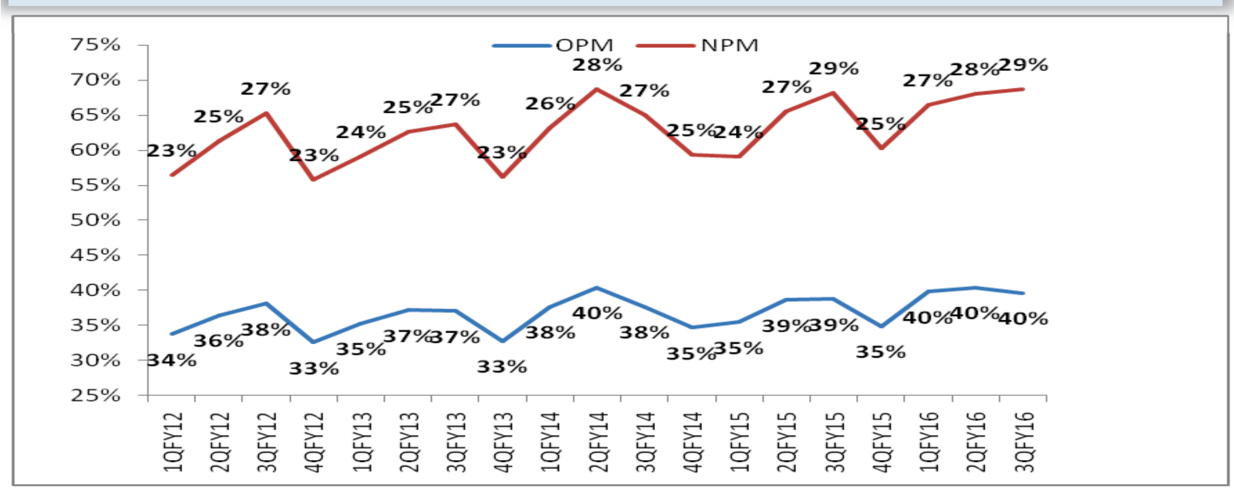
(Source: Company/Eastwind)

	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16
1. Segment Revenue																		
Cigarettes	2968	**3233**	**3250**	3304	3385	3657	3623	3537	3724	4116	4080	4201	4251	4142	4211	4150	4317	4380
Others FMCG	1341	**1371**	**1617**	1473	1691	1783	2036	1745	1966	2078	2313	1935	2196	2314	2567	2171	2352	2478
FMCG	**4309**	**4604**	**4866**	**4777**	**5076**	**5440**	**5659**	**5282**	**5690**	**6194**	**6392**	**6136**	**6447**	**6456**	**6777**	**6321**	**6669**	**6858**
Agri Business	**1435**	**1139**	**1414**	**1691**	**2024**	**1631**	**1854**	**2189**	**1772**	**1788**	**2004**	**3296**	**2059**	**1598**	**1428**	**2325**	**1844**	**1481**
Paperboards, Paper & Packaging	1005	978	980	1059	1059	1062	1058	1163	1179	1257	1261	1288	1284	1199	1203	1265	1254	**1260**
Hotels	211	279	286	232	217	309	315	250	247	315	321	249	262	330	346	288	290	**345**
Total	**6960**	**7000**	**7546**	**7760**	**8376**	**8442**	**8887**	**8884**	**8888**	**9555**	**9978**	**10969**	**10051**	**9583**	**9754**	**10199**	**10057**	**9944**
Less: Inter Segment Revenue	986	805	685	1108	1230	815	707	1546	1108	930	834	1804	1121	783	566	1693	1252	841
Net sales/income from Operations	**5974.18**	**6195.38**	**6861.27**	**6652.16**	**7146.00**	**7626.71**	**8180.30**	**7338.52**	**7779.79**	**8625.11**	**9144.12**	**9164.42**	**8930.32**	**8800.22**	**9188.25**	**8505.53**	**8804.70**	**9102.63**

Sales and PAT Growth



OPM and NPM



Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16E
Revenue (Net of Excise D	31628	35317	38835	38643
Other Income	878	971	1257	1556
Total Revenue	32505	36288	40091	40199
COGS	12118	13240	14772	13297
GPM	38%	37%	38%	0%
Other Expenses	6189	6521	7089	7364
EBITDA	11174	13052	14202	15128
EBITDA Margin (%)	35%	37%	37%	0%
Depreciation	859	965	1028	
EBIT	10315	12087	13174	15565
Interest	87	6	68	53
PBT	11106	13052	14362	15512
Tax	3412	4061	4596	5283
Tax Rate (%)	31%	31%	32%	34%
Reported PAT	7608	8891	9663	10124
Dividend Paid	4163	4927	5688	5899
No. of Shares	790	795	802	807

Souce: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16E
EPS	9.6	11.2	12.1	12.5
Book Value	29.3	34.2	39.6	44.7
DPS	5.3	6.2	7.1	7.3
Payout (incl. Div. Tax.)	55%	55%	59%	58%
Valuation(x)				
P/E	32.1	31.6	29.4	28.2
Price / Book Value	10.5	10.3	8.9	7.9
Dividend Yield (%)	1.70%	1.76%	2.00%	2.07%
Profitability Ratios				
RoE	33%	33%	30%	28%
RoCE	44%	44%	41%	39%
Turnover Ratios				
Asset Turnover (x)	0.9	0.9	0.8	0.8
Debtors (No. of Days)	16.1	25.2	18.6	18.6
Inventory (No. of Days)	226.6	227.6	212.2	212.2
Creditors (No. of Days)	20.4	21.8	19.0	19.0
Net Debt/Equity (x)	0.00	0.00	0.00	0.00

Souce: Eastwind/Company

BALANCE SHEET

	FY13	FY14	FY15	FY16E
Share Capital	790	795	802	807
Reserves	22368	26442	30934	35264
Net Worth	23158	27237	31735	36071
Long term Debt	91	76	61	55
Short term Debt	0	150	195	254
Deferred Tax	1214	1307	1643	2053
Total Capital Employed	23249	27313	31796	36126
Net Fixed Assets	13885	15742	17772	19553
Capital WIP	2041	3081	2672	2672
Debtors	1396	2439	1982	1982
Cash & Bank Balances	3828	3490	7896	10221
Trade payables	1772	2106	2020	1869
Total Provisions	5339	6088	6286	6471
Net Current Assets	8540	10845	13610	16217
Total Assets	35353	40884	45991	50683

Souce: Eastwind/Company

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	11106	13052	14362	15512
Depreciation	859	965	1028	982
Direct Taxes Paid	3015	3984	4449	5283
Operating profit before w	11218	13172	14261	16547
CF from Op. Activity	7102	7344	9843	10825
	(53)	(26)	0	0
Capital expenditure on fix	(2644)	(2887)	(3300)	(2764)
CF from Inv. Activity	(3881)	(3254)	(5275)	(2739)
Repayment of Long Term	(12)	(15)	(20)	(6)
Interest Paid	(71)	(48)	(16)	(53)
Divd Paid (incl Tax)	(4163)	(4927)	(5688)	(5899)
CF from Fin. Activity	(3310)	(4122)	(4661)	(5489)
Inc/(Dec) in Cash	(90)	(32)	(93)	2597
Add: Opening Balance	398	309	276	7896
Closing Balance	309	276	183	10494

Souce: Eastwind/Company