ITC Ltd.

The giant awakens

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ITC Ltd.

BUY @ CMP INR 272.6 | **Target: INR 350 in 18 months** | **Upside Potential: 28.4%**

The giant awakens

Although ITC Ltd. has been a stark underperformer over the last few years, we believe that this is set to change. Having achieved critical scale, the FMCG business which has been dragging profitability is expected to witness robust growth (16% CAGR to INR 22,729 cr) with improving margins (+290 bps to 8.6%). Increasing migration towards sustainable packaging and revenge travel post pandemic should help bolster revenue growth and profitability of both verticals. With buoyancy in tax collections, the stress on rising cigarette taxation is diminished and should help drive cigarette volume growth. The agri-commodity business prospects have sharply improved post the Ukraine invasion and the IT vertical is expected to continue its strong double digit revenue growth with top percentile margins.

With all verticals set to fire on all four cylinders, we expect revenue / EBIT / PAT to grow at a CAGR of 17.7% /17.0% /14.5% to INR 86,678.6 cr/ INR 24,613.5 cr/ INR 19,739.9 cr over the period FY21-24. However, we have not modeled any margin expansion given the systemic inflationary pressures.

We initiate coverage with a strong BUY rating for a price target of INR 350 representing an upside of 28.4% over the next 18 months from the CMP of INR 272.6. To arrive at this price objective, we have used an average of the SOTP, DCF and DDM valuation methodologies.

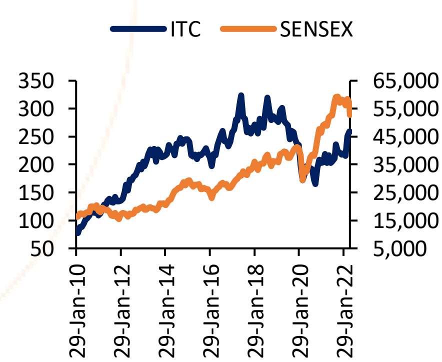
Among Nifty 50 stocks, ITC is one of the few stocks that provide a strong growth opportunity along with an attractive dividend yield of 4.19%. The market has not taken cognizance of the fact that ITC's FY24 EBIT of INR 24,613.5 cr is expected to be more than 1.6X that of HUL (which is the 2nd most profitable listed consumer player) and equal to the combined EBIT of the next 4 players. We believe that this dominance should result in the rerating of the stock as the growth story unfolds. Another kicker for the valuation rerating is the potential demerger plan as outlined in the Dec-21 corporate communication.

Industry	FMCG

Scrip Details	
Face Value (INR)	1.0
Market Cap (INR Cr)	3,35,872
Price (INR)	272.6
No of Shares O/S (Cr)	1,232
3M Avg Vol (000)	23,251
52W High/Low (INR)	282/201
Dividend Yield (%)	4.19

Shareholding (%)	March 2022
Promoter	0.0
Institution	54.76
Public	45.24
TOTAL	**100.0**

Price Chart

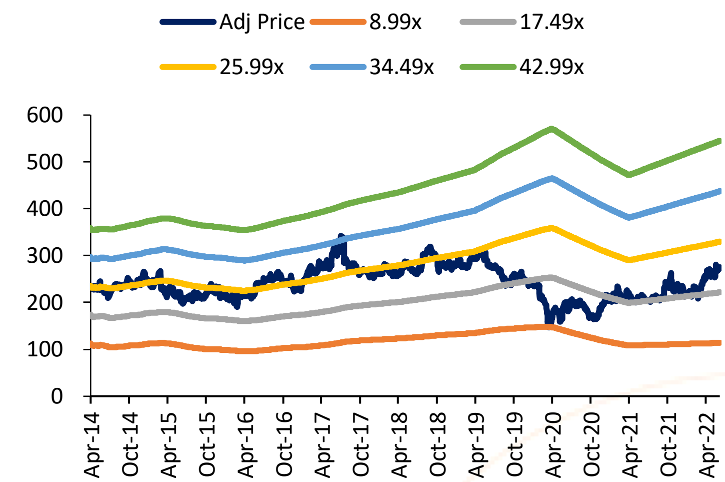


Key Financial Data (INR Cr, unless specified)

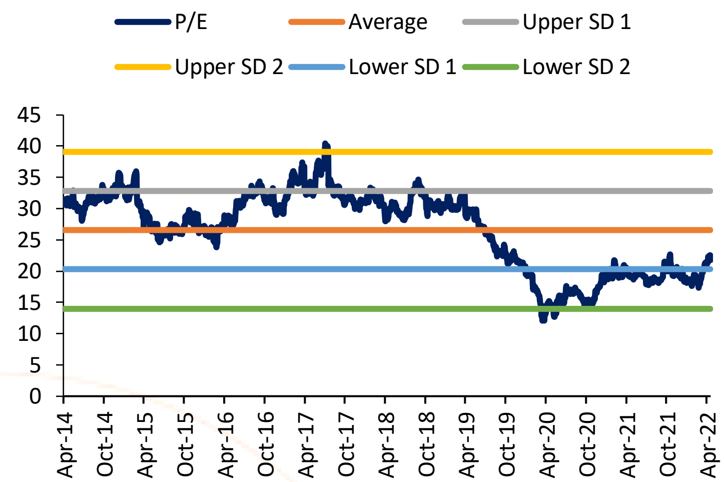
	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (INR)	BVPS (INR)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)
FY20	51,393	19,284	15,306	37.5	29.8	12.4	53.3	23.4	44.0	22.0	5.1
FY21	53,155	17,015	13,161	32.0	24.8	10.7	49.3	21.8	37.6	25.5	5.5
FY22E	65,205	20,658	15,244	31.7	23.4	12.4	51.0	24.4	41.6	22.0	5.3
FY23E	76,834	23,341	17,232	30.4	22.4	14.0	52.3	26.9	49.1	19.5	5.2
FY24E	86,679	26,513	19,740	30.6	22.8	16.0	53.8	29.9	56.3	17.0	5.1

Resurgent business verticals portend a re-rating for ITC

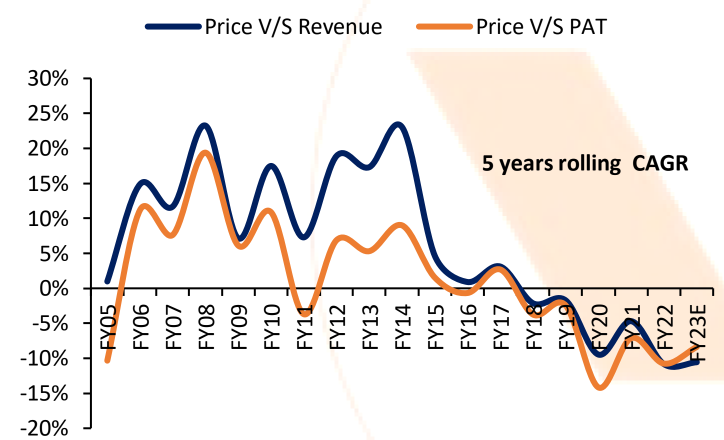
1 year forward P/E band chart



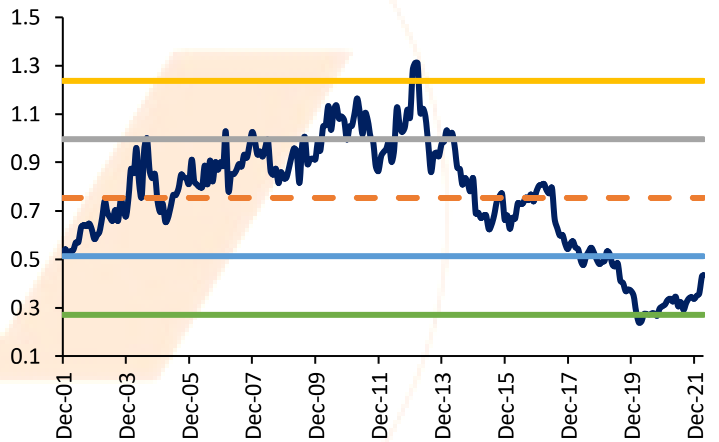
P/E & Standard deviation



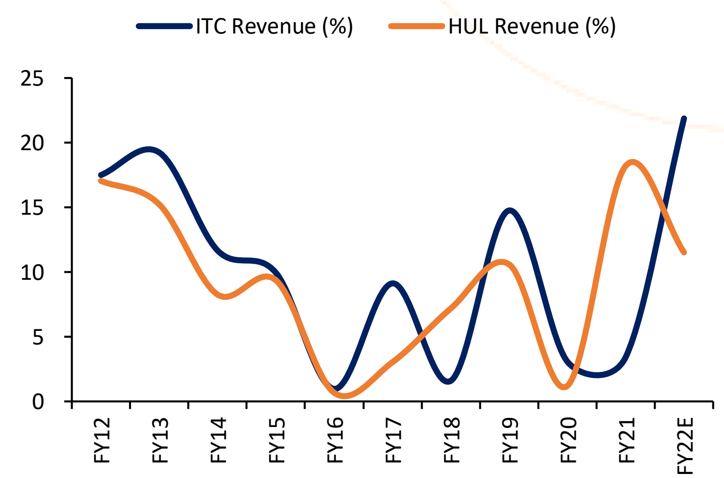
ITC's share price performance has sharply underperformed revenue and net profit growth



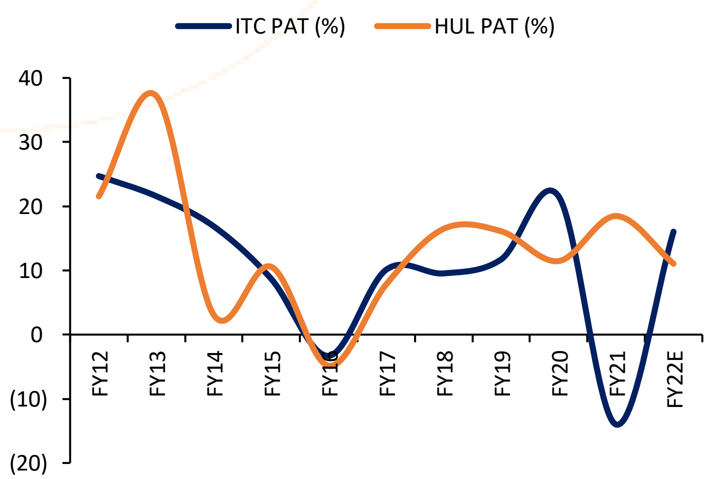
ITC has been a stark underperformer vis-a-vis HUL in the recent past



ITC and HUL revenue growth (%)



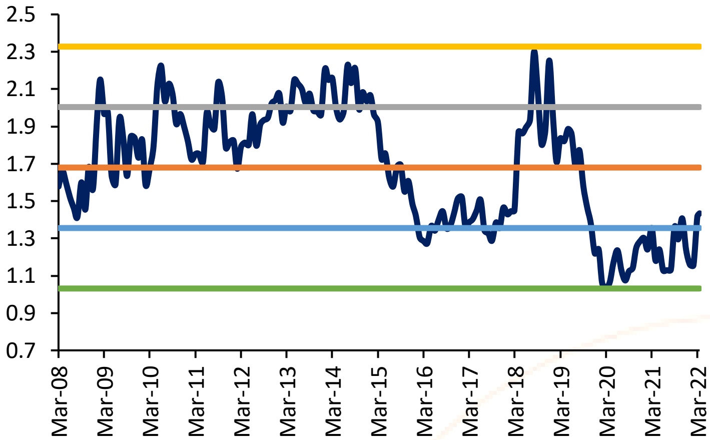
ITC and HUL PAT growth (%)



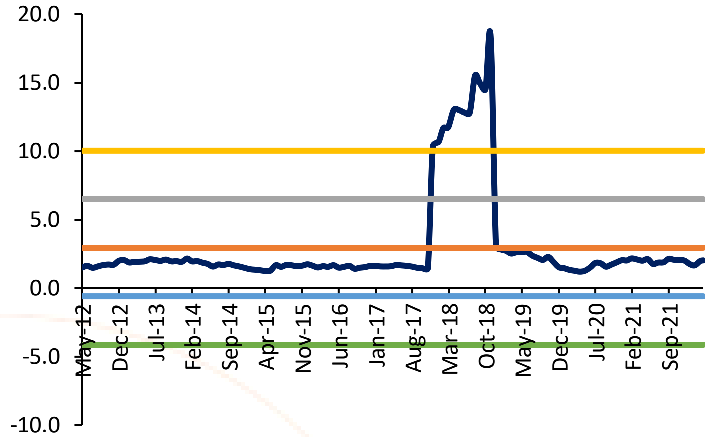
Source: Company Reports & Ventura Research

ITC valuation vis-a-vis global tobacco peer

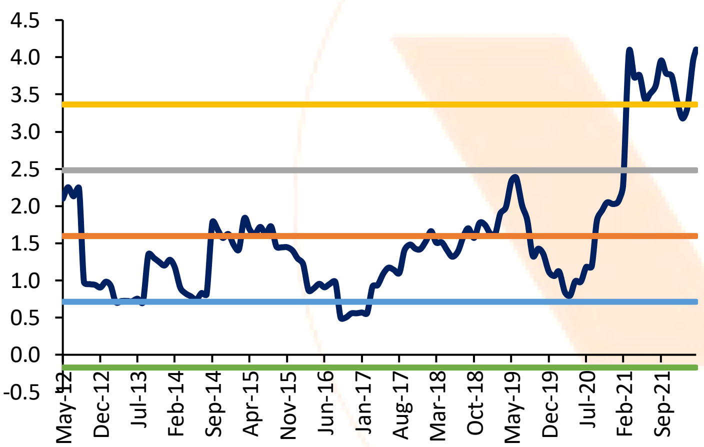
ITC has underperformed Philip Morris over the last four years



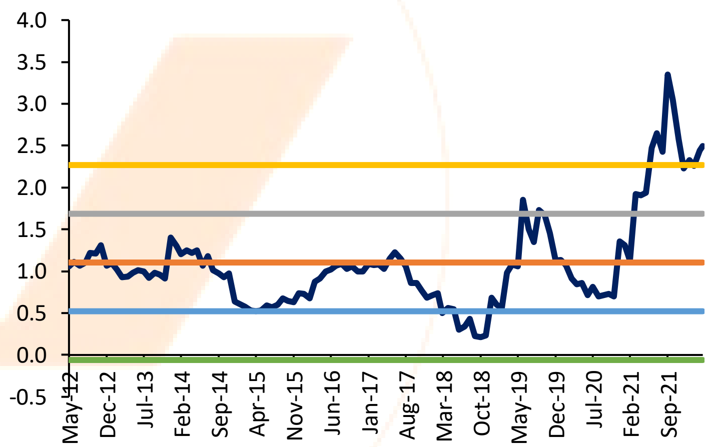
ITC has underperformed British American Tobacco over the last four years



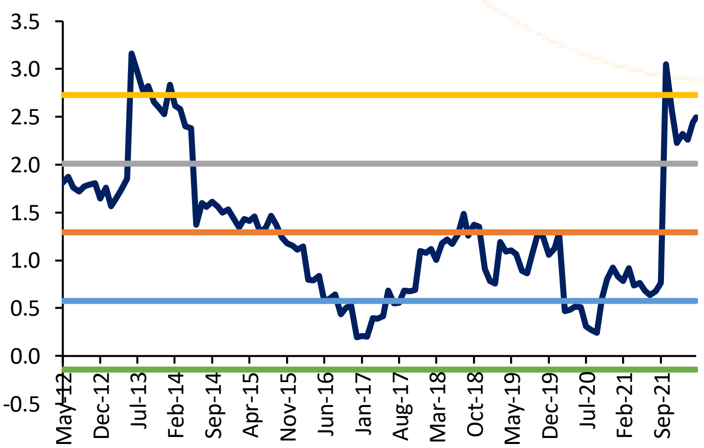
ITC has underperformed Imperial Brands over the last four years



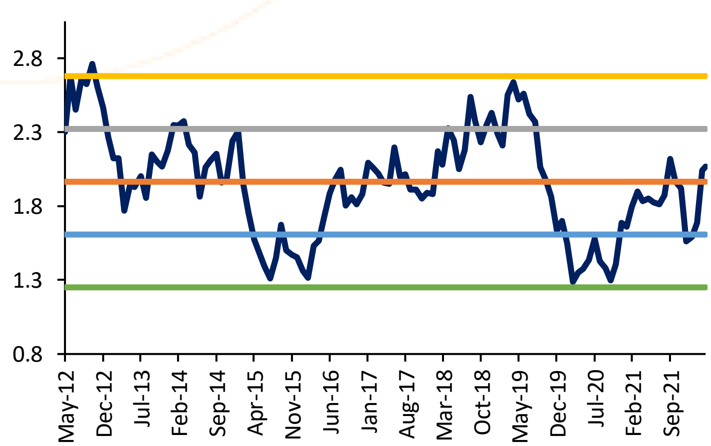
ITC has underperformed Vector Group over the last four years



ITC has underperformed Anheuser-Busch InBev over the last four years



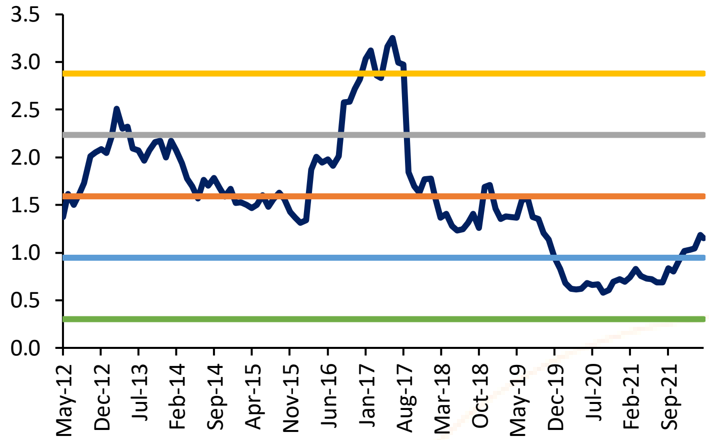
ITC has underperformed Japan Tobacco over the last four years



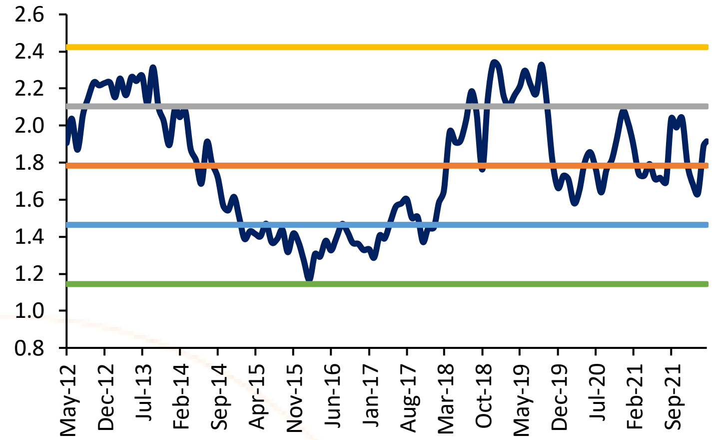
Source: Company Reports & Ventura Research

ITC valuation multiple performance compared with global peers from the tobacco vertical

ITC has underperformed Swedish Match over the last four years



ITC has underperformed Altria group over the last four years



Source: Company Reports & Ventura Research

Valuation

We have used the average of the DCF, dividend discount model and SOTP valuation methodologies to value ITC. We value ITC at INR 350 per share. This represents an upside of 28.4% from the CMP of INR 272.6 over the next 18 months.

DCF valuation

Long Term Market Return	11.0%
Risk Free Rate	7.3%
Cost of Equity	**10.4%**
Interest Rate	8.0%
Tax Rate	25.2%
Cost of Debt	**6.0%**
WACC	**10.4%**
Terminal Value Growth	**4.0%**
Terminal Value	**5,96,417**

	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
FCFF	**16,249**	**18,570**	**21,291**	**23,365**	**25,925**	**28,910**	**32,531**	**36,953**
Discount Factor from FY24	**0.91**	**0.82**	**0.74**	**0.67**	**0.61**	**0.55**	**0.50**	**0.45**
Discounted FCFF from FY24	**14,712**	**15,224**	**15,804**	**15,704**	**15,777**	**15,929**	**16,230**	**16,693**
Total of Discounted FCFF FY24	**1,26,072**							
FY24 Present Value of Terminal Value	**2,69,417**							
FY24 Value of Operations	**3,95,489**							
FY24 Net Debt	**-22,229**							
FY24 Value of Equity	**4,17,718**							
FY24 Value of Equity per share	**339**							

Source: Company Reports & Ventura Research

Dividend discount-based valuation

Long Term Market Return	11.0%
Risk Free Rate	7.3%
Cost of Equity	**10.4%**
Interest Rate	8.0%
Tax Rate	25.2%
Cost of Debt	**6.0%**
WACC	**10.4%**
Terminal Value Growth	**4.0%**

	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Equity Dividend Paid	**17,855**	**20,222**	**22,801**	**25,265**	**28,185**	**31,455**	**35,314**	**39,925**
Discount Factor from FY24	**0.91**	**0.82**	**0.74**	**0.67**	**0.61**	**0.55**	**0.50**	**0.45**
Discounted Dividend	**16,166**	**16,579**	**16,925**	**16,981**	**17,152**	**17,332**	**17,618**	**18,035**
Total of Discounted Dividend	**1,36,788**							
Terminal Value	**6,44,382**							
FY24 Present Value of Terminal Value	**2,91,084**							
FY24 Value of Operations	**4,27,872**							
FY24 Net Debt	**-22,229**							
FY24 Value of Equity	**4,50,102**							
FY24 Value of Equity per share	**365**							

Source: Company Reports & Ventura Research

SOTP based valuation

Business segments	Value (Rs.Cr)	EV/EBIT (X)
Agri Business	21,527	10
FMCG - Cigarettes	2,53,262	15
FMCG - Others	73,638	38
Hotels	2,128	16
Paperboards, Paper and Packaging	34,036	14
ITC Infotech	19,356	21
Total EV	**4,03,947**	
Net Debt	-22,229	
Mcap	**4,26,176**	
Price	**346**	

Source: Company Reports & Ventura Research

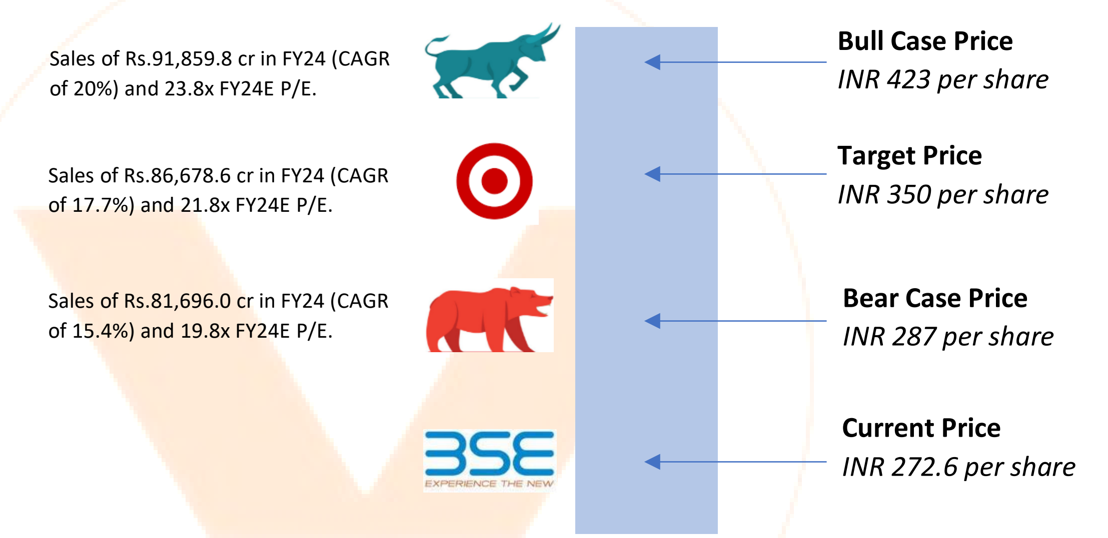
Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario, with 3 variable sensitivity, based on FY24 performance expectations to value ITC.

- **Bull Case:** We have assumed Rs.91,859.8 cr of sales in FY24E (CAGR of 20%), PAT Margin of 23.8%, along with the marginal re-rating to 23.8X FY24E P/E, which will result in a Bull Case price target of INR 423 per share (upside of 55% from CMP).

- **Bear Case:** We have assumed Rs.81,696.0 cr of sales in FY24E (CAGR of 15.4%), PAT Margin of 21.8%, along with the marginal de-rating to 19.8X FY24E P/E, which will result in a Bear Case price target of INR 287 per share (upside of 5.3% from CMP).

Bull & Bear Case Scenario



Source: Ventura Research

Investment Triggers

- Strong growth potential of the industry
- Growing market share with leadership position in many of the categories
- India consumption growth story with strong demographic profile

Catalysts

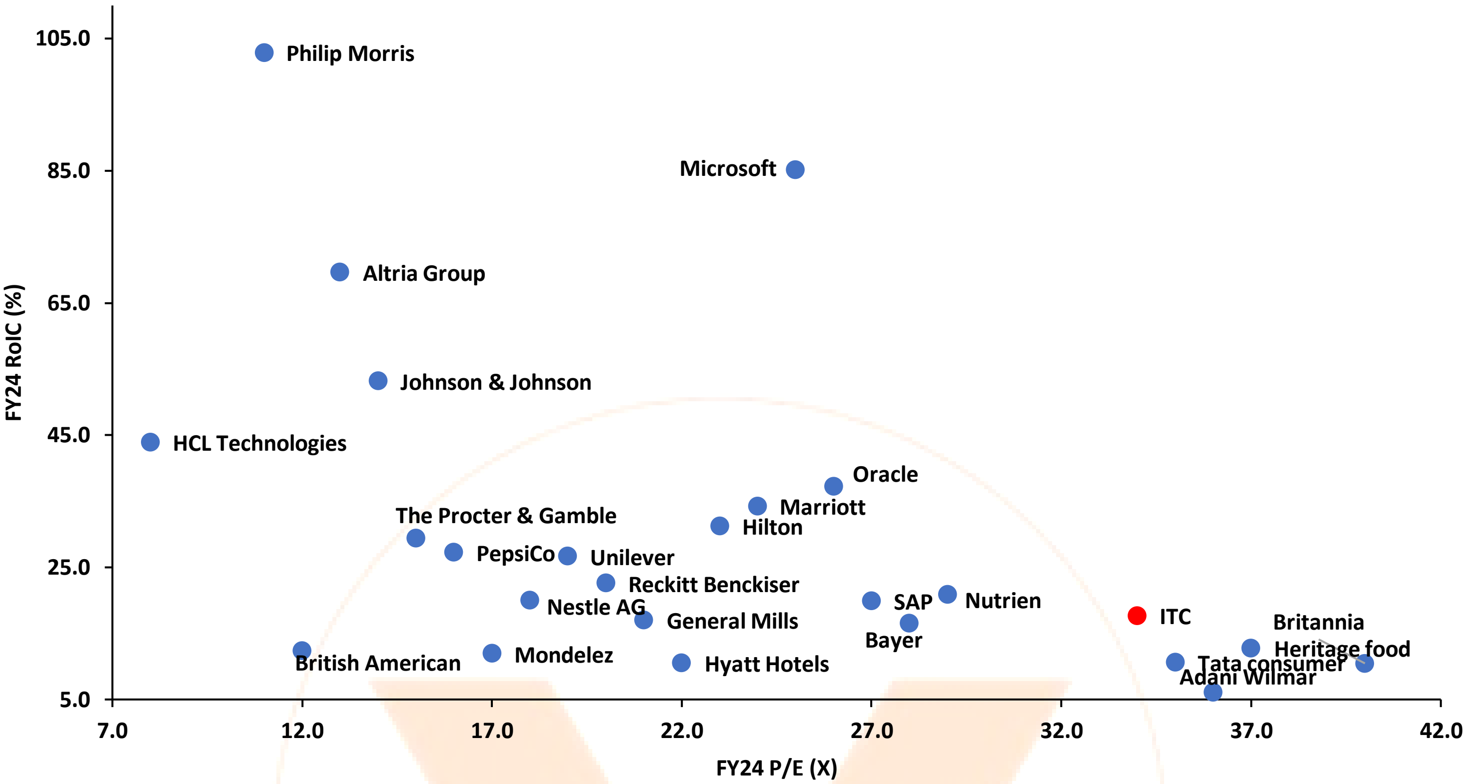
- Strong distribution network, brand extensions, new product launches across all categories
- Strong backward integration which aids to costs control

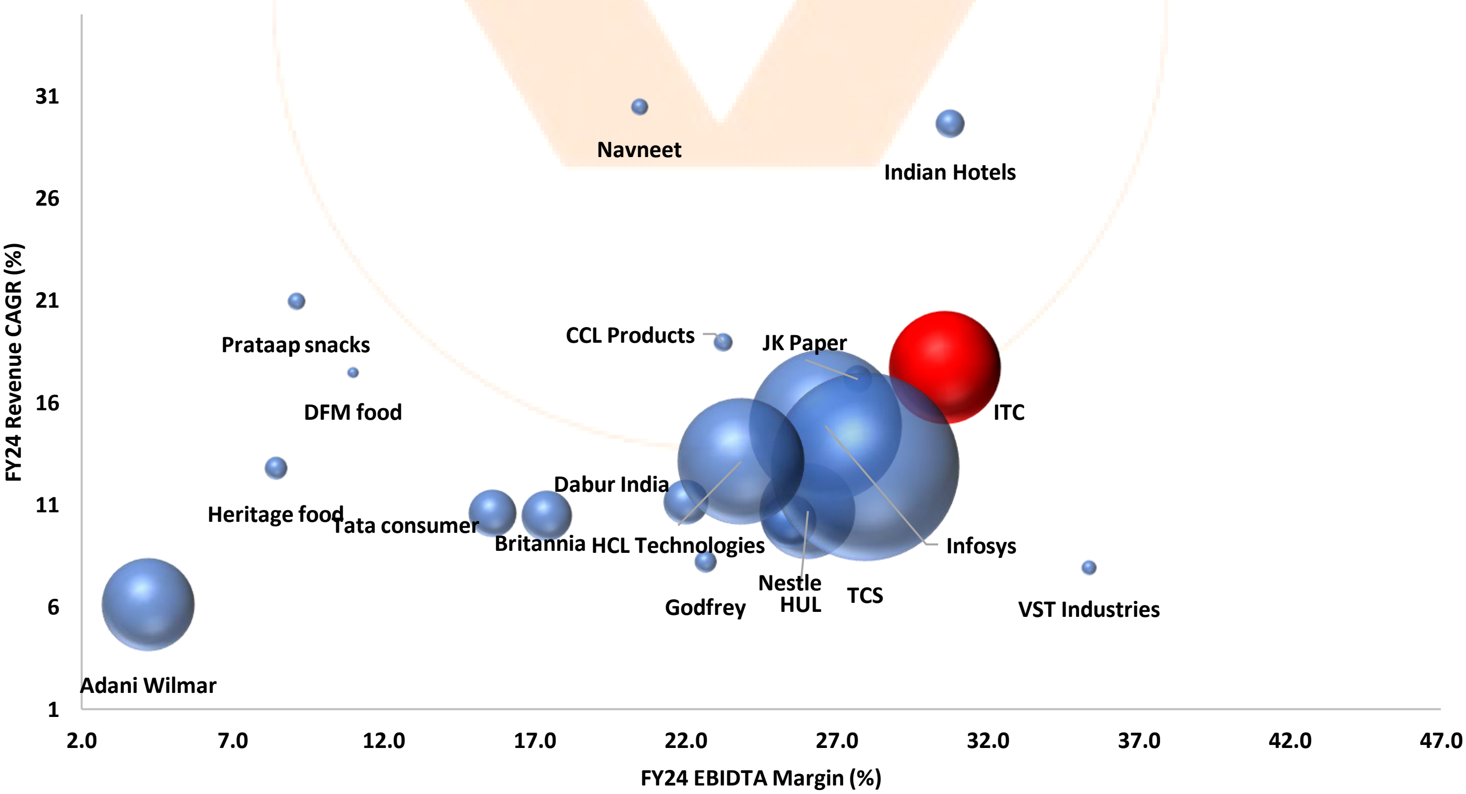
Valuation and comparable metric of domestic and global tobacco, FMCG, hotel, paper & IT companies

			PEG	P/E Ratio			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
Company Name	Mkt Cap	Price	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Domestic Peers (fig in INR Crores)																					
ITC	3,35,872	272.6	1.2	22.6	20.0	17.5	24.4	26.9	29.9	41.6	49.1	56.3	65,205	76,834	86,679	31.7	30.4	30.6	23.4	22.4	22.8
Tata consumer	68,978	748.0	2.1	73.7	52.6	44.8	6.9	8.2	9.1	12.7	15.5	17.9	12,566	13,905	15,363	13.9	15.1	15.6	7.4	9.4	10.0
Adani Wilmar	86,071	662.0	3.5	106.5	76.7	68.7	15.5	12.6	12.3	16.0	28.6	25.2	52,361	53,414	58,959	3.3	4.2	4.2	1.5	2.1	2.1
Heritage food	1,331	287.0	0.4	10.6	8.8	7.7	17.7	18.2	18.0	22.9	25.8	27.0	2,681	3,027	3,411	8.0	8.4	8.4	4.7	5.0	5.1
Britannia	82,633	3,431.0	2.0	52.7	43.5	37.6	44.1	44.5	42.3	49.7	57.0	63.5	14,081	15,578	17,181	15.8	16.8	17.4	11.1	12.2	12.8
HUL	5,20,658	2,216.0	3.1	58.0	50.8	44.4	18.6	20.8	23.3	28.9	34.2	41.1	51,330	56,903	62,895	24.7	25.2	26.0	17.5	18.0	18.6
Nestle	1,61,005	16,699.0	5.1	65.5	57.6	53.6	97.4	92.5	87.5	333.1	412.6	1,208.9	16,337	18,172	19,840	24.4	25.0	25.4	15.0	15.4	15.1
Prataap snacks	1,474	628.4	0.1	98.3	26.3	16.2	2.3	8.1	11.8	2.8	10.6	16.9	1,344	1,723	1,966	5.5	7.7	9.1	1.1	3.3	4.6
DFM food	1,154	229.6	NA	-88.3	41.7	20.9	-8.1	15.4	25.7	-5.4	23.3	37.7	573	658	790	-0.4	7.7	11.0	-2.3	4.2	7.0
Dabur India	87,014	492.2	2.6	46.6	40.9	35.9	21.8	22.2	22.5	36.3	39.9	43.8	10,948	12,148	13,520	21.1	21.6	22.0	17.0	17.5	17.9
Godfrey	6,117	1,176.5	1.1	13.8	12.4	11.3	16.2	15.8	15.1	NA	NA	NA	2,688	2,957	3,148	22.5	22.7	22.7	16.5	16.7	17.1
CCL Products	4,864	365.7	0.5	22.2	17.2	14.0	17.6	19.4	20.1	19.0	22.1	25.8	1,534	1,888	2,170	22.9	22.8	23.2	14.3	15.0	16.0
VST Industries	4,950	3,205.5	1.7	14.9	13.9	12.9	32.4	32.8	33.6	NA	NA	NA	1,178	1,267	1,372	34.9	35.3	35.3	28.2	28.1	27.9
Navneet	2,047	90.5	0.1	30.6	9.0	8.4	6.7	19.2	18.0	NA	NA	NA	1,063	1,644	1,809	14.1	20.6	20.5	6.3	13.8	13.4
JK Paper	5,854	345.6	0.3	9.6	7.6	6.4	20.4	21.2	20.9	NA	NA	NA	3,793	4,616	5,205	27.9	27.5	27.7	16.1	16.6	17.6
Indian Hotels	31,291	220.3	NA	-123.6	59.9	38.2	-5.0	9.6	13.3	1.5	11.1	14.6	3,169	4,608	5,326	15.6	28.1	30.8	-8.0	11.3	15.4
Infosys	6,36,502	1,513.0	1.2	28.3	23.8	20.8	30.5	32.1	32.2	62.0	67.1	70.4	1,21,805	1,42,385	1,60,689	26.5	26.4	26.6	18.5	18.8	19.1
TCS	12,36,723	3,380.0	1.8	32.0	27.9	24.7	39.3	41.4	41.4	76.0	82.9	83.4	1,91,281	2,18,276	2,43,639	27.7	27.8	28.0	20.2	20.3	20.5
HCL Technologies	2,78,883	1,028.0	1.1	21.0	18.3	16.0	20.6	22.0	23.5	34.7	38.8	43.9	85,643	97,823	1,09,602	23.7	23.8	23.8	15.5	15.6	15.9
Global Peers (fig in mn USD)																					
Philip Morris	1,55,786	100.5	15.8	18.2	16.8	15.6	-91.5	-86.7	-81.2	79.8	86.9	102.9	29,272	30,636	32,377	45.2	46.5	47.1	29.3	30.3	30.9
British American	77,936	3,432.5	0.9	10.5	9.7	8.6	10.9	11.5	13.0	11.0	11.7	12.3	26,477	27,541	28,669	47.3	47.8	48.3	28.1	29.1	31.7
Altria Group	92,501	51.1	2.6	10.6	10.2	9.7	-509.1	-965.5	-221.8	56.4	63.1	69.6	26,013	26,525	21,587	48.2	48.2	60.9	33.6	34.3	44.0
Johnson & Johnson	4,57,706	173.9	3.6	16.9	16.1	15.4	33.4	32.3	30.8	27.8	32.6	53.2	96,504	1,00,252	1,02,733	32.1	33.0	37.9	28.0	28.4	29.0
The Procter & Gamble	3,39,980	141.7	3.7	22.8	21.4	20.3	33.4	35.7	37.5	26.0	26.8	29.4	80,116	83,127	86,749	26.1	26.7	27.4	18.6	19.1	19.3
PepsiCo	2,22,889	161.2	2.8	24.2	22.4	20.7	46.6	46.8	50.2	23.0	24.2	27.3	82,774	86,145	90,562	18.1	18.8	19.2	11.1	11.6	11.9
Mondelez	84,572	61.1	4.0	22.3	20.6	18.2	13.4	14.4	16.3	12.8	13.3	11.9	29,821	31,006	32,001	20.1	20.4	21.0	12.7	13.2	14.5
Nestle AG	3,19,165	113.4	-4.6	26.2	24.4	21.9	25.3	27.3	31.8	18.8	19.7	20.0	93,284	98,233	1,02,642	21.0	21.3	21.4	13.1	13.3	14.2
Unilever	1,03,856	3,451.5	5.8	17.9	16.3	14.1	10.8	11.9	42.5	11.0	12.2	26.7	57,186	59,290	61,541	18.4	19.5	20.8	10.1	10.8	11.9
Reckitt Benckiser	43,970	6,165.0	2.1	19.8	18.5	16.9	26.3	25.1	25.0	19.5	20.8	22.6	13,542	14,140	14,812	26.2	26.6	27.2	16.4	16.8	17.6
General Mills	39,824	66.1	6.1	17.0	16.4	15.7	21.8	20.7	23.0	14.3	14.6	17.0	18,890	19,083	19,443	19.7	19.9	20.1	12.4	12.7	13.0
Hyatt Hotels	9,075	82.3	NA	-190.7	54.1	31.8	-1.3	4.8	8.7	3.8	8.1	10.6	5,280	5,996	6,300	10.1	13.2	16.6	-0.9	2.8	4.5
Hilton	36,659	131.7	0.4	34.3	25.8	21.9	-93.2	-97.2	961.0	27.8	34.9	31.3	8,264	9,889	10,861	25.0	26.0	28.7	12.9	14.4	15.4
Marriott	51,366	156.9	0.5	26.5	21.6	19.1	107.6	122.0	104.9	33.2	40.0	34.3	19,469	21,976	23,637	18.2	18.8	19.6	9.9	10.8	11.4
Microsoft	18,93,242	253.1	1.4	26.3	23.5	20.3	40.8	34.4	36.7	78.6	68.4	85.1	1,99,274	2,27,460	2,58,256	49.8	50.0	50.8	36.1	35.5	36.1
Oracle	1,78,873	67.0	4.2	13.5	12.6	11.7	-243.8	587.8	79.0	48.9	47.7	37.3	42,283	44,797	47,488	52.1	52.1	53.1	31.3	31.7	32.3
SAP	1,10,615	90.0	1.2	33.0	26.5	14.5	8.4	9.8	15.5	10.7	13.3	19.9	30,044	32,095	34,650	22.4	24.7	32.6	11.2	13.0	22.1
Bayer	62,187	63.3	0.1	12.1	10.9	9.7	14.1	14.3	17.5	11.0	11.4	16.5	47,989	49,043	49,971	25.5	26.3	27.6	10.7	11.6	12.9
Nutrien	55,997	129.9	0.9	6.1	8.0	12.1	32.2	21.3	14.5	38.8	26.0	20.9	40,368	35,316	30,681	36.8	30.0	28.2	22.9	19.8	15.1

Source: Ventura Research & Bloomberg

Improving ROIC and significant room for margin expansion are potential re-rating factors





Source: Ventura Research, ACE Equity & Bloomberg

Financial Analysis and Projections

During FY18-21, the overall business reported a 4% revenue CAGR to INR 53,155 cr, while EBIT grew at 0.2% CAGR to INR 15,370 cr. EBIT margins deteriorated by 400 bps to 28.9% in FY21. A decline in the margins of the agri, hotels and paper businesses led to an overall decline in EBIT margins.

Over the period FY18-21 ITC undertook a cumulative capex of INR 9,777.5 cr

- Agri business – INR 263 cr (3% of overall capex)
- Cigarette business – INR 505 cr (5% of overall capex)
- FMCG business – INR 3,499 cr (36% of overall capex)
- Hotel business – INR 3,122 cr (32% of overall capex)
- Paper & packaging business – INR 2,192 cr (22% of overall capex)
- Others – INR 196 cr (2% of overall capex)

Strong growth across all business segments is expected to drive ITC's overall revenues to INR 86,678.6 cr (17.7% CAGR) over FY21-24E. EBITDA is estimated to grow at a CAGR of 15.9% to INR 26,513.4 cr while PAT is estimated to grow at a CAGR of 14.5% to INR 19,739.7 cr. EBIDTA margin is expected to de-grow by 142 bps to 30.6%. Subsequently, RoE and RoIC are expected to improve to 29.9% (+811 bps) and 56.3% (+1864 bps), respectively, over the same period.

Cigarette business benefitting from benign taxation

During FY18-21, the cigarette volumes dropped from 6,800 cr sticks in FY18 to 6,300 cr sticks in FY21 owing to the stringent lockdown during the pandemic. This resulted in revenues degrowing by 3% CAGR to INR 22,557 cr. NSR (Rs./Stick) de-grew by 1% CAGR to INR 3.6 while EBIT declined 2% CAGR to INR 13,498 cr. EBIT margins improved by 298 bps to 59.8% in FY21.

During FY21-24E, we expect volumes to grow at 5% CAGR to 7,314 cr, NSR (Rs./Stick) to grow at 3% CAGR to INR 3.9 leading to 8% CAGR growth in revenues to INR 28,407 cr. EBIT is expected to grow at 10% CAGR to INR 18,115 cr. EBIT margins are expected to improve to 63.8% (+392.81 bps).

FMCG business profitability set to expand

During FY18-21, the FMCG business reported a 9% revenue CAGR to INR 14,737 cr, branded packaged food products reported a growth of 12% in revenue CAGR to INR 12,244 cr, others (apparel, education, and stationery products, personal care products, safety matches, agarbattis, etc.) reported degrowth of 2% in revenue CAGR to INR 2,493 cr, while EBIT grew at 70% CAGR to INR 838 cr. EBIT margins have improved by 418 bps to 5.7% in FY21.

During FY21-24E, we expect the FMCG business revenue to grow at 16% CAGR to INR 22,729 cr. packaged food products revenue is expected to grow at 16% CAGR to INR 18,985 cr, others are expected to grow at 15% CAGR to INR 3,744 cr, the EBIT is expected to grow at a 33% CAGR to INR 1,951 cr. EBIT margins are expected to improve at 8.6% (+290 bps).

Agri business benifitting from a cyclical upswing in agri-commodities

During FY18-21, the overall Agri business reported a 21% revenue CAGR to INR 8,002 cr. Unmanufactured tobacco reported a degrowth of 5% in revenue CAGR to INR 1,314 cr, other agri-products and commodities (wheat, soya, spices, coffee, aqua, etc.) reported a growth of 32% in revenue CAGR to INR 6,688 cr. EBIT grew at 3% CAGR to INR 918 cr. Margins declined by 733 bps to 11.5% in FY21.

During FY21-24E, we expect the Agri business revenue to grow at 35% CAGR to INR 19,722 cr. Unmanufactured tobacco revenue is expected to grow at 6% CAGR to INR 1,544 cr, other agri products and commodities are expected to grow at 40% CAGR to INR 18,178 cr while EBIT is expected to grow at 32% CAGR to INR 2,100 cr. EBIT margins are expected to drop to 10.6% (-83 bps).

Hotel business – finally turning the corner

During FY18-21, the hotel business reported a de-growth of 24% in revenue CAGR to INR 660 cr, while EBIT reported a loss of INR 564 cr in FY21 compared to a profit of INR 145 cr in FY18. This loss was mainly due to the Covid-19 pandemic restrictions.

During FY21-24E, we expect the hotel business revenue to grow at a 62% CAGR to INR 2,803 cr. EBIT is expected to turn profitable to INR 133 cr in FY24 compared to a loss of INR 564 cr in FY21. EBIT margins are expected to expand to 4.8% (+9022 bps).

Paperboards, Paper, and Packaging business – sustainable profitability

During FY18-21, the overall paperboards, paper, and packaging business reported a 7% revenue CAGR to INR 4,550 cr, paperboards and paper reported a growth of 8% in revenue CAGR to INR 4,011 cr, printed materials reported a growth of 4% in revenue CAGR to INR 539 cr, while EBIT grew at 2% CAGR to INR 1,099 cr. EBIT margins have declined by 405 bps to 24.1% in FY21.

During FY21-24E, we expect the paperboards, paper, and packaging business revenue to grow at 22% CAGR to INR 8,225 cr. Paperboards and paper revenue is expected to grow at 23% CAGR to INR 7,421 cr, while printed materials revenues are expected to grow at 14% CAGR to INR 804 cr. EBIT is expected to grow at 29% CAGR to INR 2,349 cr. with margins expected to expand to 28.6% (+441 bps).

IT business secular trend expected to continue

During FY18-21, the IT business reported a 14% revenue CAGR to INR 2,454 cr, while EBIT grew at 72% CAGR to INR 556 cr. EBIT margins expanded by 1601 bps to 22.7% in FY21.

During FY21-24E, we expect the IT business revenue to grow at 18% CAGR to INR 4,006 cr. EBIT is expected to grow at 19% CAGR to INR 928 cr with margins expected to expand to 23.2% (+49 bps).

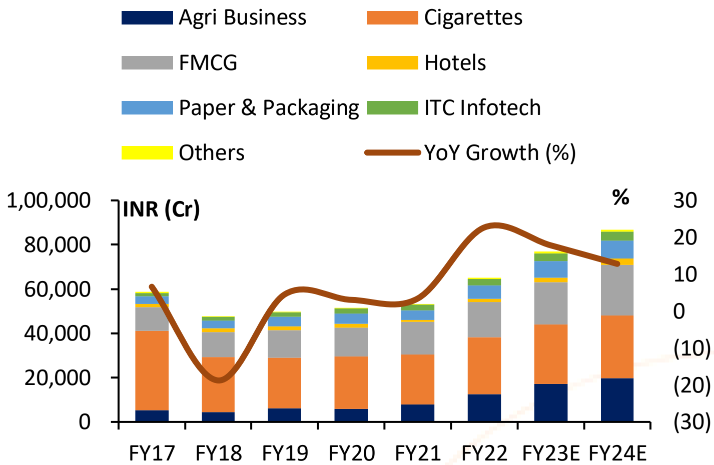
ITC's Financial Summary

Fig in INR Cr (unless specified)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue from operations	**58,704.5**	**47,688.6**	**49,862.1**	**51,393.5**	**53,155.1**	**65,205.0**	**76,833.8**	**86,678.6**	**96,136.4**	**1,06,365.3**	**1,18,046.8**	**1,31,494.7**	**1,46,942.3**	**1,64,857.0**	**1,85,547.3**
YoY Growth (%)	*6.6*	*(18.8)*	*4.6*	*3.1*	*3.4*	*22.7*	*17.8*	*12.8*	*10.9*	*10.6*	*11.0*	*11.4*	*11.7*	*12.2*	*12.6*
Agri Business	5,314.1	4,474.2	6,075.3	5,912.5	8,001.9	12,558.5	17,000.5	19,721.9	21,097.1	21,987.4	22,814.6	23,674.0	24,456.6	25,265.7	26,102.2
YoY Growth (%)	*21.8*	*(15.8)*	*35.8*	*(2.7)*	*35.3*	*56.9*	*35.4*	*16.0*	*7.0*	*4.2*	*3.8*	*3.8*	*3.3*	*3.3*	*3.3*
Cigarettes	35,877.7	24,848.1	22,913.3	23,679.1	22,557.3	25,611.3	27,105.1	28,407.5	29,626.5	30,807.5	31,988.4	33,198.3	34,420.0	35,686.7	36,999.9
YoY Growth (%)	*5.3*	*(30.7)*	*(7.8)*	*3.3*	*(4.7)*	*13.5*	*5.8*	*4.8*	*4.3*	*4.0*	*3.8*	*3.8*	*3.7*	*3.7*	*3.7*
FMCG	10,523.6	11,339.3	12,517.1	12,844.0	14,737.1	16,022.9	18,891.9	22,729.2	27,679.2	33,929.2	41,619.8	50,969.0	62,273.0	75,956.6	92,329.5
YoY Growth (%)	*13.2*	*7.9*	*11.6*	*7.3*	*18.0*	*9.5*	*18.0*	*20.0*	*21.8*	*22.8*	*23.0*	*22.8*	*22.6*	*22.3*	*21.8*
Hotels	1,400.4	1,480.0	1,728.2	1,911.6	659.8	1,347.7	2,156.3	2,803.1	3,503.9	4,274.8	5,129.7	6,001.8	6,902.1	7,730.3	8,503.3
YoY Growth (%)	*4.2*	*5.7*	*16.8*	*10.6*	*(65.5)*	*100.0*	*60.0*	*30.0*	*25.0*	*22.0*	*20.0*	*17.0*	*15.0*	*12.0*	*10.0*
Paperboards, Paper and Packaging	3,732.6	3,695.4	4,230.4	4,499.0	4,549.8	6,224.9	7,567.0	8,225.3	8,791.0	9,355.6	9,951.9	10,585.7	11,259.5	11,976.2	12,711.5
YoY Growth (%)	*(0.7)*	*(1.0)*	*14.5*	*6.3*	*1.1*	*36.8*	*21.6*	*8.7*	*6.9*	*6.4*	*6.4*	*6.4*	*6.4*	*6.4*	*6.1*
ITC Infotech	1,401.0	1,652.1	2,007.0	2,249.0	2,454.0	2,853.0	3,423.6	4,005.6	4,566.4	5,068.7	5,524.9	5,966.9	6,444.2	6,959.8	7,516.5
YoY Growth (%)	*2.3*	*17.9*	*21.5*	*12.1*	*9.1*	*26.0*	*20.0*	*17.0*	*14.0*	*11.0*	*9.0*	*8.0*	*8.0*	*8.0*	*8.0*
Others	455.2	199.4	390.9	298.2	195.3	586.7	689.4	785.9	872.4	942.2	1,017.5	1,098.9	1,186.9	1,281.8	1,384.4
YoY Growth (%)	*7.0*	*(56.2)*	*96.0*	*(23.7)*	*(34.5)*	*22.0*	*17.5*	*14.0*	*11.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*8.0*
Raw Material Cost	16,049.2	15,855.5	17,420.3	17,345.5	20,131.4	26,385.1	34,037.4	38,181.9	40,906.1	45,045.7	49,756.7	55,162.0	61,348.4	68,498.1	76,723.8
RM Cost to Sales (%)	*27.3*	*33.2*	*34.9*	*33.8*	*37.9*	*40.5*	*44.3*	*44.1*	*42.6*	*42.4*	*42.2*	*42.0*	*41.8*	*41.6*	*41.4*
Employee Cost	3,631.7	3,760.9	4,177.9	4,295.8	4,463.3	4,890.6	5,355.2	5,869.2	6,438.6	7,059.9	7,734.1	8,465.0	9,256.5	10,112.7	11,038.0
Employee Cost to Sales (%)	*6.2*	*7.9*	*8.4*	*8.4*	*8.4*	*7.5*	*7.0*	*6.8*	*6.7*	*6.6*	*6.6*	*6.4*	*6.3*	*6.1*	*5.9*
Other Expenses	23,563.0	11,568.9	9,838.5	10,468.0	11,545.4	13,270.9	14,099.9	16,114.0	19,219.9	21,210.0	23,948.3	27,340.5	31,293.9	35,692.5	40,656.4
Other Expenses to Sales (%)	*40.1*	*24.3*	*19.7*	*20.4*	*21.7*	*20.4*	*18.4*	*18.6*	*20.0*	*19.9*	*20.3*	*20.8*	*21.3*	*21.7*	*21.9*
EBITDA	**15,460.6**	**16,503.2**	**18,425.4**	**19,284.2**	**17,014.9**	**20,658.4**	**23,341.4**	**26,513.4**	**29,571.9**	**33,049.7**	**36,607.7**	**40,527.2**	**45,043.5**	**50,553.8**	**57,129.1**
EBITDA Margin (%)	*26.3*	*34.6*	*37.0*	*37.5*	*32.0*	*31.7*	*30.4*	*30.6*	*30.8*	*31.1*	*31.0*	*30.8*	*30.7*	*30.7*	*30.8*
EBIT	**14,307.9**	**15,267.0**	**17,028.8**	**17,639.3**	**15,369.3**	**18,926.0**	**21,524.7**	**24,613.5**	**27,591.2**	**30,989.4**	**34,466.8**	**38,304.8**	**42,763.8**	**48,219.1**	**54,744.5**
EBIT Margin (%)	*24.4*	*32.0*	*34.2*	*34.3*	*28.9*	*29.0*	*28.0*	*28.4*	*28.7*	*29.1*	*29.2*	*29.1*	*29.1*	*29.2*	*29.5*
Agri Business	926.3	841.5	793.4	829.7	918.2	1,086.2	1,555.4	2,100.2	2,457.7	2,946.1	3,228.1	3,527.3	3,766.1	4,017.1	4,280.6
EBIT Margin (%)	*17.4*	*18.8*	*13.1*	*14.0*	*11.5*	*8.6*	*9.1*	*10.6*	*11.6*	*13.4*	*14.1*	*14.9*	*15.4*	*15.9*	*16.4*
Cigarettes	13,203.7	14,128.1	15,411.8	15,838.5	13,498.4	15,768.5	17,013.4	18,115.0	19,188.6	20,184.6	21,278.1	22,248.9	23,119.3	24,023.7	24,926.2
EBIT Margin (%)	*36.8*	*56.9*	*67.3*	*66.9*	*59.8*	*61.6*	*62.8*	*63.8*	*64.8*	*65.5*	*66.5*	*67.0*	*67.2*	*67.3*	*67.4*
FMCG	26.2	170.5	325.6	424.9	838.0	934.9	1,149.6	1,951.3	2,971.3	4,320.9	5,924.6	7,994.5	10,795.0	14,496.3	19,236.8
EBIT Margin (%)	*0.2*	*1.5*	*2.6*	*3.3*	*5.7*	*5.8*	*6.1*	*8.6*	*10.7*	*12.7*	*14.2*	*15.7*	*17.3*	*19.1*	*20.8*
Hotels	117.1	145.0	185.7	154.0	(563.9)	(185.2)	(80.7)	133.3	227.9	320.8	423.5	525.5	649.2	785.0	918.8
EBIT Margin (%)	*8.4*	*9.8*	*10.7*	*8.1*	*(85.5)*	*(13.7)*	*(3.7)*	*4.8*	*6.5*	*7.5*	*8.3*	*8.8*	*9.4*	*10.2*	*10.8*
Paperboards, Paper and Packaging	965.8	1,042.2	1,239.2	1,305.3	1,098.7	1,700.0	2,104.4	2,349.1	2,532.7	2,742.1	2,941.7	3,155.6	3,390.2	3,653.9	3,922.7
EBIT Margin (%)	*25.9*	*28.2*	*29.3*	*29.0*	*24.1*	*27.3*	*27.8*	*28.6*	*28.8*	*29.3*	*29.6*	*29.8*	*30.1*	*30.5*	*30.9*
ITC Infotech	0.0	110.0	144.9	261.9	556.2	645.0	775.7	927.6	1,126.0	1,287.8	1,403.8	1,516.1	1,647.0	1,796.2	1,962.4
EBIT Margin (%)	*0.0*	*6.7*	*7.2*	*11.6*	*22.7*	*22.6*	*22.7*	*23.2*	*24.7*	*25.4*	*25.4*	*25.4*	*25.6*	*25.8*	*26.1*
Interest	49.0	115.0	71.4	81.4	58.0	39.4	20.9	19.4	17.0	17.0	14.6	14.6	12.1	12.1	12.1
Interest cost to Sales (%)	*0.1*	*0.2*	*0.1*	*0.2*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Net Profit	**10,289.4**	**11,271.2**	**12,592.3**	**15,306.2**	**13,161.2**	**15,243.9**	**17,231.7**	**19,739.7**	**22,112.5**	**24,932.9**	**27,626.6**	**30,486.6**	**33,931.7**	**38,094.7**	**43,068.1**
Net Margin (%)	*17.5*	*23.6*	*25.3*	*29.8*	*24.8*	*23.4*	*22.4*	*22.8*	*23.0*	*23.4*	*23.4*	*23.2*	*23.1*	*23.1*	*23.2*
Adjusted EPS	**8.3**	**9.1**	**10.2**	**12.4**	**10.7**	**12.4**	**14.0**	**16.0**	**17.9**	**20.2**	**22.4**	**24.7**	**27.5**	**30.9**	**34.9**
P/E (X)	*32.7*	*29.8*	*26.7*	*22.0*	*25.5*	*22.0*	*19.5*	*17.0*	*15.2*	*13.5*	*12.2*	*11.0*	*9.9*	*8.8*	*7.8*
Adjusted BVPS	**37.7**	**42.6**	**48.0**	**53.0**	**49.0**	**50.7**	**52.0**	**53.5**	**55.1**	**56.8**	**58.7**	**60.6**	**62.6**	**64.9**	**67.4**
P/BV (X)	*7.2*	*6.4*	*5.7*	*5.1*	*5.6*	*5.4*	*5.2*	*5.1*	*5.0*	*4.8*	*4.6*	*4.5*	*4.4*	*4.2*	*4.0*
Enterprise Value	**3,22,185.7**	**3,22,562.0**	**3,18,508.7**	**3,10,778.7**	**3,16,499.2**	**3,19,081.7**	**3,15,744.5**	**3,13,765.3**	**3,08,795.0**	**3,07,731.6**	**3,06,676.3**	**3,06,990.3**	**3,07,525.2**	**3,08,237.3**	**3,09,260.3**
EV/EBITDA (X)	*20.8*	*19.5*	*17.3*	*16.1*	*18.6*	*15.4*	*13.5*	*11.8*	*10.4*	*9.3*	*8.4*	*7.6*	*6.8*	*6.1*	*5.4*
Net Worth	**46,412.9**	**52,510.1**	**59,140.9**	**65,273.3**	**60,347.3**	**62,455.4**	**64,100.8**	**65,985.7**	**67,876.0**	**70,007.5**	**72,369.2**	**74,670.5**	**77,147.1**	**79,927.5**	**83,071.0**
Return on Equity (%)	*22.2*	*21.5*	*21.3*	*23.4*	*21.8*	*24.4*	*26.9*	*29.9*	*32.6*	*35.6*	*38.2*	*40.8*	*44.0*	*47.7*	*51.8*
Capital Employed	**46,458.7**	**52,546.0**	**59,154.3**	**65,282.8**	**60,357.2**	**62,461.0**	**64,105.6**	**65,990.5**	**67,880.9**	**70,012.3**	**72,374.0**	**74,675.4**	**77,152.0**	**79,932.4**	**83,075.8**
Return on Capital Employed (%)	*20.1*	*19.2*	*19.3*	*21.0*	*19.0*	*22.6*	*25.1*	*27.9*	*30.4*	*33.1*	*35.6*	*38.4*	*41.5*	*45.1*	*49.3*
Invested Capital	**32,603.9**	**39,077.4**	**41,654.8**	**40,057.2**	**40,851.8**	**45,542.3**	**43,850.5**	**43,756.2**	**40,676.2**	**41,744.3**	**43,050.8**	**45,666.0**	**48,677.6**	**52,170.1**	**56,336.5**
Return on Invested Capital (%)	*43.9*	*39.1*	*40.9*	*44.0*	*37.6*	*41.6*	*49.1*	*56.3*	*67.8*	*74.2*	*80.1*	*83.9*	*87.9*	*92.4*	*97.2*
Cash Flow from Operations	10,627.3	13,169.4	12,583.4	14,689.7	12,527.1	15,775.5	19,060.7	23,345.5	28,841.9	27,343.9	29,980.1	32,763.2	36,270.0	40,495.6	45,336.8
Cash Flow from Investing	(3,250.9)	(7,113.9)	(5,545.7)	(6,174.0)	5,682.9	(2,238.5)	(1,776.7)	(2,527.8)	(3,378.8)	(3,276.4)	(5,502.4)	(7,015.1)	(5,272.6)	(8,421.7)	(8,436.3)
Cash Flow from Financing	(7,301.0)	(6,221.1)	(6,868.6)	(8,181.5)	(18,633.8)	(13,580.5)	(15,607.9)	(17,874.2)	(20,239.1)	(22,818.5)	(25,279.4)	(28,199.8)	(31,467.3)	(35,326.4)	(39,936.8)
Net Cash Flow	**75.3**	**(165.6)**	**169.1**	**334.2**	**(423.8)**	**(43.5)**	**1,676.1**	**2,943.5**	**5,224.0**	**1,249.0**	**(801.7)**	**(2,451.7)**	**(469.8)**	**(3,252.6)**	**(3,036.4)**
Free Cash Flow	**7,960.3**	**9,822.5**	**7,730.1**	**13,149.8**	**10,282.6**	**13,745.6**	**12,581.3**	**16,248.5**	**18,570.5**	**21,290.5**	**23,364.8**	**25,925.0**	**28,909.9**	**32,530.7**	**36,952.9**
FCF to Revenue (%)	*13.6*	*20.6*	*15.5*	*25.6*	*19.3*	*21.1*	*16.4*	*18.7*	*19.3*	*20.0*	*19.8*	*19.7*	*19.7*	*19.7*	*19.9*
FCF to EBITDA (%)	*51.5*	*59.5*	*42.0*	*68.2*	*60.4*	*66.5*	*53.9*	*61.3*	*62.8*	*64.4*	*63.8*	*64.0*	*64.2*	*64.3*	*64.7*
FCF to Net Profit (%)	*77.4*	*87.1*	*61.4*	*85.9*	*78.1*	*90.2*	*73.0*	*82.3*	*84.0*	*85.4*	*84.6*	*85.0*	*85.2*	*85.4*	*85.8*
FCF to Net Worth (%)	*17.2*	*18.7*	*13.1*	*20.1*	*17.0*	*22.0*	*19.6*	*24.6*	*27.4*	*30.4*	*32.3*	*34.7*	*37.5*	*40.7*	*44.5*

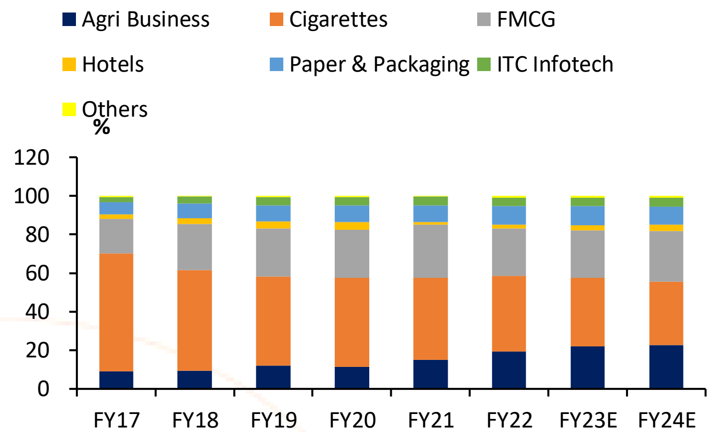
Source: Company Reports & Ventura Research

ITC's story in charts

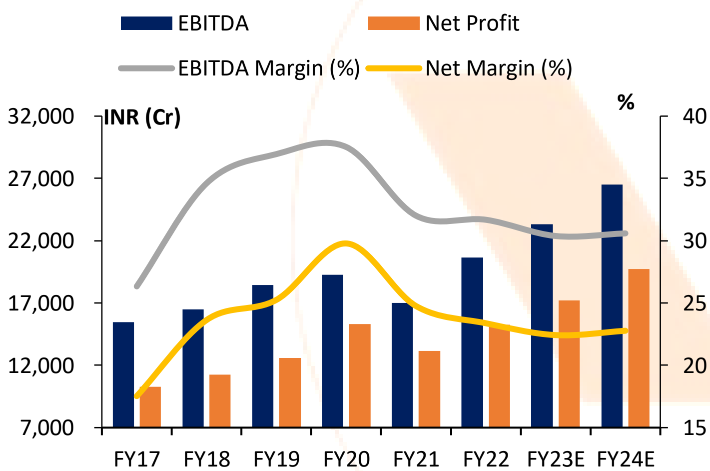
Strong all round revenue growth



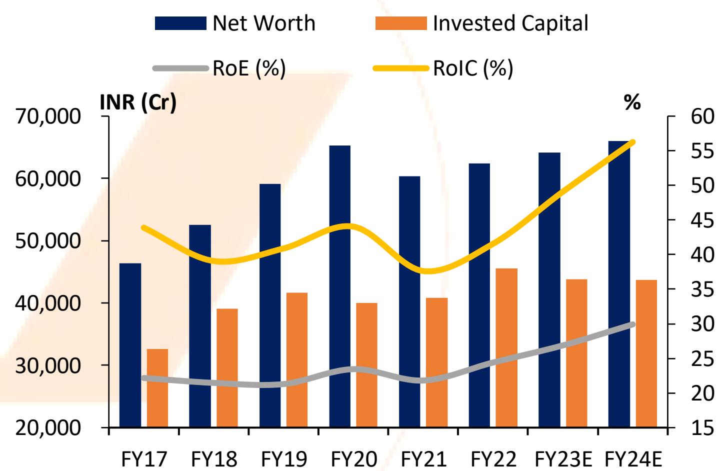
FMCG contribution in revenue mix set to expand



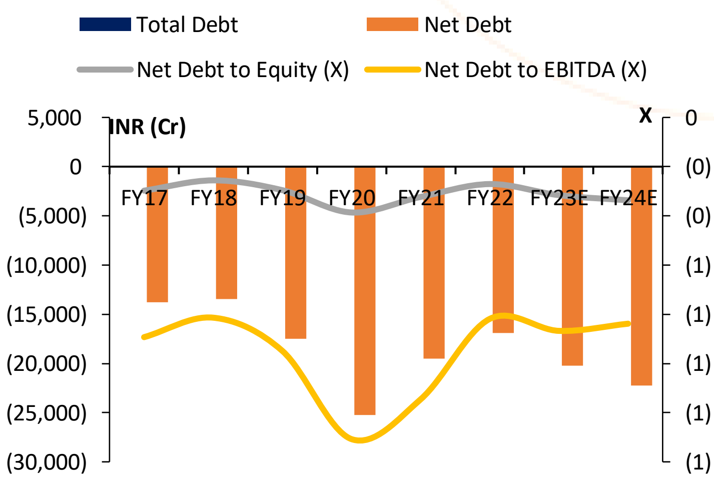
Profitability trend set to accelerate



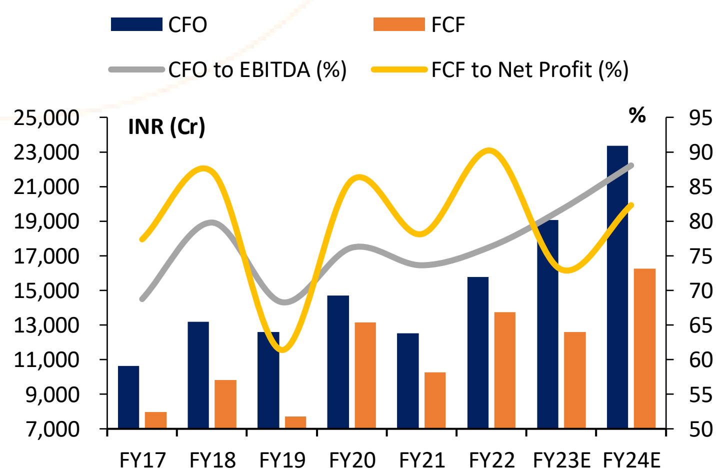
Resounding trend in return ratios



Fortified balance sheet strength



Enviable cash flow generation



Source: Company Reports & Ventura Research

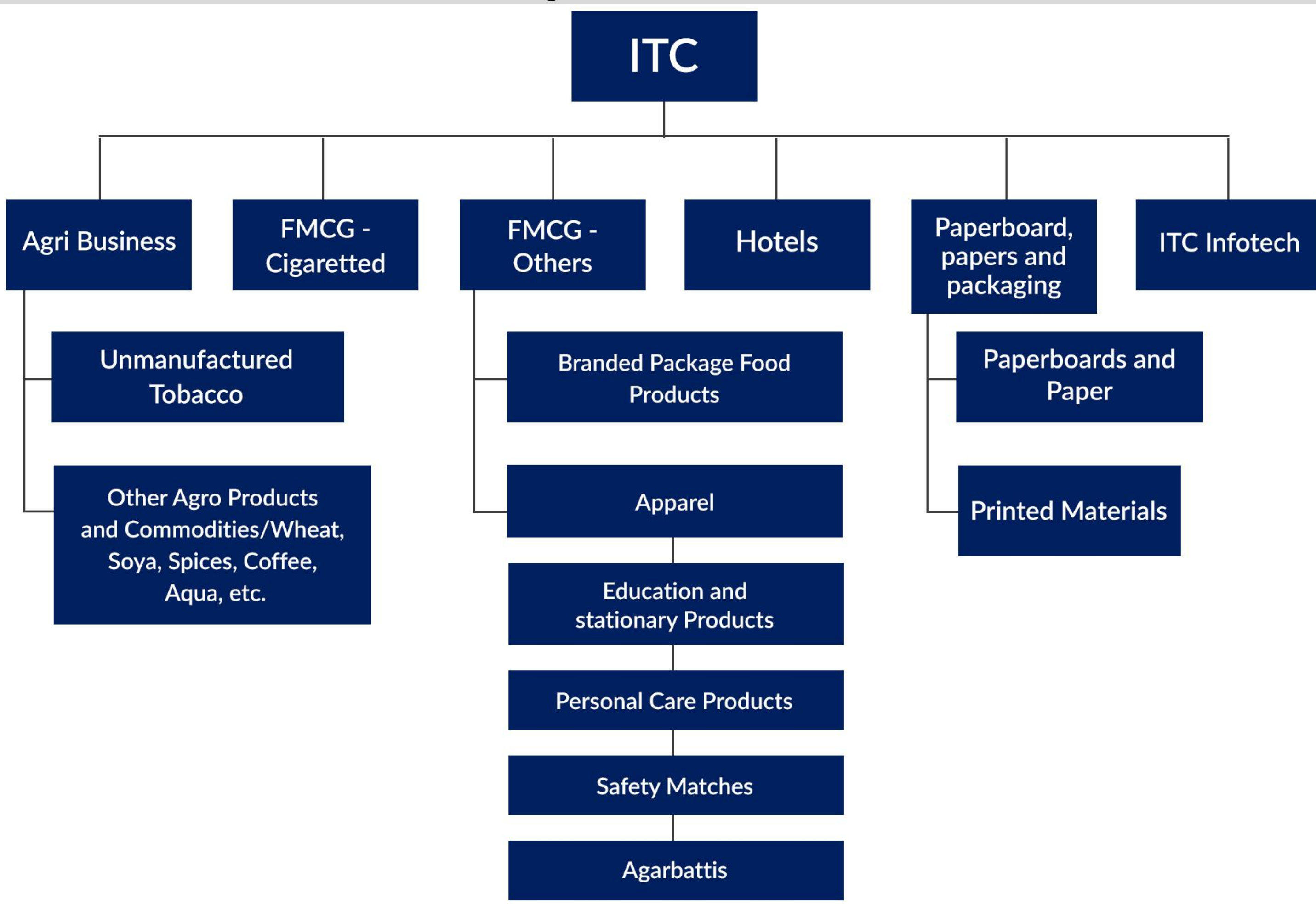
Company overview

ITC Ltd. (ITC) was established in the year 1910 as the Imperial Tobacco Company of India Limited and was renamed ITC Limited.

ITC Ltd is a conglomerate in the consumption space with a diverse products range spanning across:

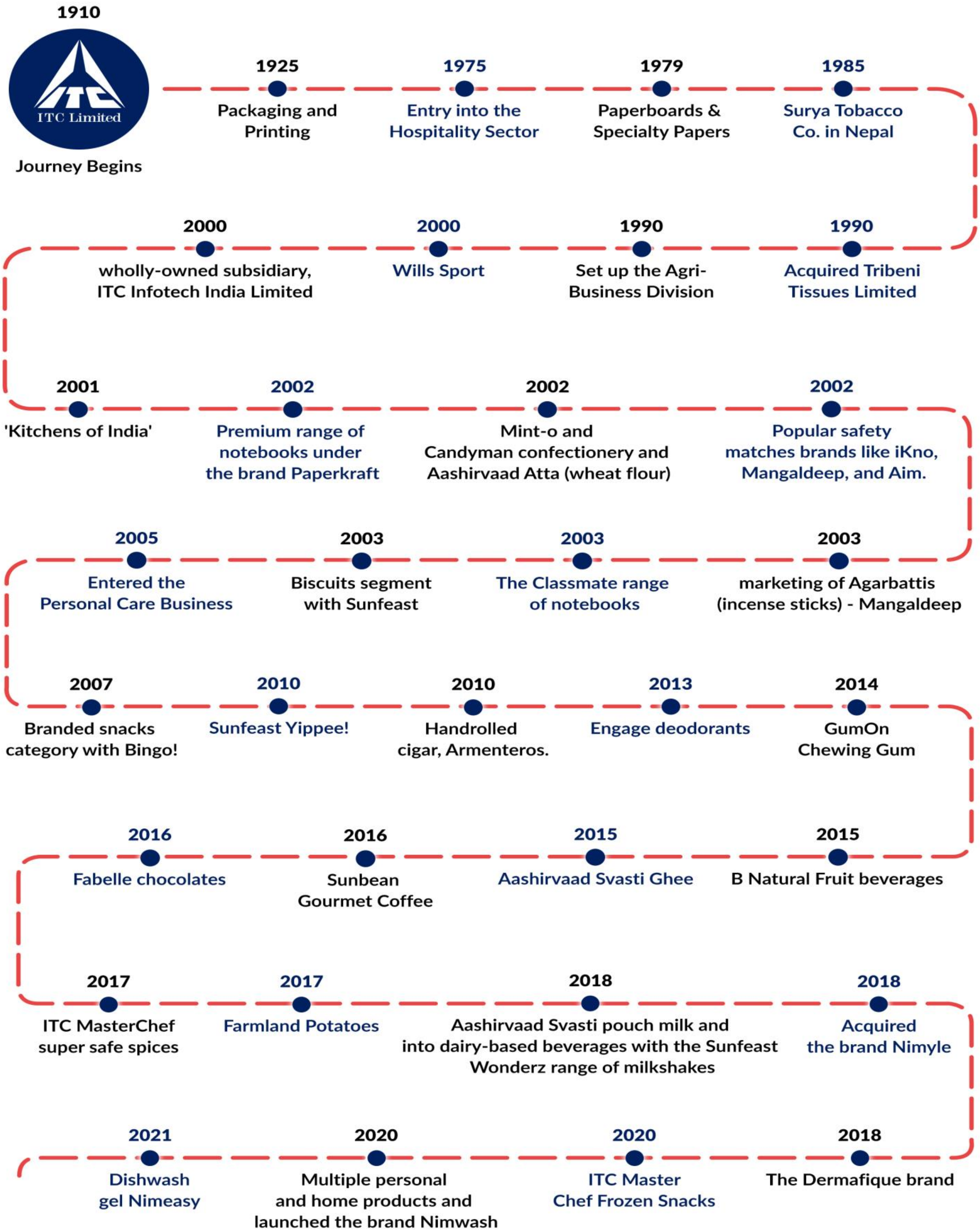
- Cigarettes and cigars,
- Foods,
- Personal care,
- Education & stationery products,
- Incense sticks and safety matches,
- Hotels,
- Paperboards and packaging,
- Agribusiness, and
- Information technology

Organizational Structure



Source: Company Reports & Ventura Research

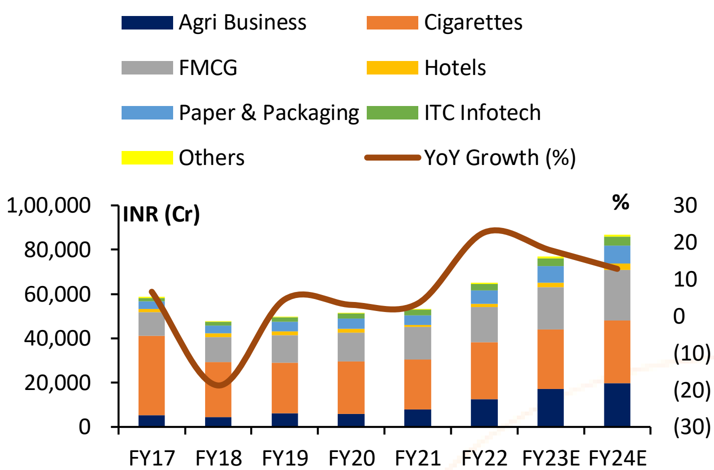
Journey of ITC



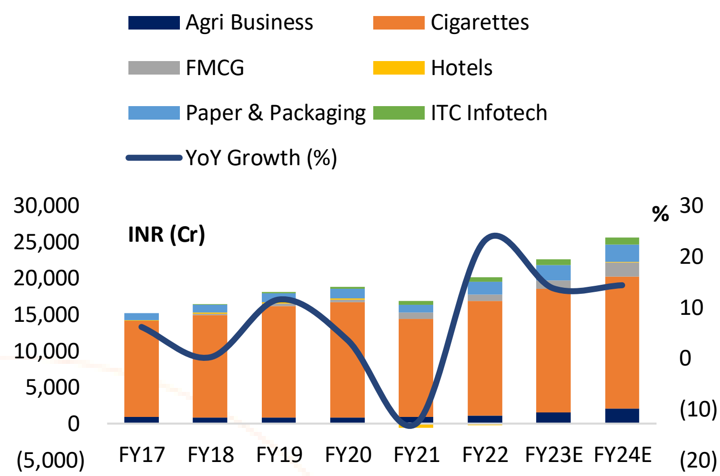
Source: Company Reports & Ventura Research

ITC's segment story in numbers

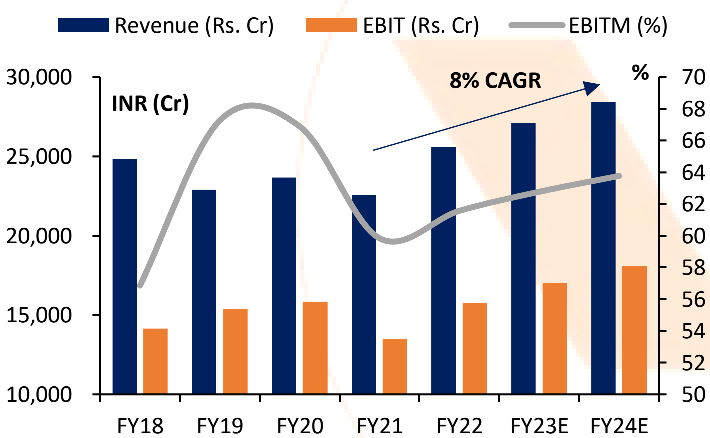
Strong all round revenue growth



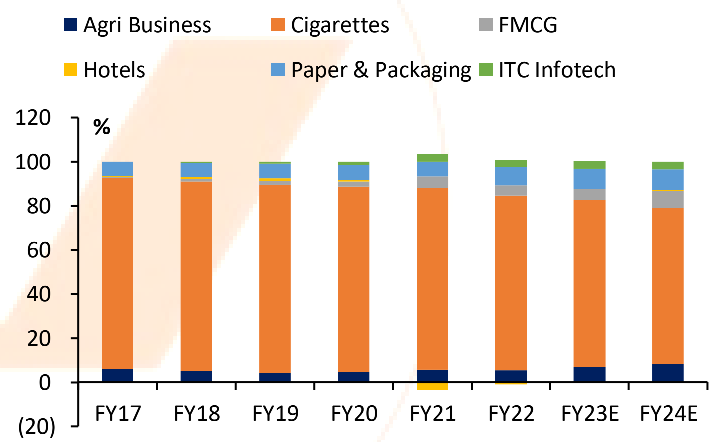
All segments contributing to EBIT expansion



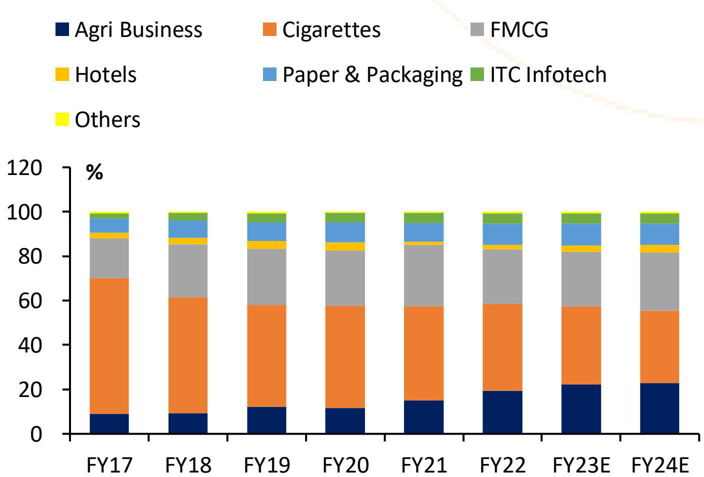
Steady taxation aid to growth in cigarette revenue



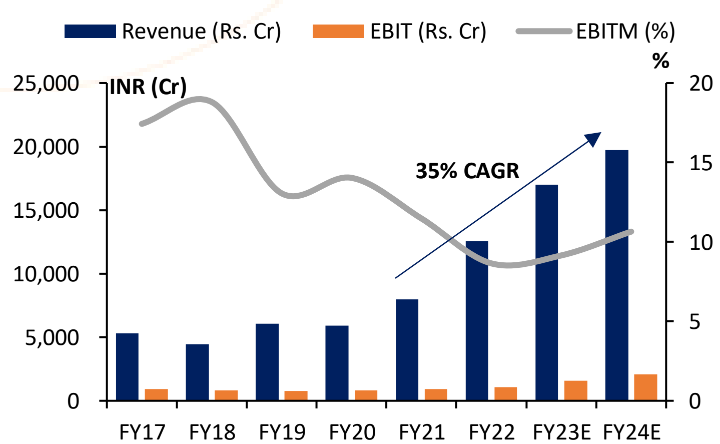
EBIT share from other than cigarette set to improve



FMCG revenue share set to expand



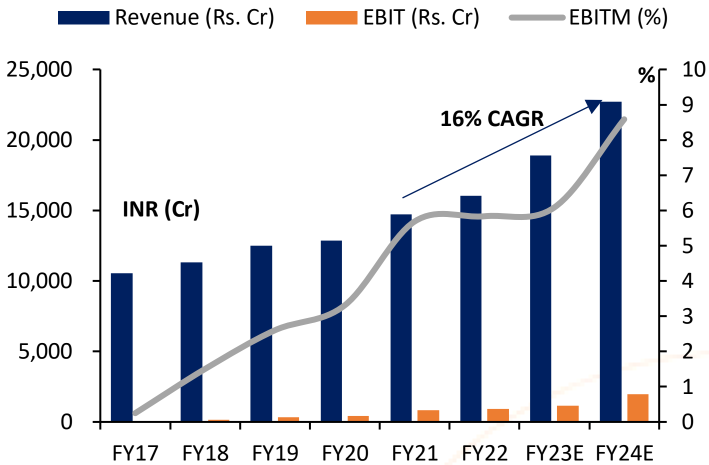
Rapid Agri business revenue growth on the back of commodity inflation



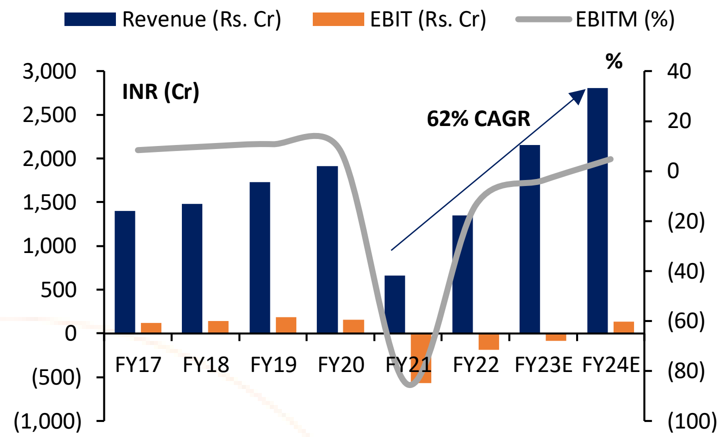
Source: Company Reports & Ventura Research

ITC's segment story in numbers

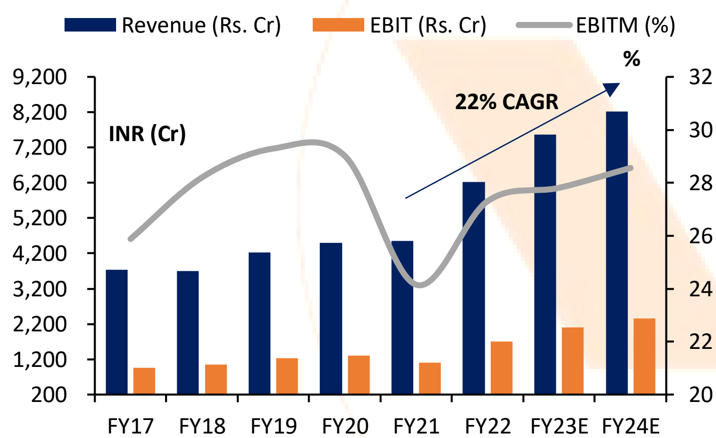
FMCG business profitability set to explode



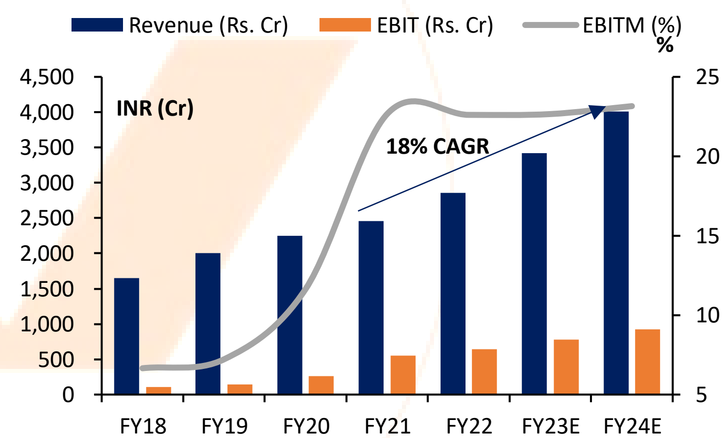
Post pandemic revenge travel leading to a sharp recovery in hotel profitability



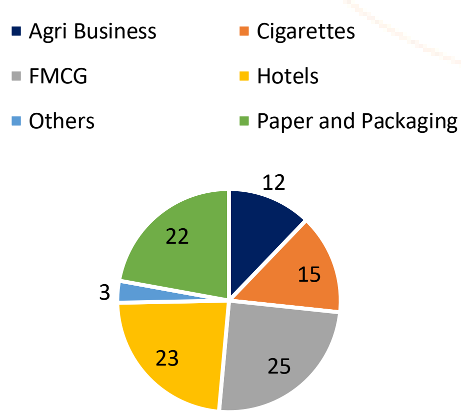
Sustainable paper & Packaging trend aiding segment growth



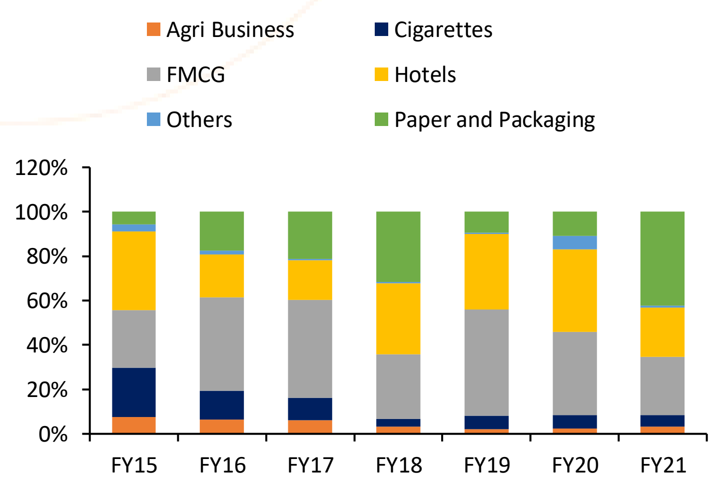
IT business profitability set to explode at rapid pace



FY17-21 ITC invested heavily across all segments

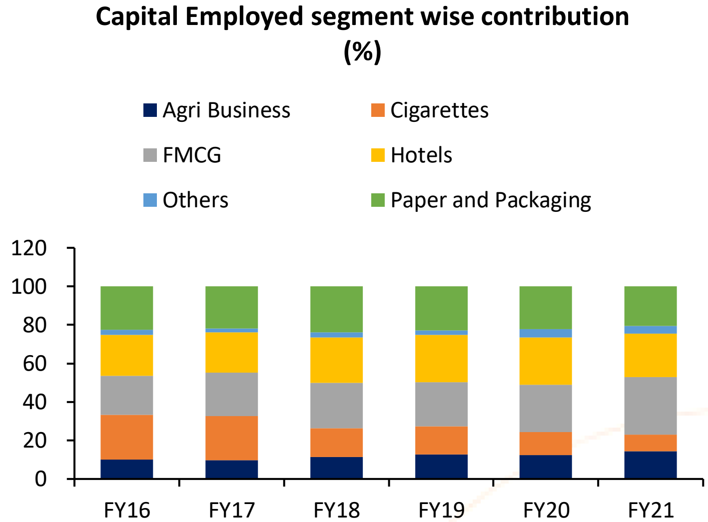


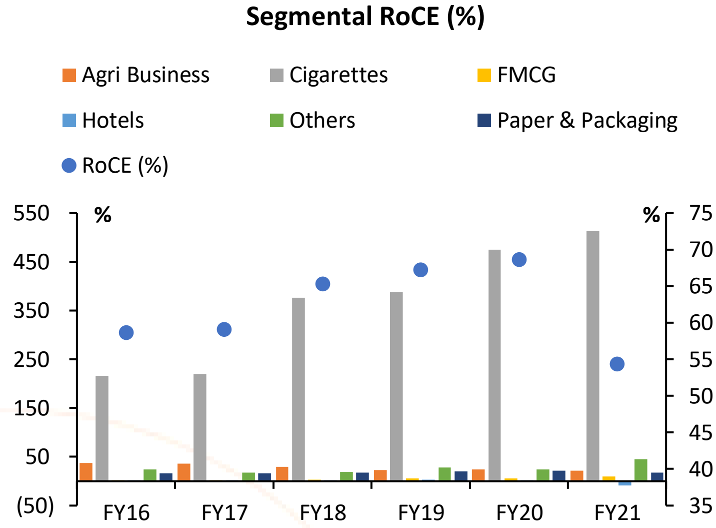
Capex segment wise contribution (%)

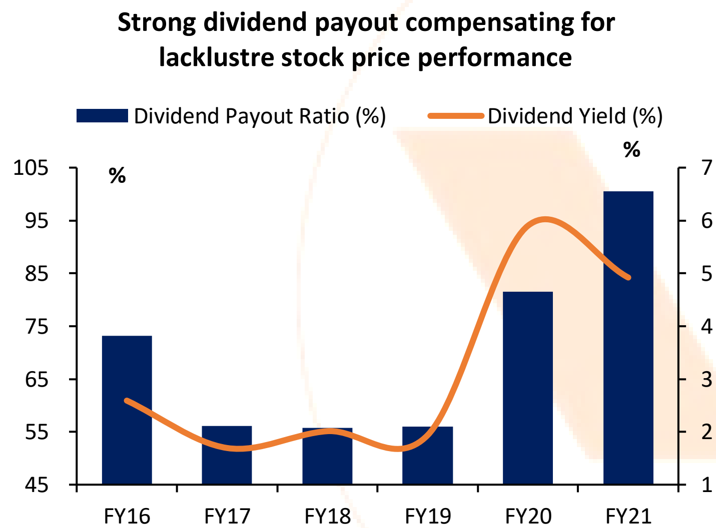


Source: Company Reports & Ventura Research

ITC's segment story in numbers







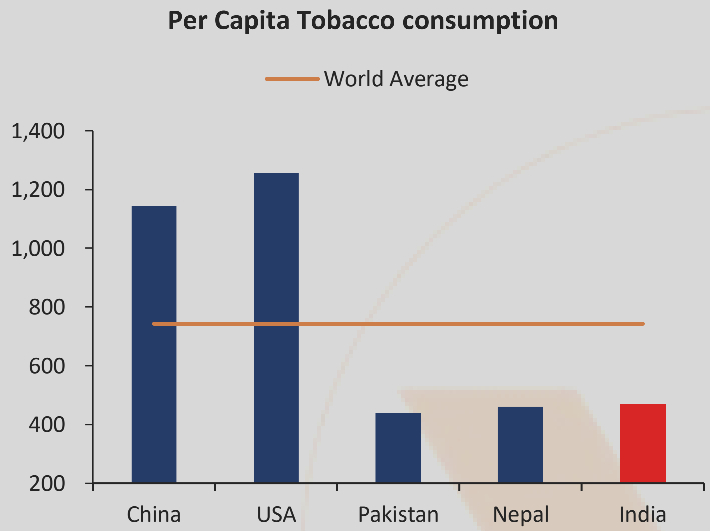
Source: Company Reports & Ventura Research

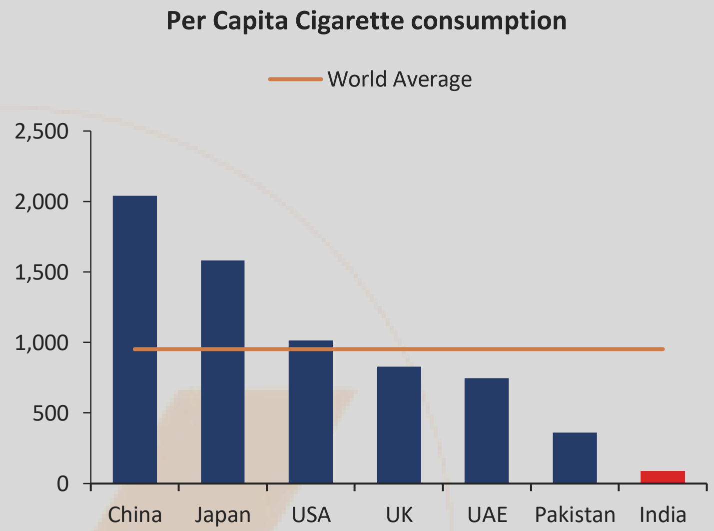
Key business verticals

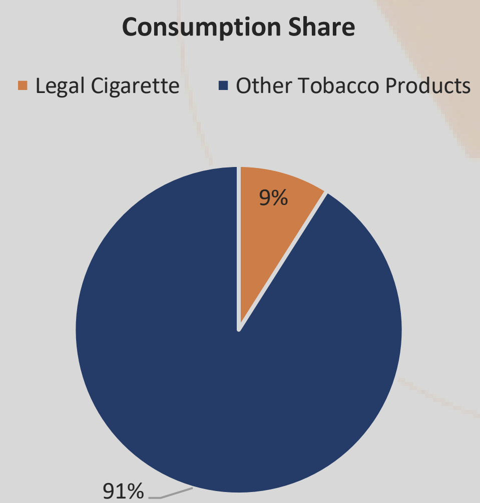
Cigarette segment – Bouyancy in growth from benign taxation

While India is the world's second-largest consumer of tobacco, legal cigarettes constitute only 9% of overall tobacco consumption in India (as against a global average of 90%). Consequently, while the share of legal cigarettes in total tobacco consumption has declined from 21% in 1981-82 to a mere 9%, aggregate tobacco consumption in the country has increased over the same period. This is partly due to the incidence of higher taxation on cigarette.

Lower tobacco and cigarette consumption in India







Source: Statista, Company Reports & Ventura Research

It is estimated that on account of illegal cigarettes alone, the revenue loss to the government is almost Rs.15,000 cr per annum. In respect of the other tobacco products also, the revenue losses are significant since about 68% of the total tobacco consumed in the country remains outside the tax net.

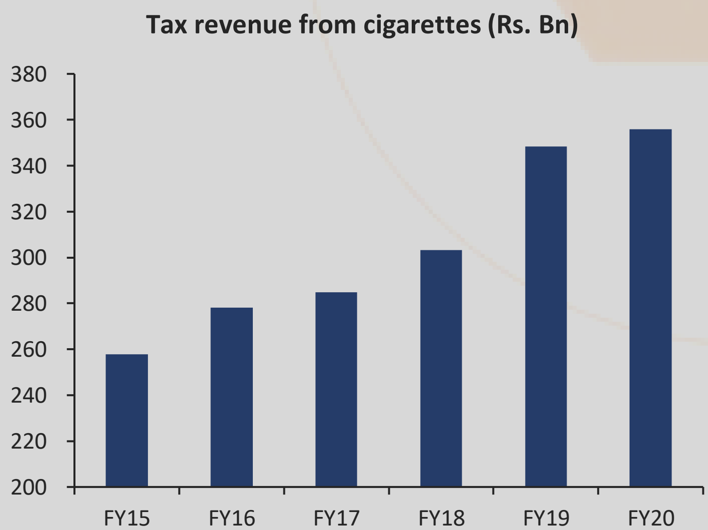
Taxation on tobacco products

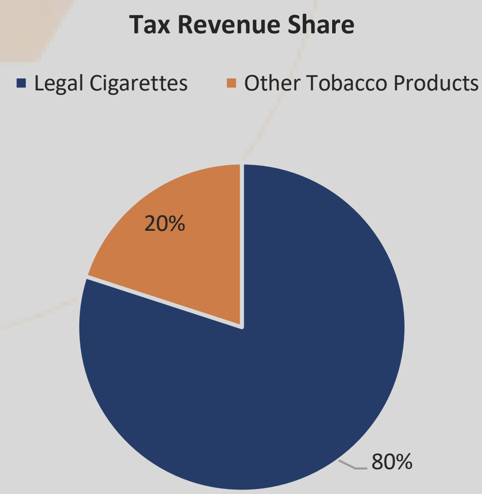
Particulars	Cigarettes under 65mm	Cigarettes between 65mm to 70mm	Cigarettes between 70mm and 75mm	Cigarettes above 75mm	Pan masala	Pan masala with gutkha (tobacco)
Value per unit (A) (Rs.)	5	10	15	15	5	10
Probable maximum cess of the value of goods or transactions. (B) (Rs.)	0.25 (5%)	0.50 (5%)	0.75 (5%)	0.75 (5%)	3 (60%)	20.4
Probable cess per 1000 sticks (C) (Rs.)	1.591	2.876 (non-filter) and 2.126 (filter)	2.876 (both filter and non-filter)	4.170 (both filter and non- filter)	Not applicable	Not applicable
GST rate @28% (D) (Rs.)	1.4	2.8	4.2	4.2	1.4	2.8
Probable price that can be charged on products (A + B+C+D) (Rs.)	8.016	16.176 (non-filter) 15.426(filter)	21.502 (both filter and non-filter)	24.12	9.4	33.2

Source: Cleartax, Company Reports & Ventura Research

India is the 4th largest exporter of unmanufactured tobacco in the world. Exports of Tobacco and Tobacco Products contributed Rs.5969.59 cr in terms of Foreign Exchange during 2019-20. Various varieties of tobacco are grown across 13 states in the country. The Indian cigarette market reached a value of INR 55 Bn in 2020. The global growth of the Tobacco industry is expected to be ~3.3% over 2021-26.

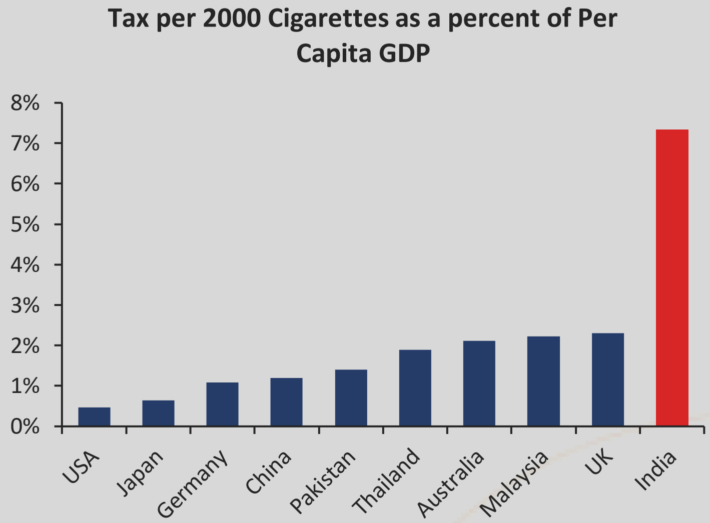
Tax revenue from cigarettes in India

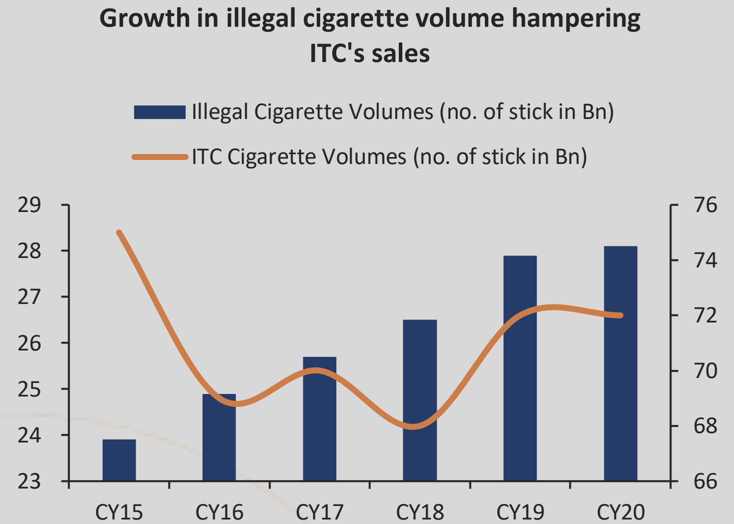




Source: Company Reports & Ventura Research

Tax revenue from cigarettes in India





Source: Company Reports & Ventura Research

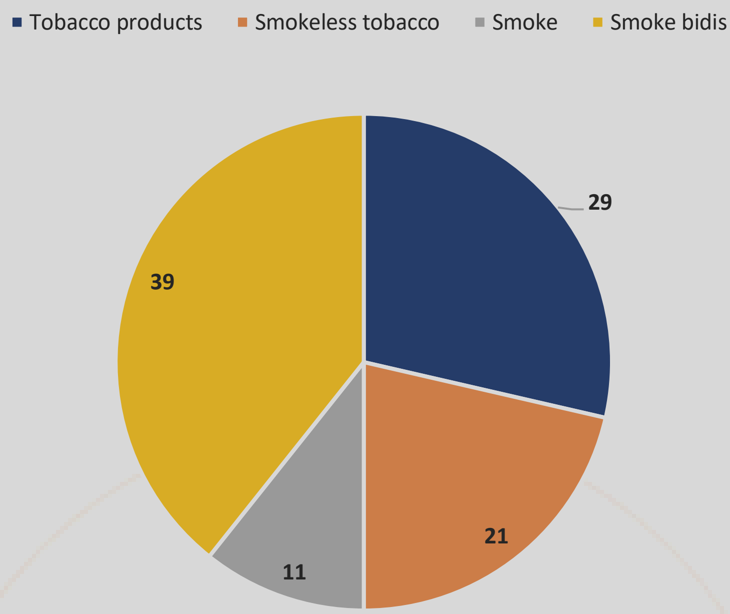
It is pertinent to note that smuggled international brands of cigarettes do not bear any of the pictorial or textual warnings mandated by Indian laws or, bear much smaller pictorial warnings as per the tobacco laws of the countries from where these cigarettes originate.

The government has, over the past two years, cracked down on unauthorized cigarette brands, which are mostly smuggled from China, Malaysia, and Dubai. The CBIC and the Directorate General of Revenue Intelligence (DGRI) have been tasked with keeping a constant vigil on the illicit import and smuggling of cigarettes. As per data provided by the Central Board of Indirect taxes and Customs (CBIC), till 21 February of FY21, INR 1772 cr worth of cigarettes were seized. This is almost ten times higher than the seizure in FY20 worth INR 188 cr. Previously, in FY16 and FY18, the government seized cigarettes worth INR 2396 cr and INR 1893 cr respectively. The value of seizures includes both smugglings across borders and domestic tax evasion. States/UTs of Uttarakhand, Chandigarh, Jharkhand, Punjab, Mizoram, Sikkim, Uttar Pradesh, Jammu & Kashmir, Gujarat, Karnataka, and Himachal Pradesh have issued specific notifications prohibiting the sale of loose cigarettes and tobacco products.

India has lower tobacco as well as cigarette consumption compared to the globe. India's tobacco consumers are dominated by smokeless tobacco (Khaini, Gutka, and Pan Masala) and bidis. Besides this, the annual per capita adult cigarette consumption in the country is 9% of the world average. The market share of cigarette tobacco to non-cigarette tobacco is 31% to 69%.

Cigarette smoking is comparatively least harmful than all other forms of tobacco consumption. So that the government plans to undertake initiatives to discourage the use of other more harmful forms of tobacco consumption which would be beneficial for ITC, as the largest market share in legal cigarettes in the country.

Tobacco use among adults (age 15+)



Source: Tobaccofreekids, Company Reports & Ventura Research

India is the second-largest producer of tobacco in the world and reaps enormous benefits in terms of employment in the agricultural sector, income to farmers, revenue generation, and foreign exchange earnings. India is also the largest exporter of tobacco and tobacco-related products. Various varieties of tobacco are grown across 13 states in the country.

Around 68% of tobacco consumption comes from the unorganized sector which bypasses the purview of the regulatory authorities and does not pay taxes. India is currently the 4th largest illegal cigarette market in the world with illegal cigarettes reaching 26.5 bn sticks in 2018 which is double the level it was in 2005.

ITC cigarette business

ITC, the market leader in the cigarettes segment in India has a market (volume) share of over 75%+. ITC's wide range of brands, includes Insignia, India Kings, Classic, Gold Flake, American Club, Wills Navy Cut, Players, Scissors, Capstan, Berkeley, Bristol, Flake, Silk Cut, Duke & Royal. The company's cigarettes are manufactured in state-of-the-art factories located at Bengaluru, Munger, Saharanpur, Kolkata, and Pune.

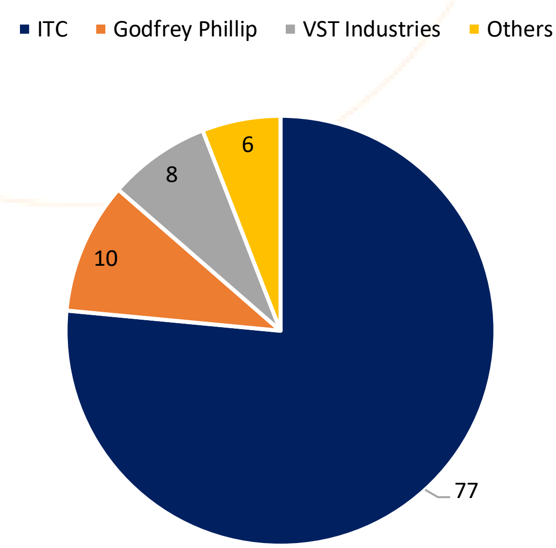
Cigarette brands of ITC

Source: Company Reports & Ventura Research

Tobacco consumption being injurious to health, the industry has been subject to high taxation rates coupled with stringent regulation on advertising and packaging. This represents a strong entry barrier for new entrants and is a big Moat for ITC

In addition to the entry barrier moat, ITC's strong portfolio and pan-India distribution network will ensure that ITC sustains its dominant position with 77% market share.

ITC has a dominant market share (%) in cigarettes



Source: Statista, Company Reports & Ventura Research

ITC's capability to lead the market

Leading Brands in every Market Segment	Strong Category Insight Generation Engine to strengthen Portfolio vitality	11% of volumes from new launches
Direct reach to 1.4 lac Markets	Best in Class Retail service	Available in 7.1 Mn category outlets >2x nearest competitor
55% Energy Through Renewable sources	99.9% Solid Waste Recycled	Leaders in Sustainability 6 Awards in the last year
Technology Prowess, Industry 4.0 & Proprietary Models	Integrated in-house capability for Leaf Developement, Capsules & Speciality FIlters	50:50 JV to create competitive advantage in differentiated filters

Source: Company Reports & Ventura Research

The company has introduced many innovative products and variants in the recent past like Classic Double Burst, Gold Flake Mint Switch, Flake Mint Switch, Bristol Magnum, Navy Cut Century, and a new brand, Wave capsules. The company has the manufacturing capacity to fulfill the entire requirement for capsules. ITC has a 60%+ market share in capsules.

ITC strong portfolio

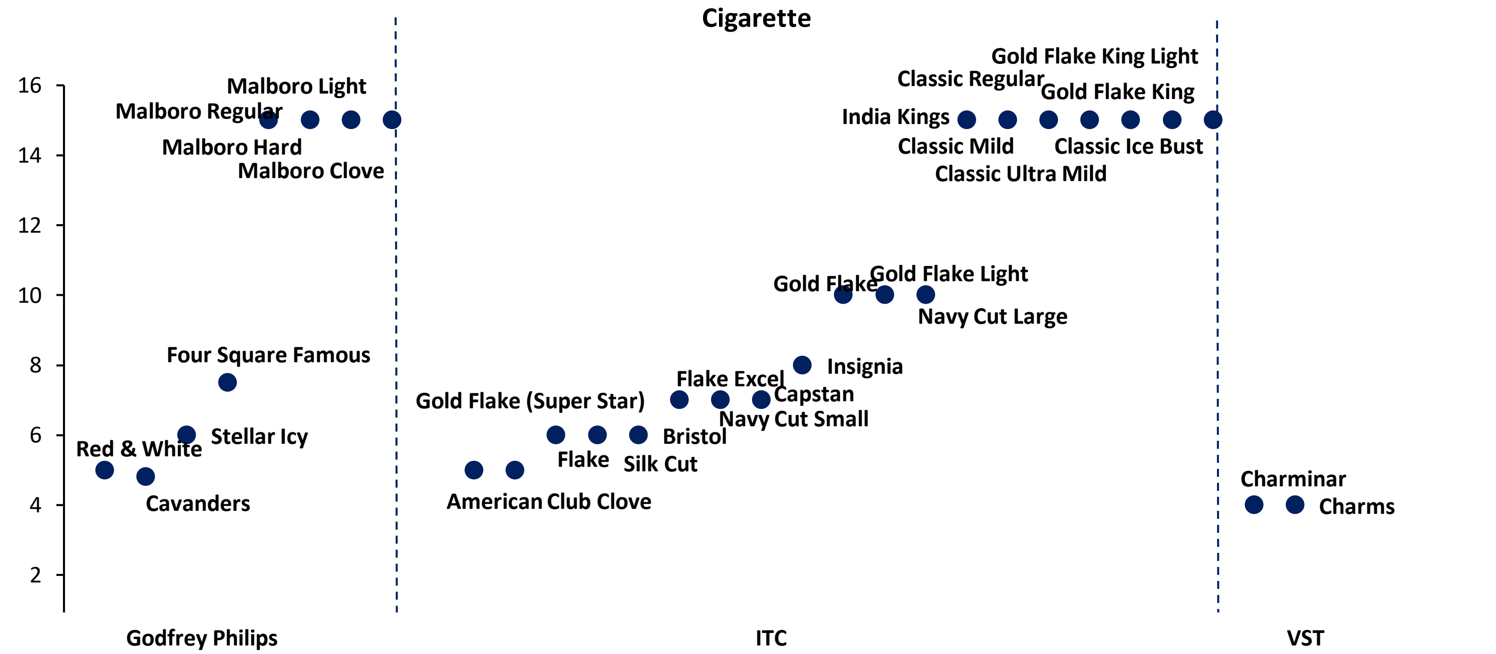
MRP / Pack of 10s

Insignia | Classic Blue Leaf

	MRP / Pack of 10s					
50+ Brands	Rs. 150 & Above	Classic (9 Offers)	Classic (8 Offers)	India Kings (2 Offers)	B&H | 555 (3 Offers)	
	Rs. 110 - Rs. 140	Gold Flake (9 Offers)	Classic (2 Offers)	American Club (5 Offers)	Wills | Flake (3 Offers)	
100+ Innovative launches in 5 years	Rs. 70 - Rs. 100	Gold Flake (10 Offers)	Wilss (3 Offers)	Flake | Scissors (5 Offers)	Players (2 Offers)	Captain | Bristol (4 Offers)
	Rs. 40 - Rs. 60	Gold Flake (11 Offers)	Flake (11 Offers)	Capstan (4 Offers)	Wave (5 Offers)	
		Berkeley (2 Offers)	Royal (4 Offers)	Duke (2 Offers)	Navy Cut (5 Offers)	Silk Cut (4 Offers)

Source: Company Reports & Ventura Research

Cigarette brand SKUs comparison (Rs./piece)



Source: Company Reports & Ventura Research

Classic – The company has launched 4 new variants launched over the last 5 years contributing to ~25 % of the portfolio.

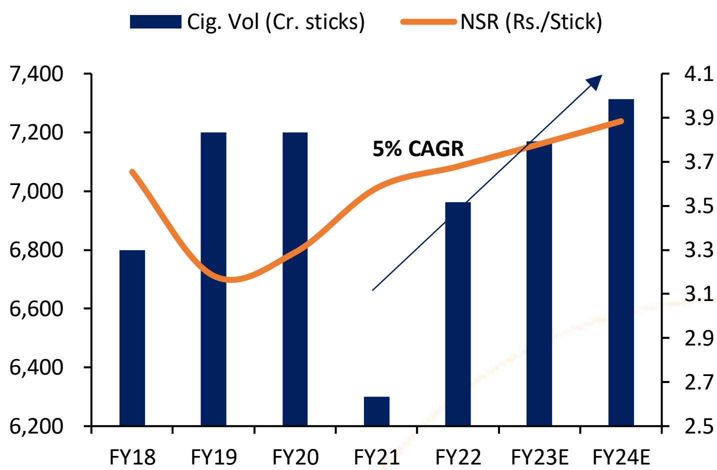
Gold Flake – The brand owns multiple variants which are operating across geographies and price points. New launches under the Gold Flake brand in the last 5 years account for 10% of the Portfolio. The company has launched 10+ new launches in the last 18 months.

ITC's capability in making filters and capsules in-house will help ITC to innovate portfolio and cut costs. ITC bets on innovations that have helped the cigarette segment in recent times. Classics brand, the firm's flagship brand got 25% of its sales from the four new variants that ITC launched in the last five years. Gold Flake, got 10% of its sales from new launches in the last five years. ITC has launched over 10 new variants under the brand in the last one and half years.

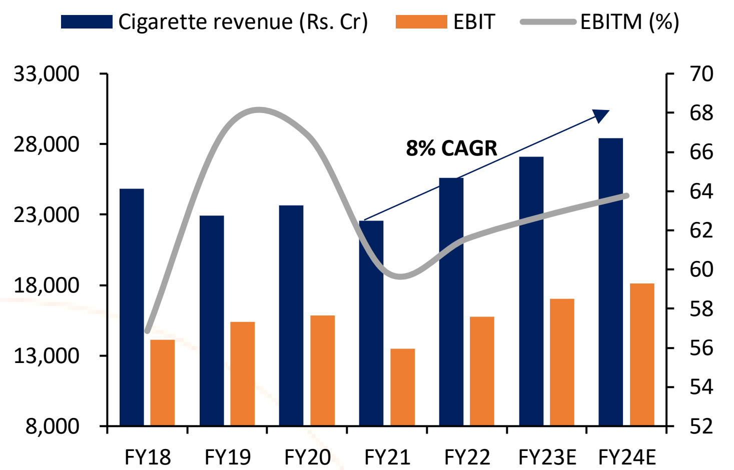
We envisage robust growth in cigarette revenue and profitability

ITC Cigarettes volume set to grow with NSR to improve performance

Cigarettes volume and NSR



Cigarette revenue and EBIT positioned to grow



Source: Company Reports & Ventura Research

During FY18-21, the cigarette volume dropped from 6,800 cr sticks in FY18 to 6,300 cr sticks in FY21. Due to the pandemic, the stringent lockdown has affected

- volume growth to -3% CAGR,
- revenues degrow by 3% CAGR to INR 22,557 cr,
- NSR (Rs./Stick) degrow by 1% CAGR to INR 3.6.

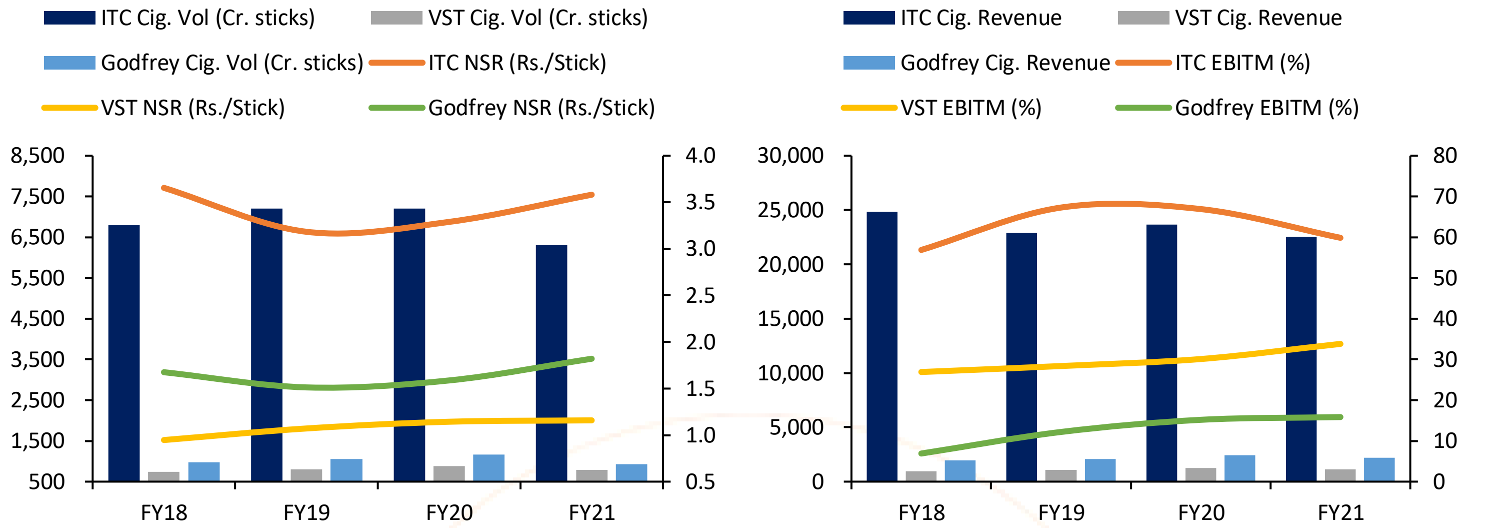
EBIT declined at 2% CAGR to INR 13,498 cr. EBIT margins have improved by 298 bps to 59.8% in FY21.

During FY21-24E, we expect

- volume to grow at 5% CAGR to 7,314 cr,
- NSR (Rs./Stick) to grow at 3% CAGR to INR 3.9,
- leading to 8% CAGR growth in revenue to INR 28,407 cr.

EBIT is expected to grow at 10% CAGR to INR 18,115 cr. EBIT margins are expected to improve at 63.8% (+392.81 bps).

ITC leads peers in terms of Volume, NSR and profitability growth



Source: Company Reports & Ventura Research

For any further query, please email us on research@ventura1.com

FMCG business – leader of the next decade

The sustenance of the cigarette industry has been under a cloud for a long, considering the harmful health effects. With a view to diversifying away from the cigarette business, ITC ventured into the fast-growing FMCG business in FY02 by introducing 'Kitchens of India' ready-to-eat Indian gourmet dishes. Gradually, the company moved into wheat flour, dairy, noodles, biscuits, fruit juice, stationeries, soaps, skincare, deodorants, and other product categories.

Today, ITC boasts of the largest non-cigarette FMCG portfolio which it has nurtured over the last 20 years.

ITC has built an enviable portfolio of FMCG brands

Source: Company Reports & Ventura Research

ITC's FMCG business can be broadly segmented into

- branded package foods – expected to scale to INR 18,618 cr by FY24E
- personal care, stationery and, other products – expected to grow at a CAGR of 13% to INR 3,620 cr by FY24E

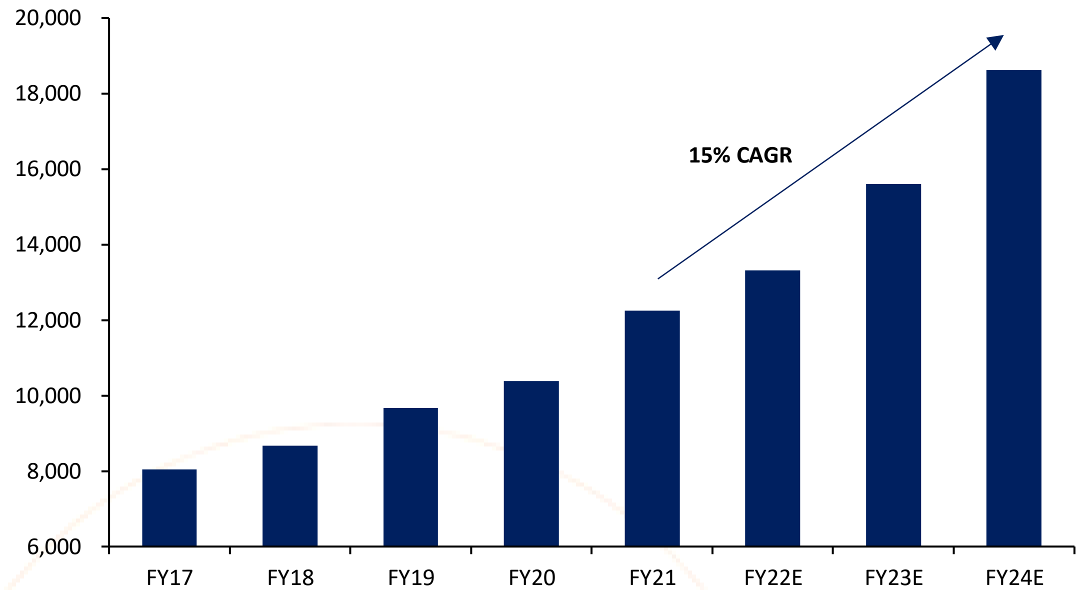
Branded packaged food business

The branded packaged food business is a gargantuan market opportunity that is expected to scale to INR 58,543 cr by FY31E (CAGR 17%) from the current market size of INR 12,244 cr. This segment is under-penetrated and is largely catered to by the unorganized sector. ITC with its plethora of brands and strong supply chain and pan-India distribution is best placed to milk this opportunity.

The main drivers of this growth are:

- Increasing aspirations of Indians at large given the rapid improvement in per capita income
- India's demographic dividend of having nearly 50% of its population being under 28 years of age
- Increasing awareness of the hygiene factor that should aid the packaged food business to grow faster than the market
- Increasing market share of the deep-pocketed pan-India brands vis-a-vis regional unorganized players having weak financial muscle and distribution reach
- Innovation and new product offering

Branded packaged food products business of ITC



Source: Company Reports & Ventura Research

The packaged foods business of ITC caters primarily to

- Atta products (mainly wheat flour), dairy products, traditional breakfast meals (Upma, Poha, Idli, Rice dosa, etc.), salt, multi-grains and super foods - Aashirvaad brand
- Biscuits, noodles and pasta - Sunfeast brand
- Snackables - Bingo
- Fruit juices/beverages - B Natural
- Instant coffee – Sunbean
- ready-to-eat/cook (RTE) products - ITC Master Chef, Kitchens of India
- Chocolate and confectionery - mint-o, Candyman, GumOn, Fabelle

Recently, ITC acquired the Sunrise brand which has a strong portfolio consisting of products in the categories of spices, mustard oil, and papad.

ITC has also forayed into the plant-based meats segment.

Aashirvaad

In May-2002, ITC entered the branded atta market with the launch of Aashirvaad Atta. Within a short span of time, Aashirvaad has become the No.1 packaged atta brand across the country.

Journey of Aashirvaad brand

Source: Company Reports & Ventura Research

The Aashirvaad brand has been extended to provide a value-added portfolio of atta products comprising Multigrain, Select, and Sugar Release Control atta.

'Aashirvaad Nature's Super Foods', a differentiated range of products comprising Gluten-Free Flour, Ragi Flour, and Multi-Millet Mix have also been introduced and are gaining strong consumer traction.

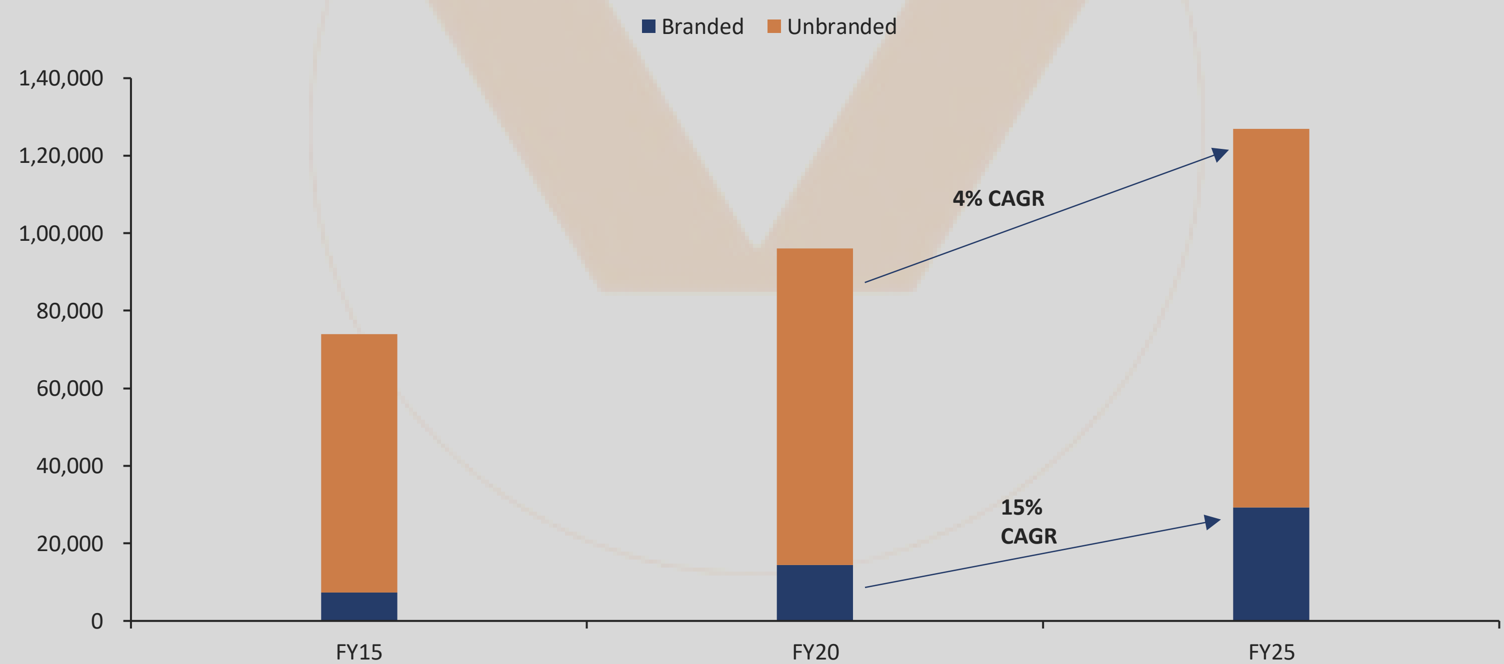
These products are available across select general and Modern Trade outlets as well as leading e-Commerce platforms. Nearly 3.5 cr households using Aashirvaad products is a clear testimony of the trust that the INR 6000+ crore brand has built over the years.

Packaged Wheat Flour Market

The INR 14,500 crore branded wheat flour market is expected to grow at a CAGR of 15% to nearly double itself in the coming 5 years. This rapid growth is on the back of

- hygiene and convenience factors,
- increasing focus on health and wellness,
- overall mindset shift in favor of packaged products, and
- growing urbanization

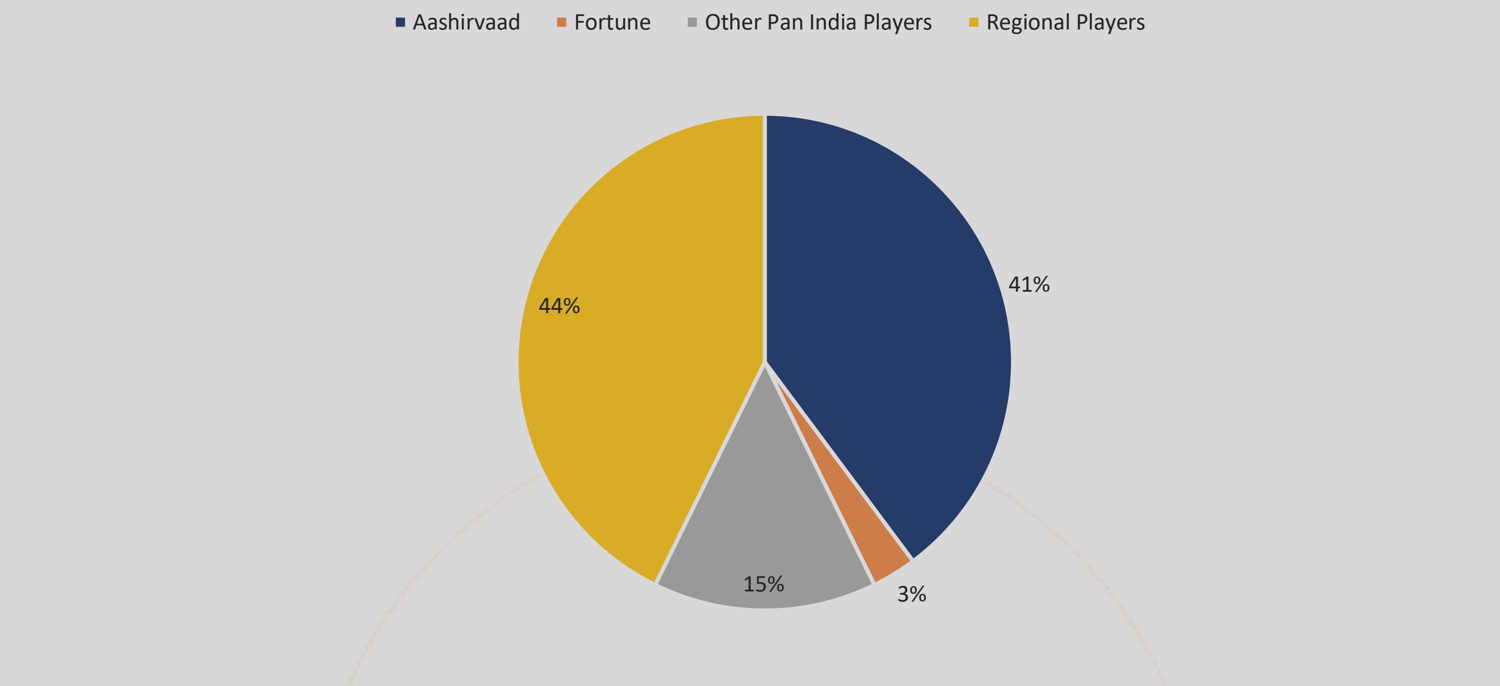
Branded wheat flour market to grow at 15% CAGR faster than category growth (4% CAGR)



Source: Company Reports & Ventura Research

The introduction of new variants in the health and wellness segment such as multigrain, low carb, sugar release control, high fiber, high protein, and fortified wheat flour varieties is aiding the growth of the packaged wheat flour market.

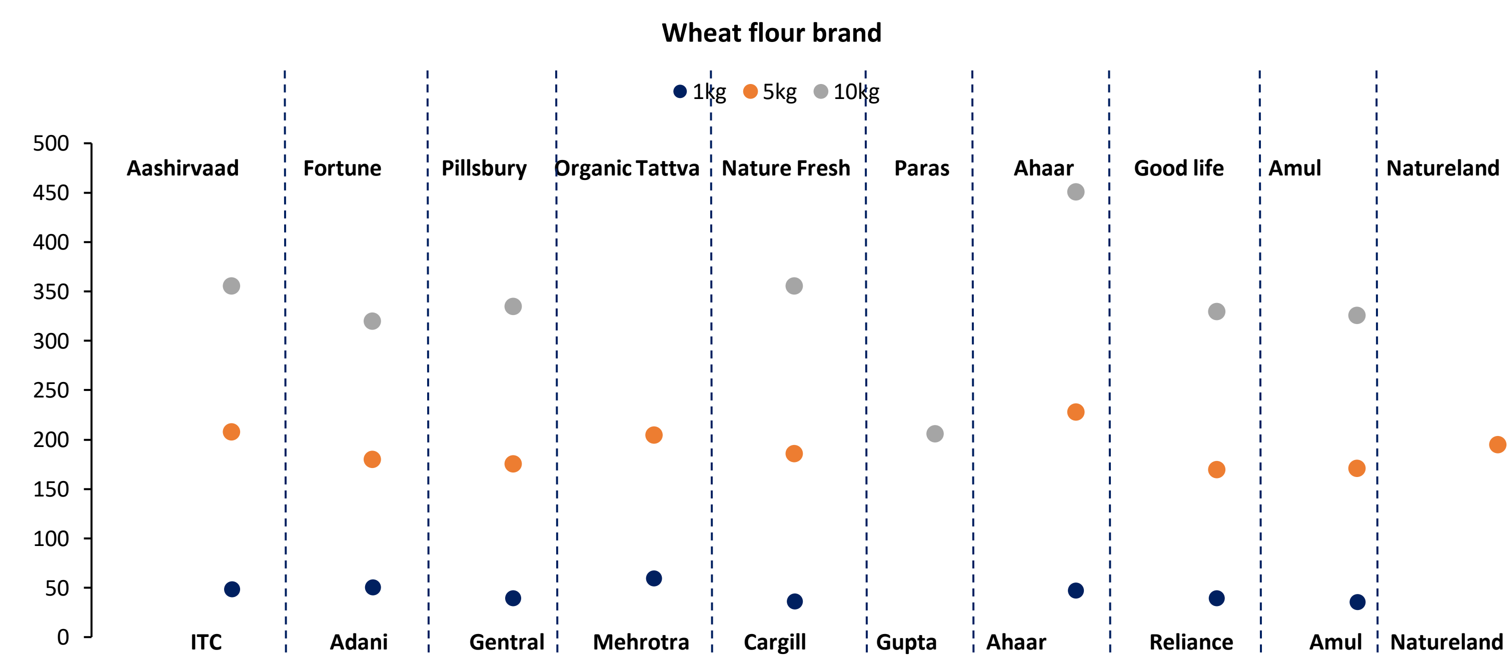
ITC is the largest branded wheat flour player in terms of market share



Source: Ruchi soya RHP, Company Reports & Ventura Research

Wheat flour being a mass-market product, premiumization is difficult. In this extremely competitive market, pricing is key and hence, supply chain and procurement cost efficiencies will be the game-changer. Here, organized players score better over their unorganized peers and hence, they have been able to gain market share. It is the value-added atta products that are margin accretive. However, their current contribution is too marginal to move the needle of profitability.

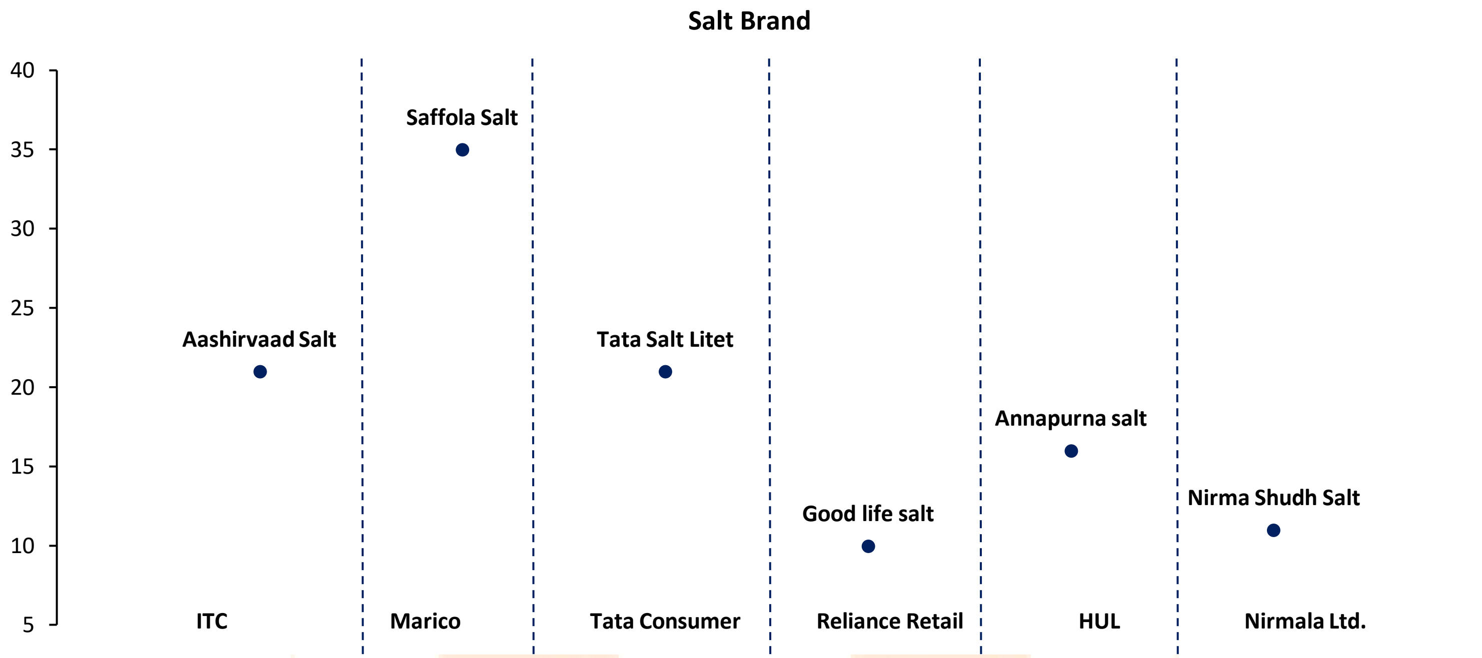
Price comparison of wheat flour products of ITC branded peers (Rs.)



Source: Amazon, Company Reports & Ventura Research

In 2019, the Indian salt market was estimated to be worth INR 21,700 crore with Tata Salt commanding a ~market share of 17.3%. Being a mature category, we expect a 2% CAGR growth over the next few years. Aashirvaad forayed into the salt market in the year 2003. Domestic players include Ankur, Annapurna, Sarbu, Captain Cook, i-shakti, Nirma Shudh and Aashirvaad.

Salt SKUs comparison (Rs./1kg)

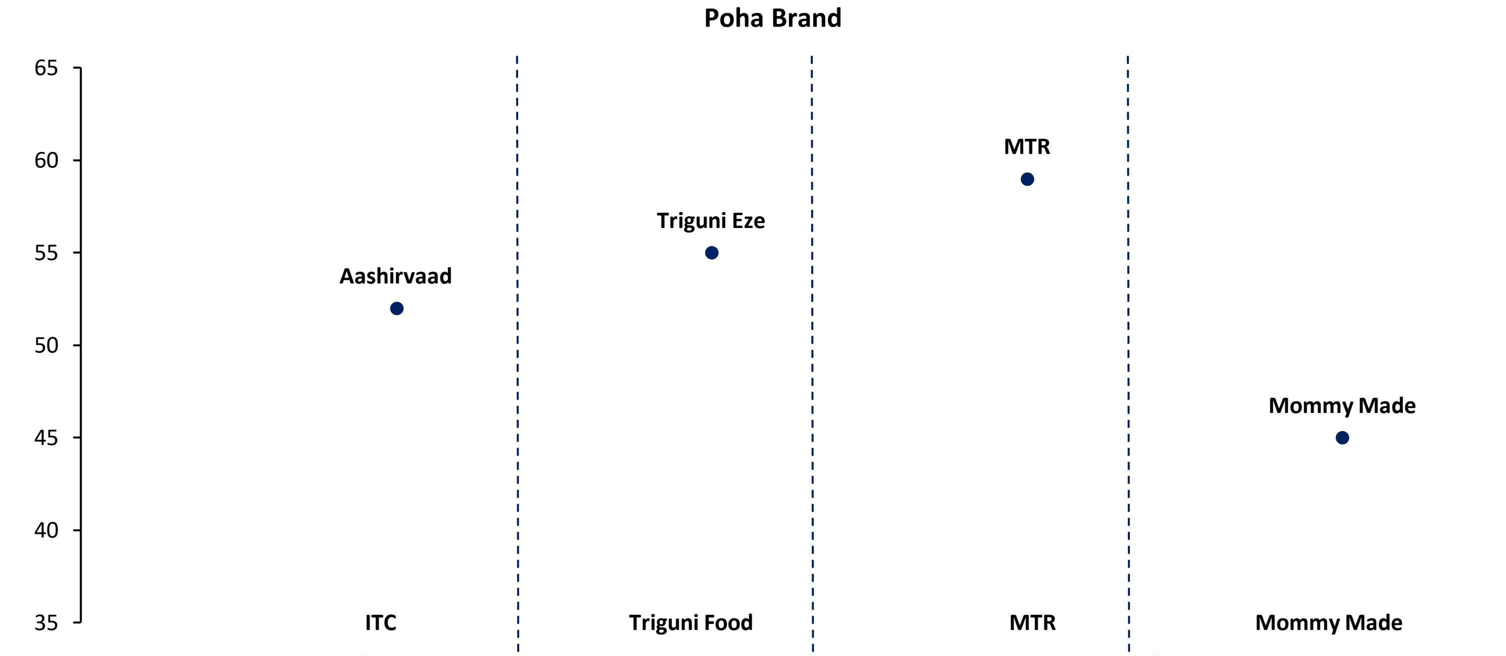


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

ITC forayed into the Indian breakfast segment Ready-to-Cook/mix range of products under its Aashirvaad brand. It has launched breakfast staples including dalia, poha, multi millet, idli, etc.

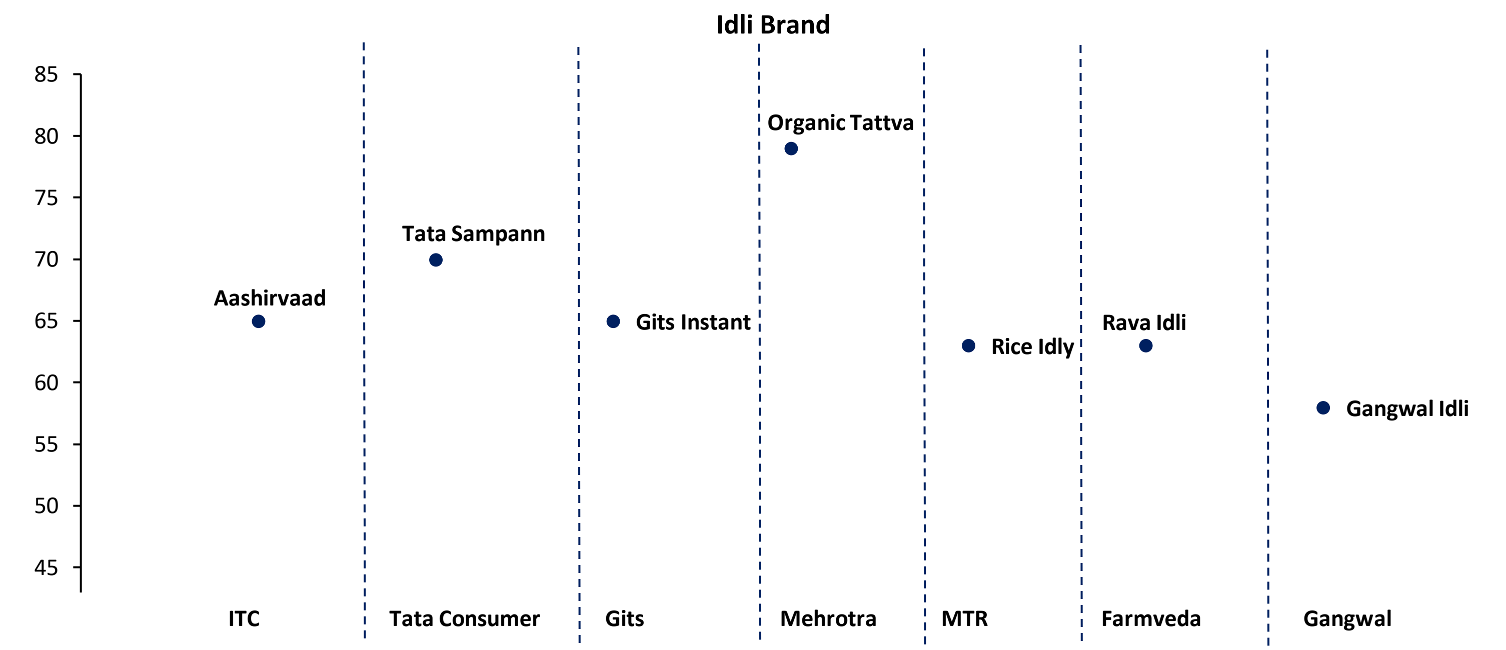
Since Aashirvaad already has a presence across different categories of atta, pulses, and dairy products, this brand is being extended into other value-added segments of breakfast and snacks. The RTC/RTE and staple category have a higher margin compared to packaged commodities. Being under-penetrated, these categories have huge potential for growth and have a decent margin by leveraging ITC scale with adjutancy of distribution and supply chain strength.

Instant poha SKUs comparison (Rs./80g)



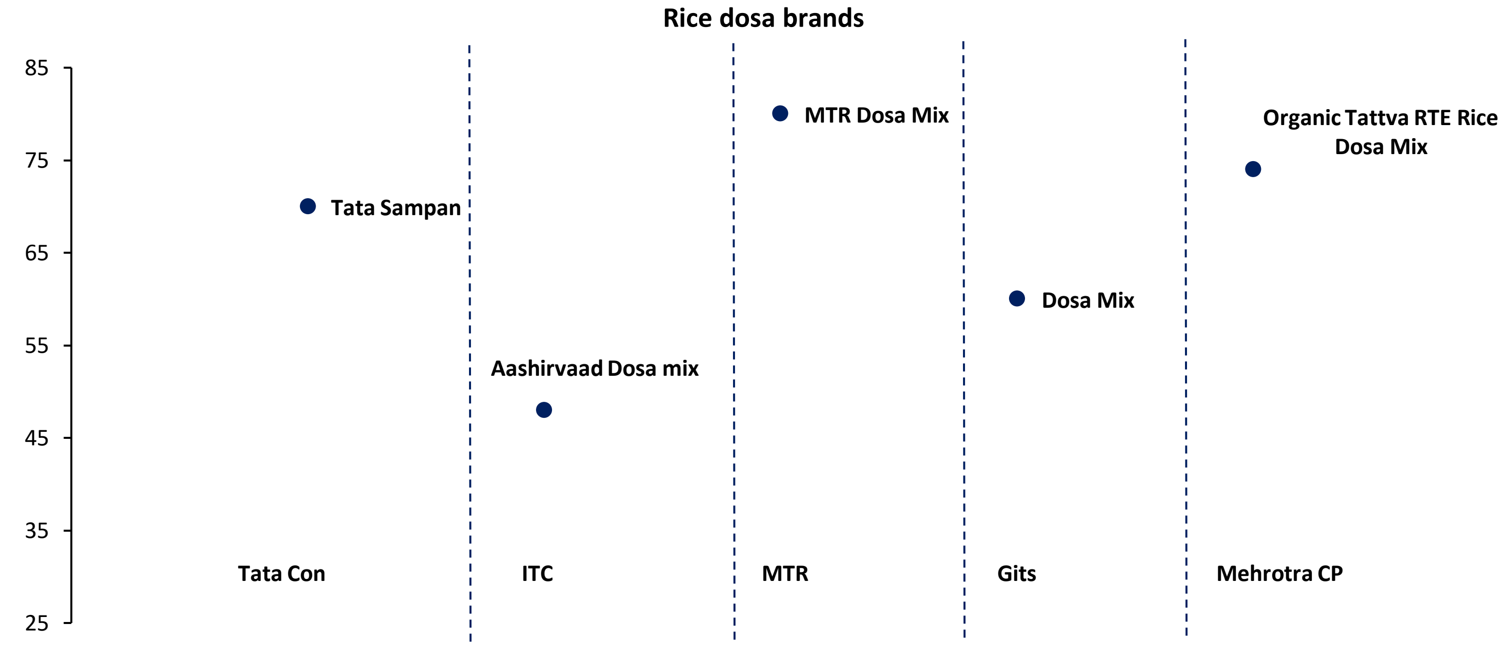
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Instant idli SKUs comparison (Rs./200g)



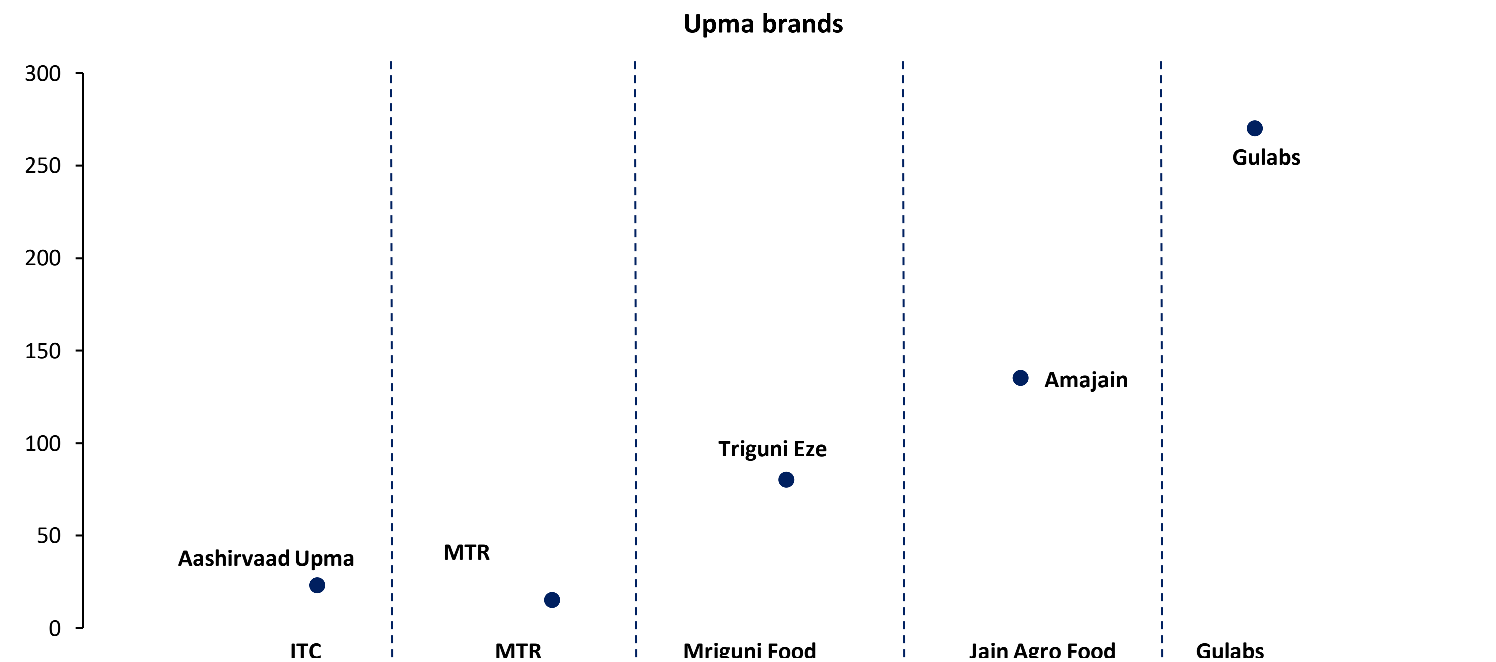
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Instant Rice dosa SKUs comparison (Rs./200g)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Instant Upma SKUs comparison (Rs./60g)

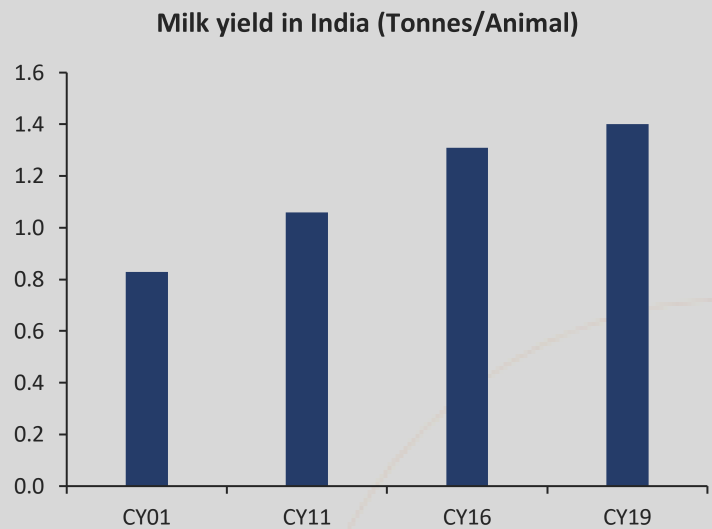


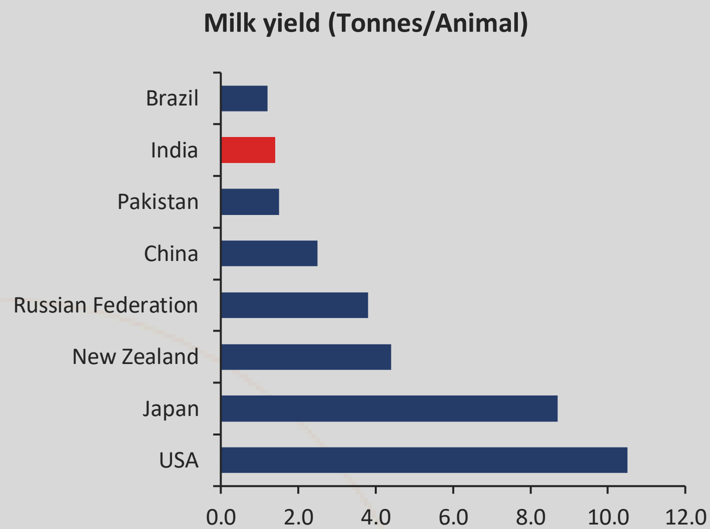
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Dairy Industry

India is the global leader in milk production, with a 30% production share of the ~860 mn tonnes of global milk market (in CY20).

Milk yields





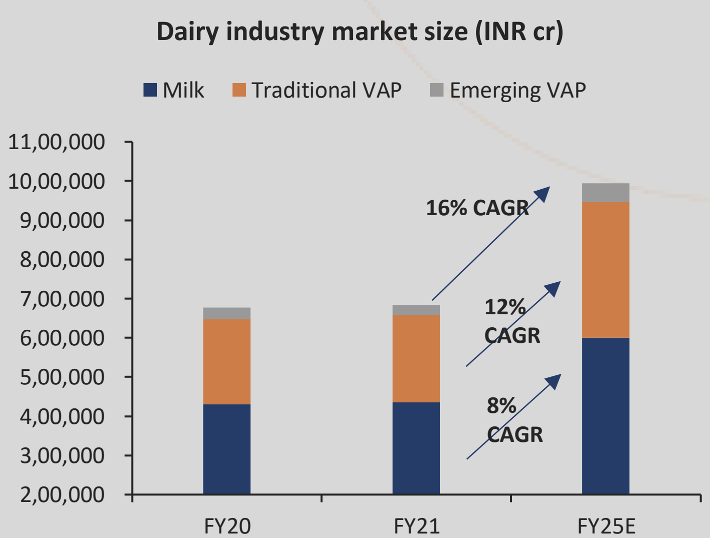
Source: Dodla dairy RHP

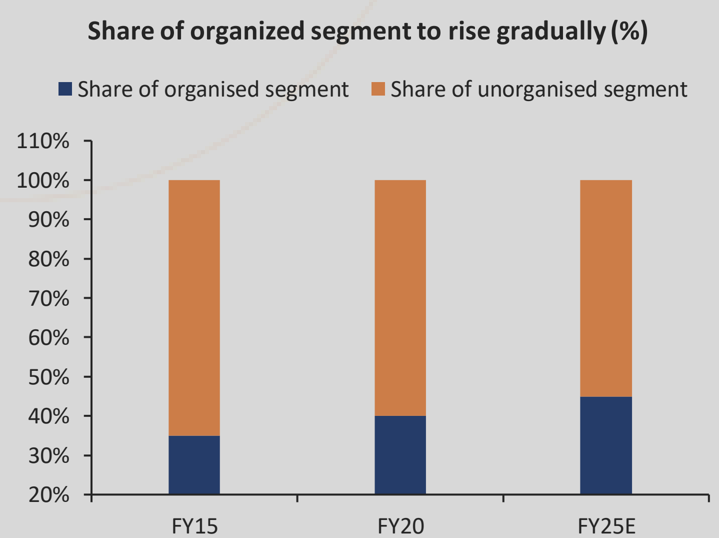
Although the milk yield in India is slightly better than the global average, yet it is still lower than that of many developed countries given there better breeding techniques and highly mechanized milk collection and processing techniques.

The Indian dairy market registered a growth of ~10% CAGR from FY15 to FY20 to reach INR 6.7 trillion driven by a 6-7% increase in volumes and a 3-4% increase in price realizations. The organized segment has grown at a faster clip to improve its market share to 40% in FY20.

Going forth, we expect the dairy market to grow to INR 9.94 trillion (10% CAGR) by FY25 with the organized sector improving its share to 45%.

The dairy industry in India





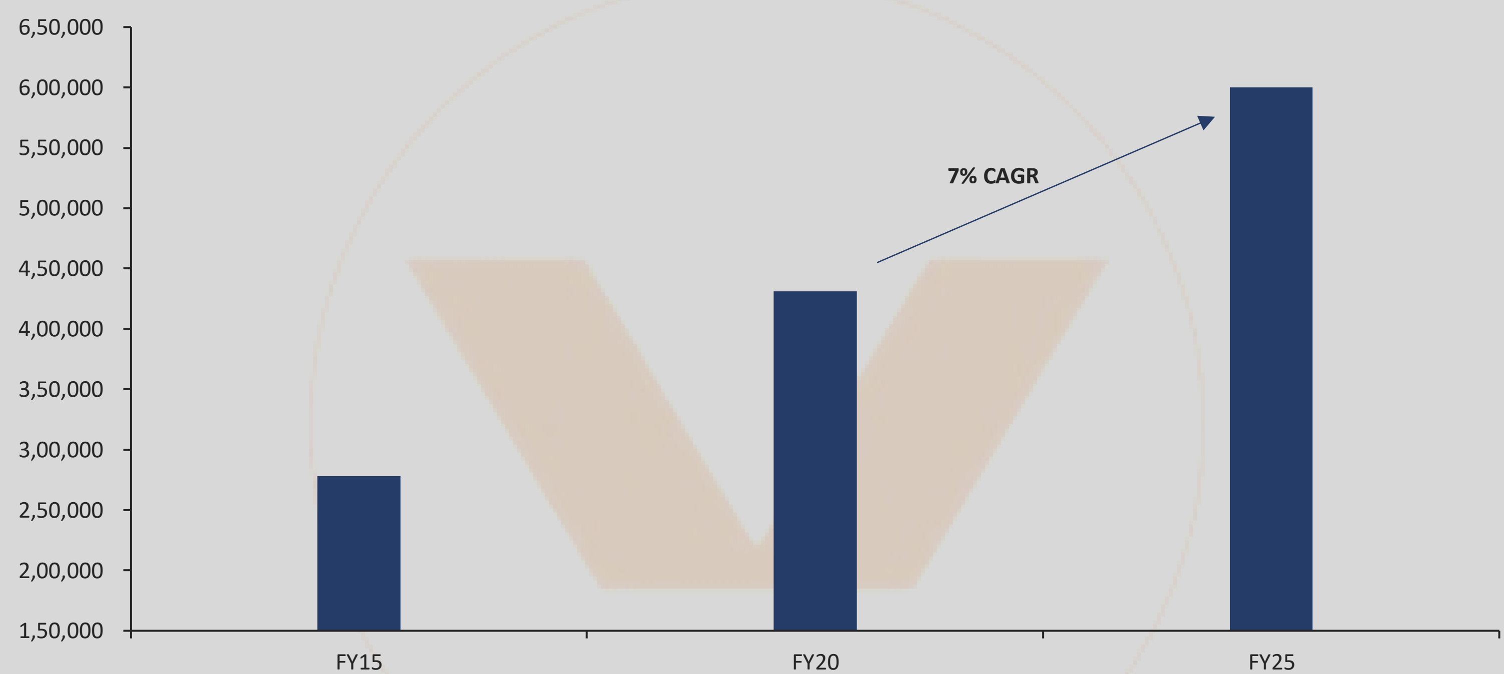
Source: Dodla dairy RHP

The dairy market can broadly be classified into

- milk (64% of total value in FY20) which is expected to grow at a CAGR of 8% to INR 6,00,000 cr by FY25,
- traditional value-added products viz: Butter, Ghee, Paneer, Khoa, Curd & Skimmed milk powder (32% of total value in FY20) which is expected to grow at a CAGR of 12% to INR 3,45,900 cr by FY25, and
- emerging value-added products viz: flavoured milk, ice cream, yogurt, cheese, and whey (4% of total value in FY20) which is expected to grow at a CAGR of 16% to INR 48,200 cr by FY25

Liquid Milk - Liquid milk market was sized at INR 4,31,100 cr in FY20 ~67% of the milk sold is through the unorganized segment, and the balance 33% is organized. There are several regional players and co-operatives across different markets, catering to market-specific needs. Going forward, the organized liquid milk market is expected to grow at a 5-year CAGR of 7% over FY20-25 to reach INR 6,00,000 cr.

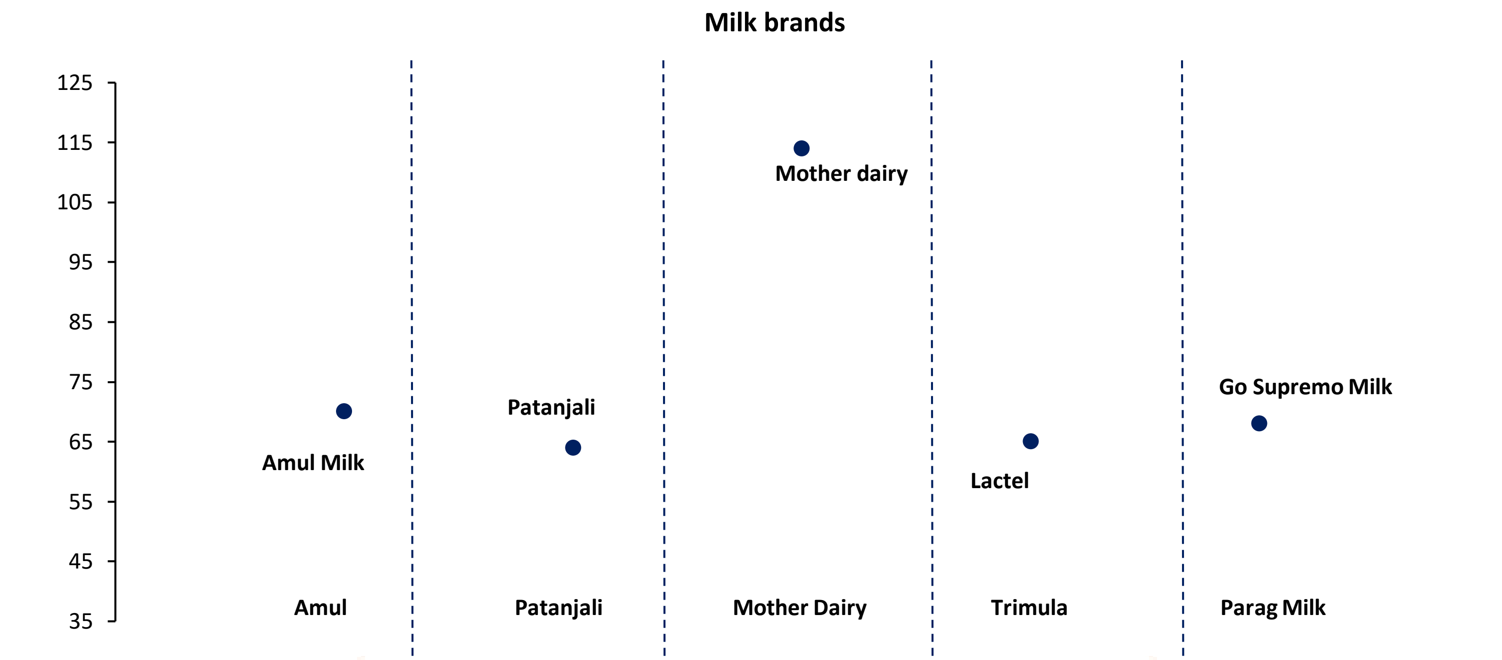
Liquid milk market expected to grow by 7% to INR 6,00,000 cr



Source: Ruchi soya RHP, Company Reports & Ventura Research

For any further query, please email us on research@ventura1.com

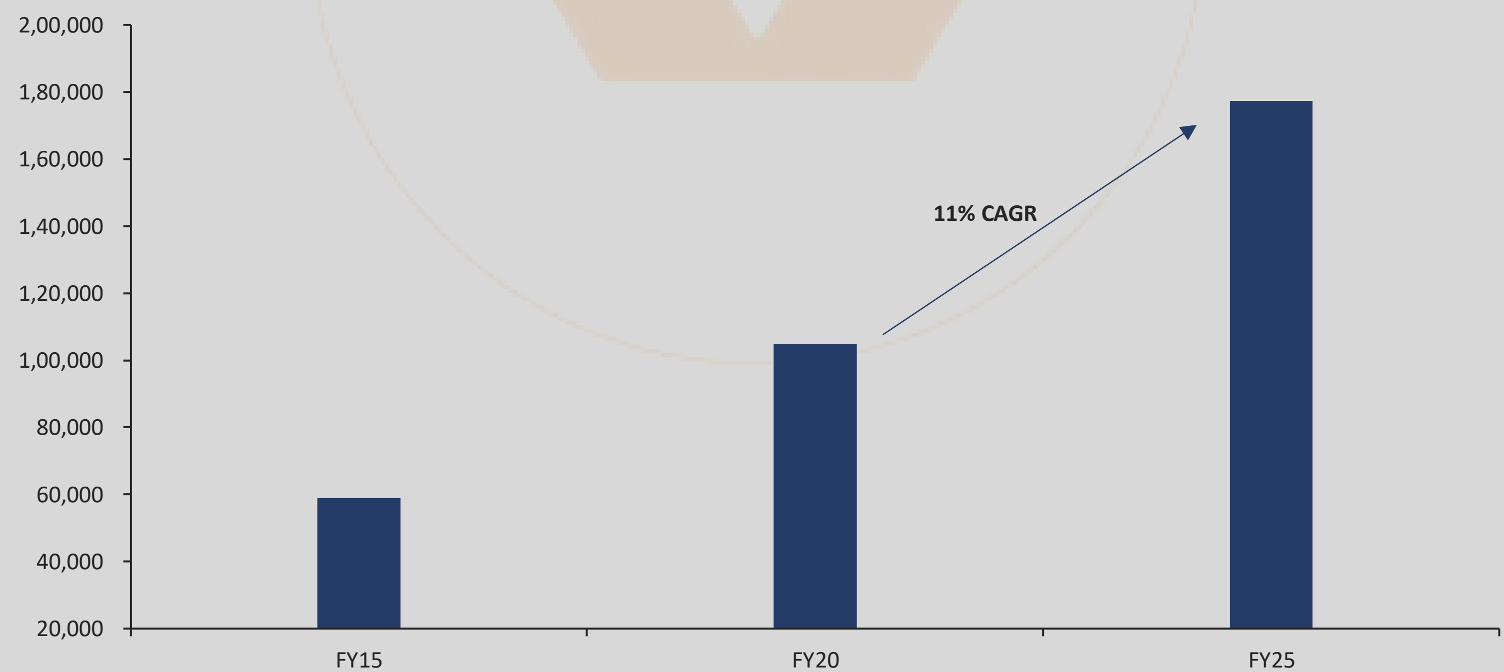
Milk SKUs comparison (Rs./1L)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

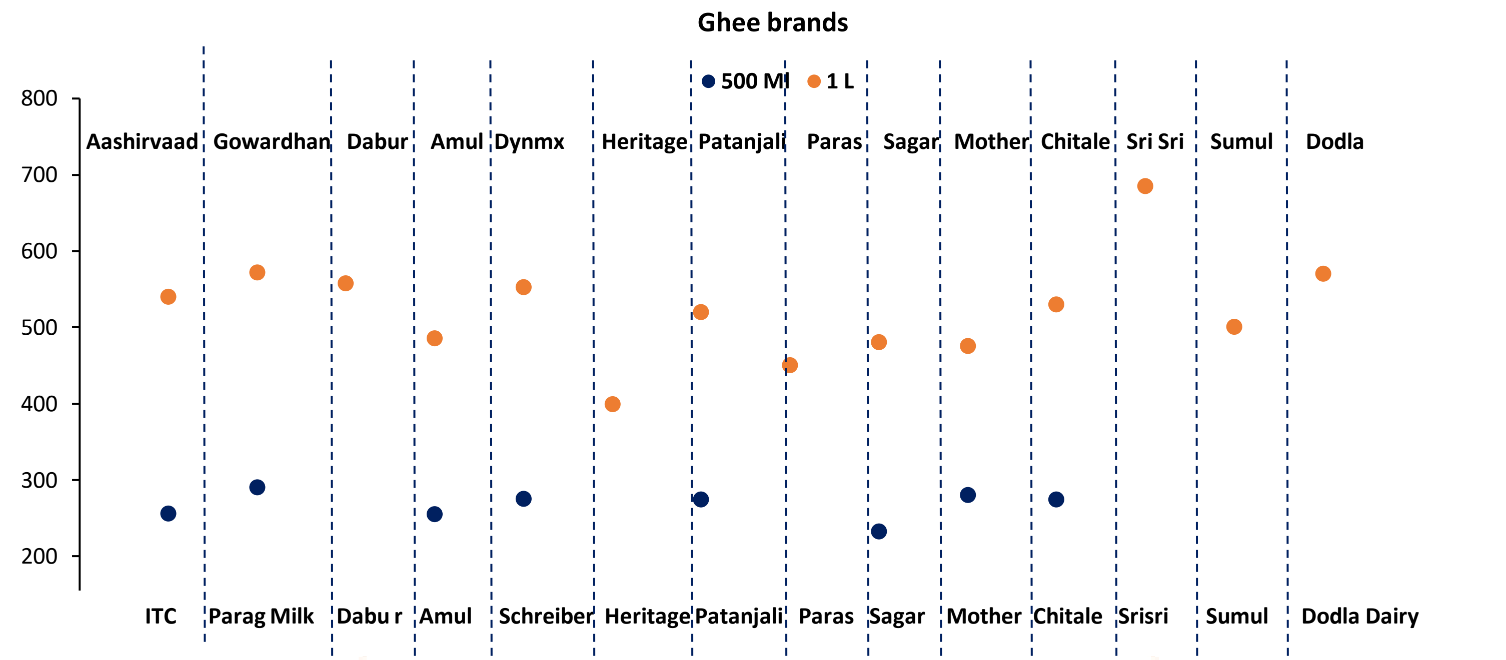
Ghee - Ghee is a traditional ingredient in Indian households and is used as a cooking oil. After liquid milk & Dahi, ghee is the third-largest segment in the Indian dairy industry. The market size of ghee in FY20 was INR 1,04,900 cr, growing at a CAGR of 12% over the period of FY15 to FY20. As much as 18% of the total ghee production is currently from the organized sector and is growing at a rapid pace. The total Ghee market is expected to reach INR 1,77,300 cr by FY25E with, a CAGR of 11%.

Ghee market expected to grow by 11% to INR 1,77,300 cr



Source: Ruchi soya RHP, Company Reports & Ventura Research

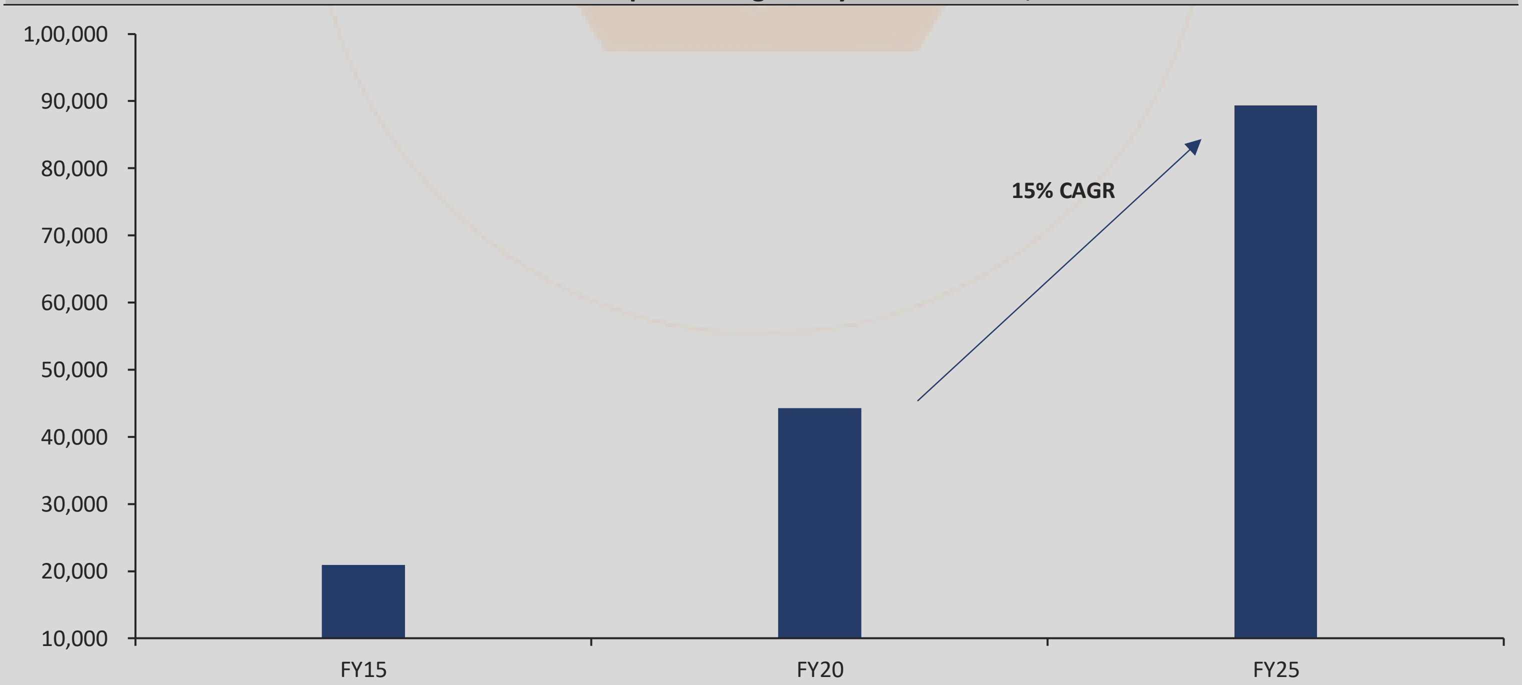
Ghee SKUs comparison (Rs.)



Source: Amazon, JioMart, Dmart, Company Reports & Ventura Research

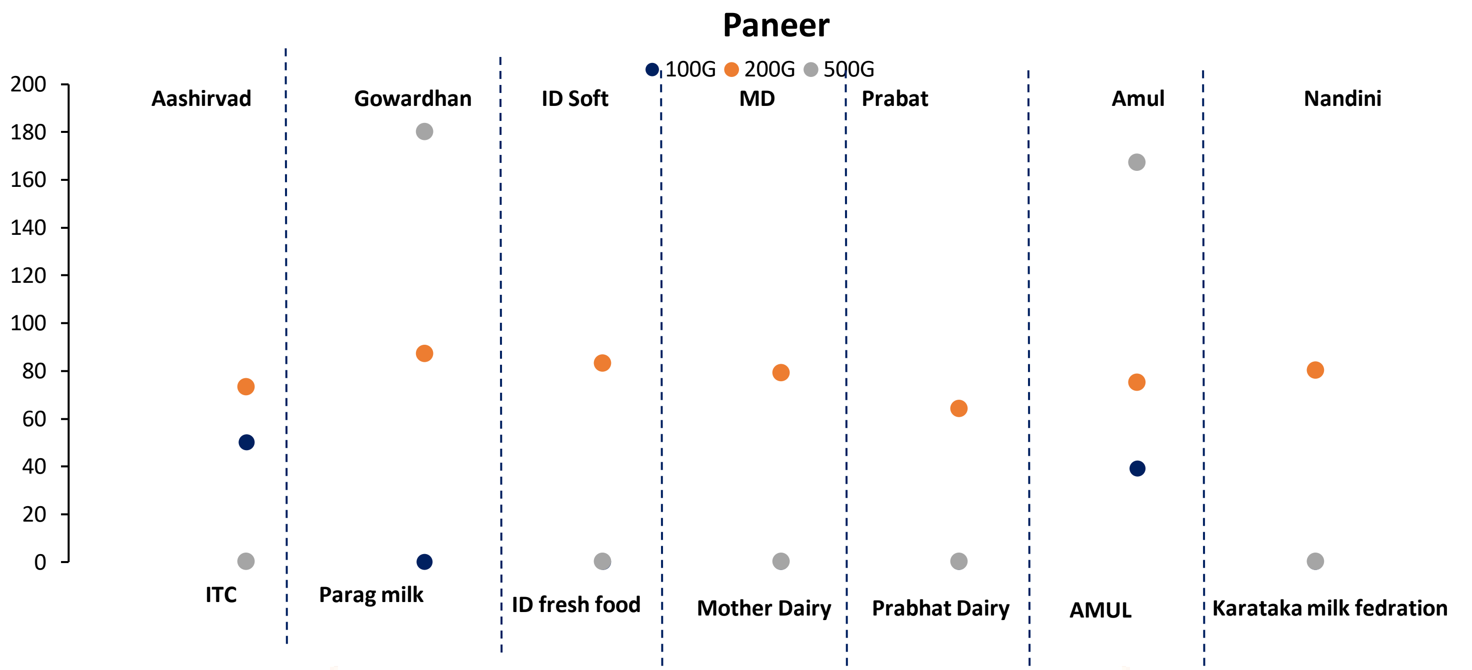
Paneer - Paneer is the fourth largest segment in the milk products category. Its market size in FY20 was INR 44,300 cr which is expected to reach INR 89,400 cr with a CAGR of 15% in FY25E. Paneer is an integral part of many traditional and modern Indian recipes, which are equally popular amongst kids, younger and older generations. The organized segment, amounting to only INR 1,100 cr (3.5%), is growing due to an increase in demand for packaged paneer on the back of concerns related to hygiene and people discovering a consistent taste with the product.

Paneer market expected to grow by 15% to INR 89,400 cr



Source: Ruchi soya RHP, Company Reports & Ventura Research

Paneer SKUs comparison (Rs.)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Dairy market size estimation and typical margin profile

(INR cr)	FY15	FY20	FY21E	FY25E	EBITDA margin (%)
Fluid milk	2,78,300	4,31,100	4,35,900	6,00,000	4-6
Ghee	59,000	1,04,900	1,10,100	1,77,300	20-22
Paneer	20,900	44,300	49,400	89,400	19-21
Butter	13,000	22,800	23,800	38,000	17-19
Curd	12,000	18,700	18,000	30,800	19-21
Ice cream	4,300	11,300	8,300	17,000	37-39
SMP	6,000	9,000	9,000	13,600	6-8
Yogurt	1,900	5,100	5,500	11,000	24-26
Khoa	4,700	7,500	6,100	9,300	14-16
Cheese	3,600	7,200	6,900	12,000	29-31
Whey	800	1,700	1,400	2,200	27-29
Buttermilk & Lassi	500	700	800	1,200	10-12

Source: Dodla dairy RHP, Company Reports & Ventura Research

ITC has a presence in the dairy market with offerings that span liquid milk, ghee, paneer, and lassi. These products are sold under the Aashirvaad brand. ITC has primarily presence in the states of West Bengal (mainly Kolkata) and Bihar (across 24 cities) through its brand Aashirvaad Svasti. It will continue to consolidate its presence in the states for the next few years before expanding geographically.

The per capita availability of milk in West Bengal is quite low (being 1/3rd of the national average) and presences a good opportunity. It has captured an 8-10% market share in Kolkata and sources milk from ~5000 farmers directly and around 250 milk groups in Bengal. The management is working on expanding its foothold in the East Indian market and planning to enter new cities in the coming quarters.

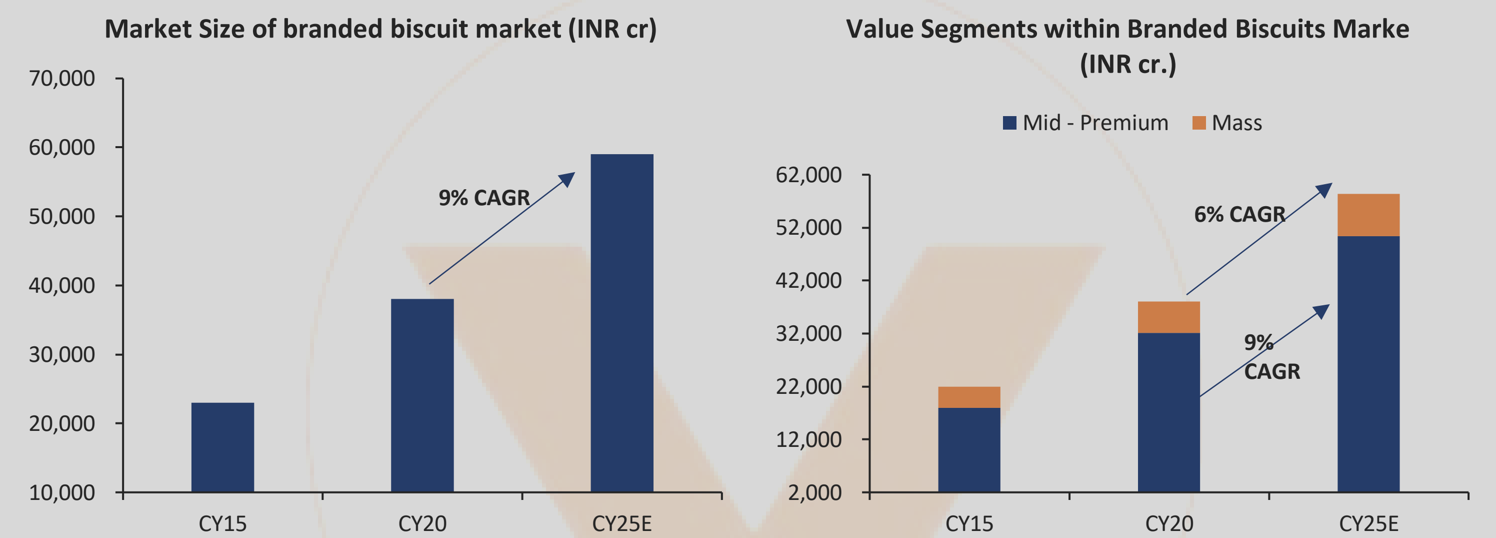
To build a deeper connection with the customer, ITC has started the “Doodh-er Report card” i.e. report cards for ITC milk to ensure more transparency to the consumers. Consumers can enter batch names and no. on ITC’s website to get a report card for enhancing transparency and trust in the company.

Aashirvaad ghee is the only dairy product that is currently available outside of Bihar and West Bengal (in four states) and on the e-commerce platform.

Sunfeast

The Indian biscuits and bakery retail market is valued at INR 45,000 cr and is expected to grow at a CAGR of ~9% over the next five years.

Market Size of branded biscuit market (INR cr) & Market share (%)



Source: Mrs. Bectors Food Specialties Ltd RHP, Ruchi soya RHP

Biscuits and other snacking bakery products such as rusks, wafers, and tea cakes contribute almost INR 40,000 cr or 89% to the total market. The balance of 11% is contributed by bread including loaves, buns, and pizza bases which together account for INR 5,000 cr.

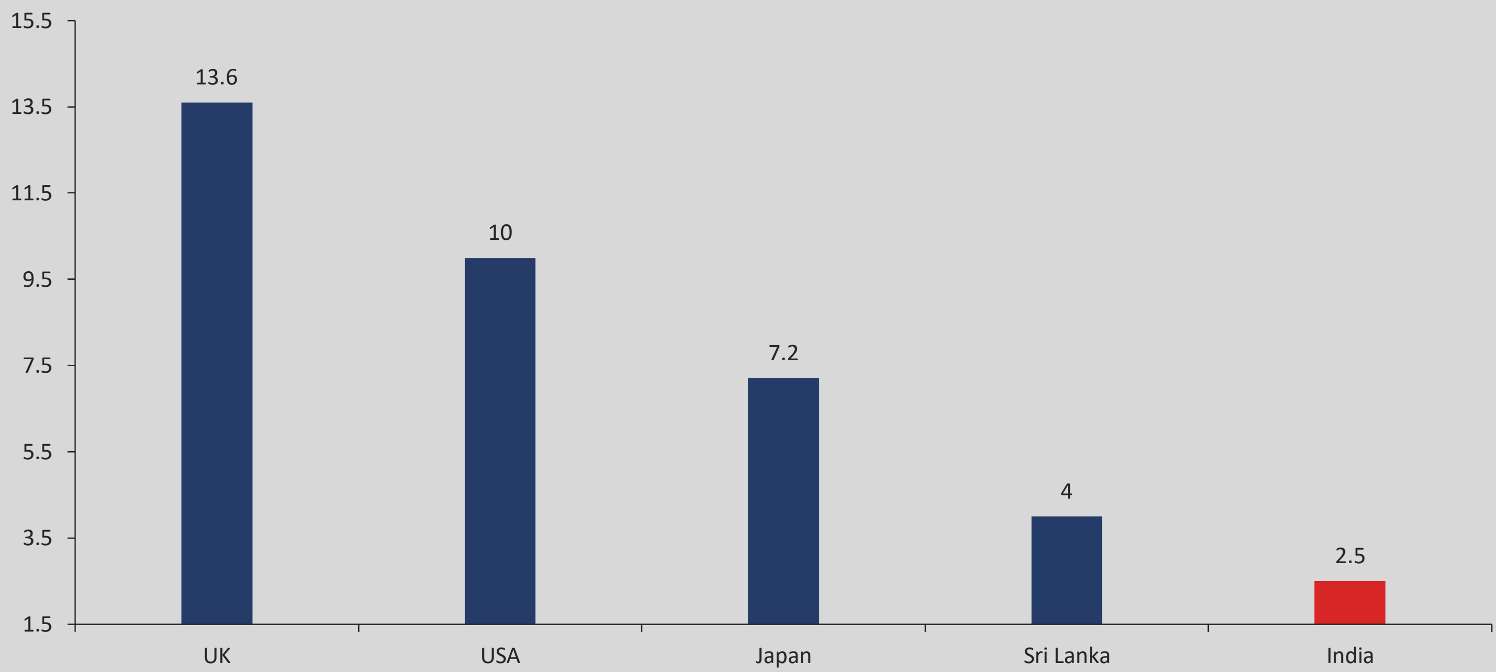
The product offering of key biscuits and bakery brands in India

	Biscuits	Breads	Buns	Cake	Other Bakery Items
Britannia	✓	✓	✓	✓	✓
Parle	✓				✓
ITC	✓			✓	✓
Mrs Bector	✓	✓	✓	✓	✓
Surya	✓			✓	
Anmol	✓			✓	✓
Bonn	✓	✓		✓	✓

Source: Technopak Report and Mrs. Bectors Food Specialties Ltd RHP

The per capita consumption of biscuits in India has increased by 16% over the last five years. However, it still lags that of the developed economies like the US, UK, and other developing Asian economies like Japan and Sri Lanka.

Per Capita Consumption (Kg/Year)



Source: Mrs. Bectors Food Specialties Ltd RHP

The growth rate for branded biscuits in terms of value is greater than the volume over the period of FY15-20. It is driven by the movement of consumers towards mid and premium biscuits. The Indian branded biscuits market is expected to grow at the rate of 9.20% in or next five years.

The key drivers for growth of the biscuit industry are

- changes in consumer taste and preferences,
- rising demand for convenience food,
- increasing health-consciousness among consumers,
- innovative packaging,
- new flavors, shapes, and technologies, and
- Expanding demand for healthy snacks

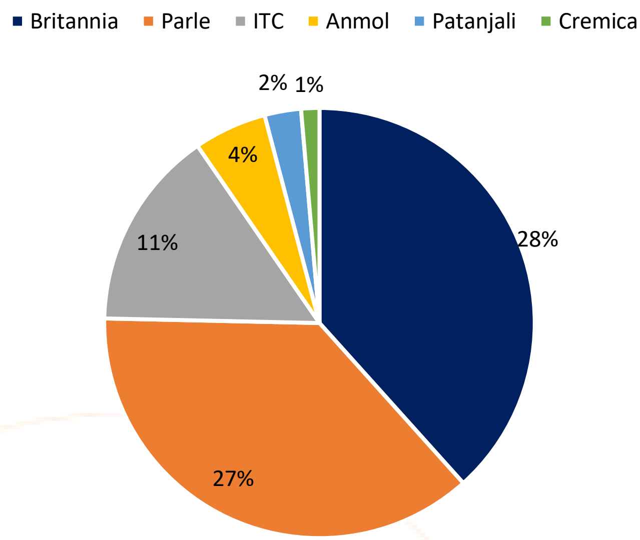
Though there is huge headroom for growth in India for the biscuit market, it is a complex market that requires regional customization.

Sunfeast Biscuits straddle all segments of the market led by Dark Fantasy at the premium end.

The new Sunfeast Dark Fantasy dessert-in-a-cookie cookie collection consists of two kinds of premium center-filled cookies - 'Choco Chunks' and 'Choco Nut Dipped'. The company is confident enough that this launch will open up a new segment - Desserts, for Sunfeast and will create even more interesting avenues for ITC in the cookie domain.

The company has ~26% of the market share in the premium biscuits segment which is ~1.5X times the largest competitor in biscuits. This result shows the strong effort by the company and winning market leadership position despite the presence of 100-year-old legacy players.

Branded biscuit market share (%)



Source: Mrs. Bectors Food Specialties Ltd RHP, Ruchi soya RHP

Market Size of branded biscuit market (INR cr) & Market share (%)

Company	Inhouse Manufacturing	Retail Network (Direct & Indirect)
Britannia	65%	65,00,000
Parle	<20%	NA
ITC	NA	66,00,000
Patanjali	~25%	5,45,000
Ruchi Soya	~25%	5,00,000
Anmol	97%	20,00,000

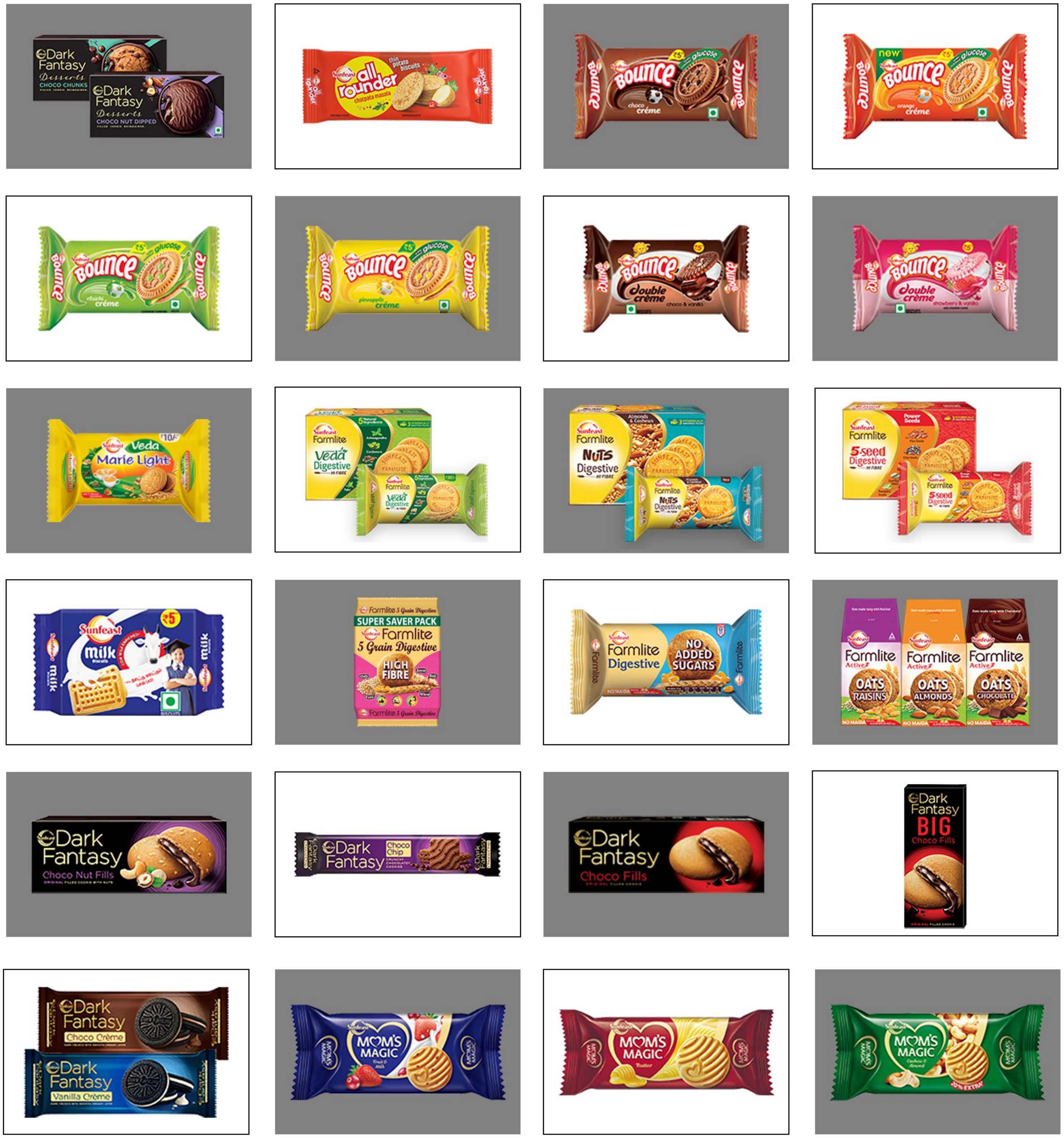
Source: Mrs. Bectors Food Specialties Ltd RHP, Ruchi soya RHP

Biscuits and cookies portfolio of ITC

Health bites	Light n Fun	Cream delight	Cookies
Marie light	Snacky	Dark fantasy	HiFi cookies
Milk biscuits	Nice	Dark fantasy Yumfills	Mom's magic
Glucose		Bounce dream cream	
		Bounce	
		Bourbon bliss	

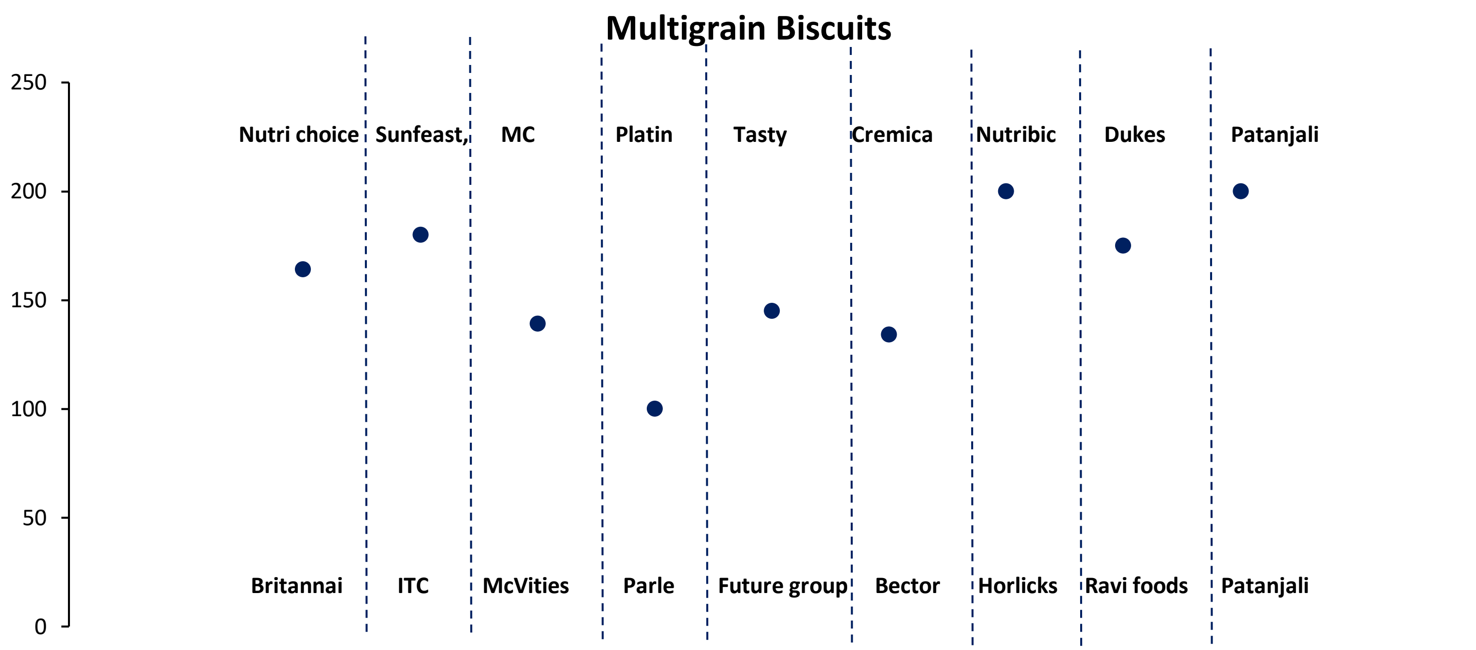
Source: Company Reports & Ventura Research

Biscuits and cookies portfolio of ITC



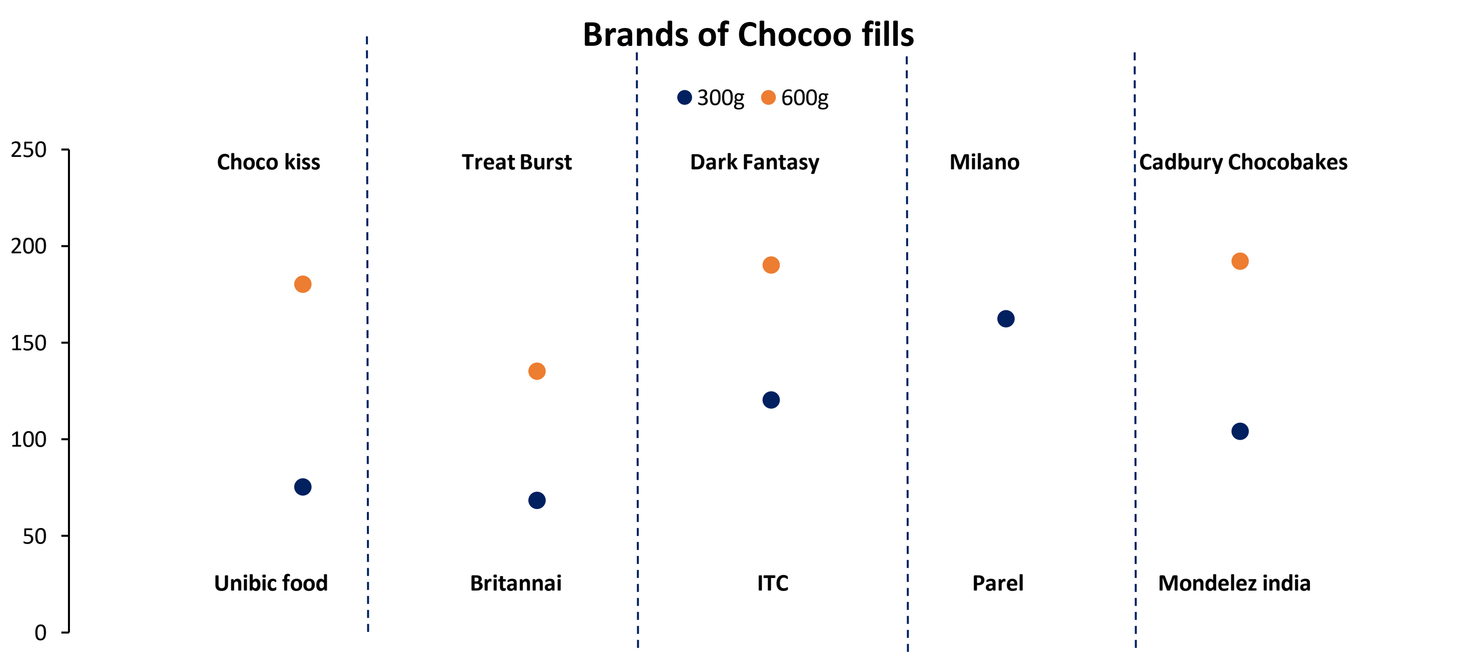
Source: company

Biscuit SKUs comparison (Rs./1kg)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Choco fills biscuits SKUs comparison (Rs.)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Bounce is India's no.1 Cream Biscuit brand and Dark Fantasy is a market leader in premium indulgence. Moms Magic cookies of the company have achieved INR 500 cr of top-line within 18 months of launch. Sunfeast has ~INR 4000 cr of brand basis consumer spends.

Sunfeast Wonderz Milk

Milk-based beverages are RTD (ready-to-drink) products that provide an essential source of nutrition to consumers. It is one of the most active functional drinks that offers all major nutrients similar to unflavored milk such as protein, calcium, vitamin D, vitamin A, vitamin B12, potassium, phosphorus, riboflavin, and niacin. Milk-based beverages are further classified into flavored milk beverages and fermented milk beverages.

The Indian milk-based beverages market is projected to reach USD 527.4 crore by the end of 2026, growing at a CAGR of 25.5 % during the forecast period 2019-2026.

The key factors propelling the market growth include

- Increasing consumer focus on health,
- Rising disposable income,
- Increasing awareness of nutritional benefits of healthy ready-to-drink milk-based beverages among consumers. It is one of the most active functional drinks that offers all major nutrients similar to unflavoured milk (such as protein, calcium, vitamin D, vitamin A, vitamin B12, potassium, phosphorus, riboflavin, and niacin),
- Increasing hectic lifestyles of the working population,
- Offering low-sugar and fat-free varieties of flavored milk products in order to tap into the increased diabetic population, and
- Shifting consumer preference (The Rs 22,000-crore carbonated soft drinks market has been witnessing a consistent slow-down as consumers are steadily moving to healthier options, including juices, flavoured tea, energy drinks, dairy-based beverages etc)

India Milk-Based Beverages Market by Product Type

- Flavoured Milk Beverages
  - Chocolate
  - Strawberry
  - Vanilla
  - Mango
  - Others
- Fermented Milk Beverage
  - Lassi
  - Chach
  - Others

The flavoured milk market also caters to high demand for refrigerated milk products. Major players in the flavoured milk market also sell syrups and flavoured milk powders which are largely in demand for their great taste.

The RTD market comprises leading market players such as Nestle India, Amul, Mother Dairy, Sunfeast (ITC Limited), Milma (Kerala Co-operative Milk Marketing Federation Ltd), Britannia Industries, Vio (The Coca-Cola Company), Heritage Foods, The Hershey Company, Nandini (Karnataka Co-operative Milk Producers Federation Ltd.).

ITC has forayed into the ready-to-drink milk-based beverages market in India under the brand Sunfeast Wonderz Milk. This innovative range of milk-based beverages will be powered by:

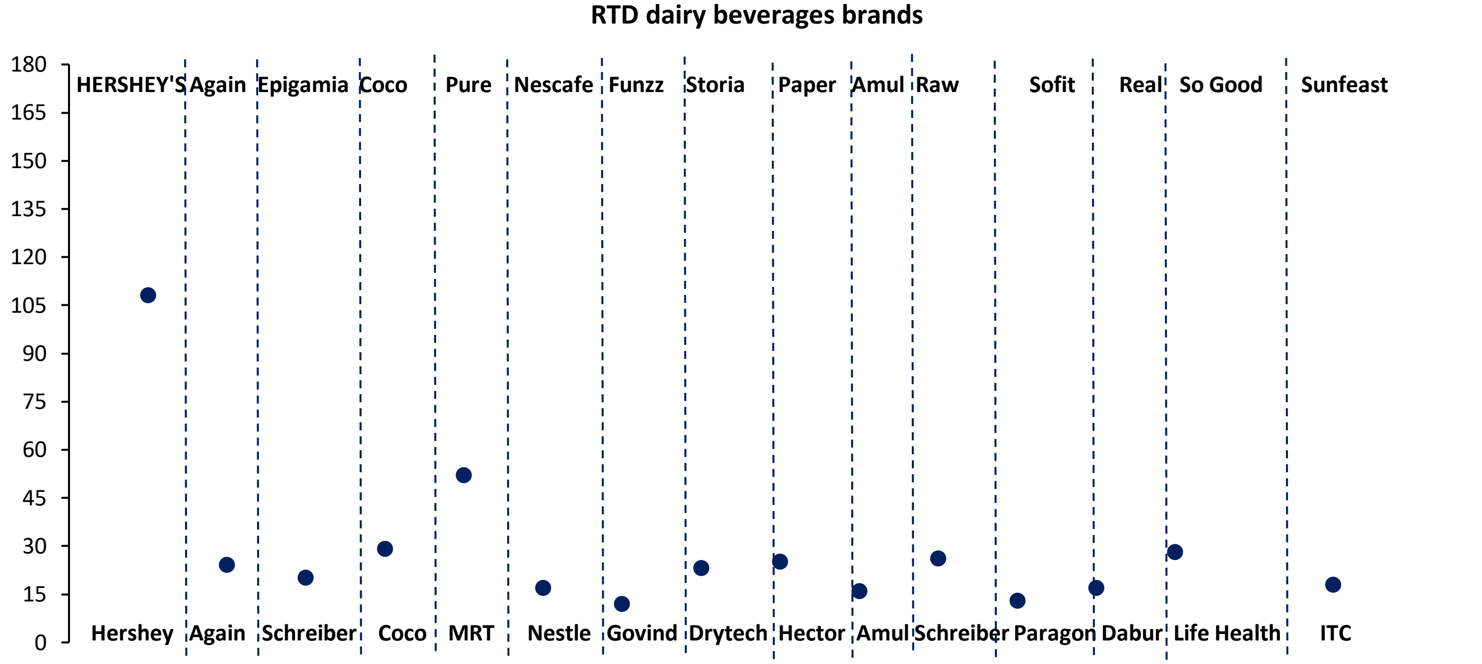
- Using real fruit pulp for the milkshakes and not artificial flavours.
- Institutional capabilities including agri-sourcing, distribution, and infrastructure, among others.

Sunfeast Wonderz Milk beverage portfolio of ITC

Source: company

With the launch of Sunfeast Wonderz Milk in December-2019, the company entered the ready-to-drink dairy beverages market. ITC is also planning to export its dry fruits-based dairy. Beverages badam milkshake to Dubai and Saudi Arabia. The initial foray has been in the states of Tamil Nadu and Karnataka (with both of them together accounting for nearly 25% of the national market). The products are manufactured in a new integrated facility it has launched in Kapurthala, Punjab, with an investment of around INR 9 bn.

Ready-to-drink dairy beverages SKUs comparison (Rs./100ml)



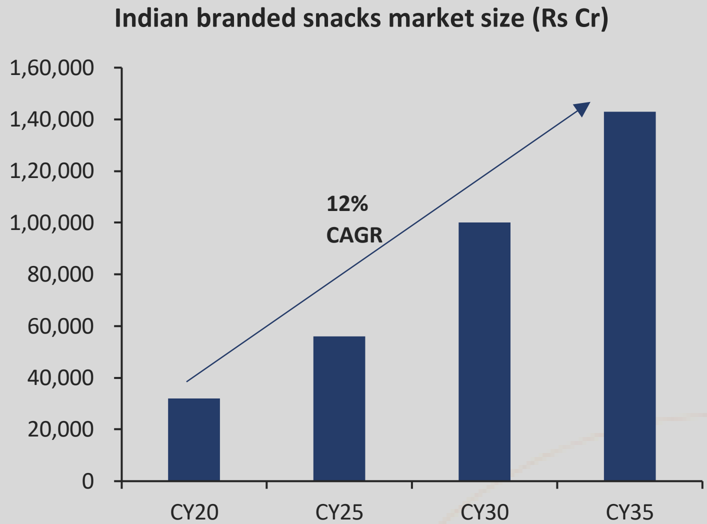
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

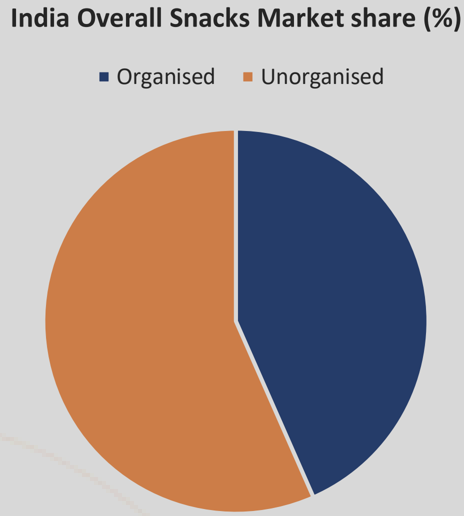
BINGO!

Salty snack food is one of the largest segments of the FMCG industry. The INR 32,000 cr (FY20) snack food processing industry is expected to grow annually at a CAGR of 12% to Rs.1,00,000 cr, from FY20-30 driven by –

- Innovation and new offerings,
- Traditional snacking culture,
- Increasing per capita income & disposable income,
- Urbanization,
- Evolving customer habits for nutritious, RTE foods,
- Untapped rural and semi-urban market,
- Growing FDI & collaboration, and
- Increasing export

Indian branded snacks market size





Source: Frost & Sullivan Analysis, Food buddies, Company Reports & Ventura Research

The salty snacks market can broadly be categorized into:

i) Namkeens,
ii) Potato chips,
iii) Extruded, and
iv) Others

Growth among categories

Segment	Market size (Rs. Bn)	Share (%)	Growth (%) (FY15-20)	Organised (%)	Market leader	Market share (%)
Namkeen	194.6	39.0%	18.7%	35.0%	Haldiram's	48.0%
Extruded	162.7	32.6%	14.8%	39.0%	PepsiCo	42.0%
Chips	129.6	26.0%	10.8%	47.0%	PepsiCo	51.0%
Others	11.5	2.3%	9.5%	40.0%	Agro Tech Foods	38.0%
Total	498.5	100.0%	15.0%	39.0%	PepsiCo	30.0%

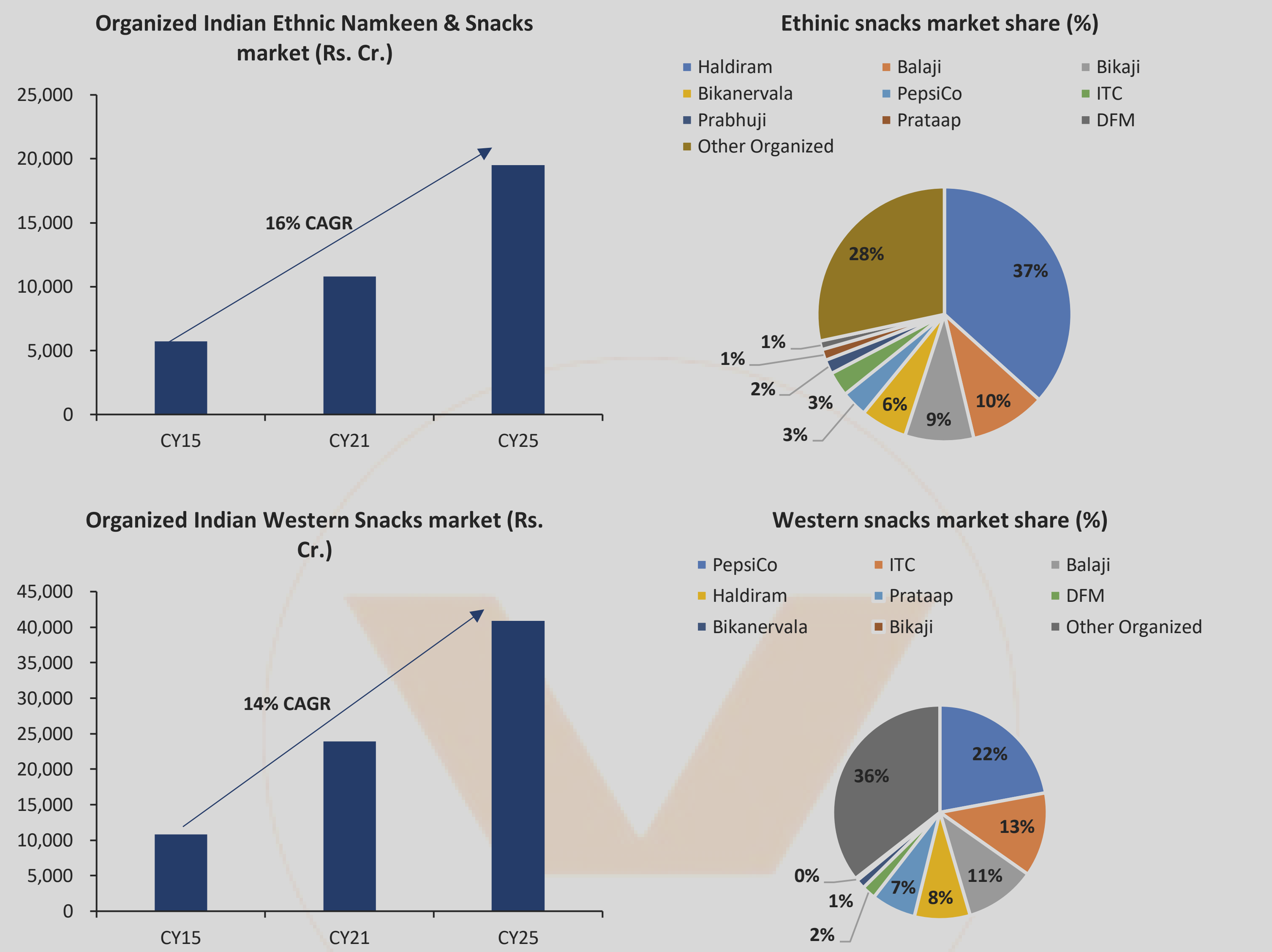
Source: Frost & Sullivan Analysis, Food buddies, Company Reports & Ventura Research

The Indian snacks market is characterized by numerous unorganized players across the product segments. Traditionally, each type of snack is very specific to each region; hence, many small companies cater to this market. These players have a slim portfolio of products, usually of a single category and most times only provide traditional snack items. They also operate in a small geographic range confined to a single state or city and primarily ride on the lower price and the traditional taste.

Within the snacks market, the INR 10,800 cr ethnic namkeen segment at 16% CAGR over the next five years has the highest category growth. This is driven by consumers upgrading from unbranded to branded rather than a shift towards increased consumption of western snacks. Further, ethnic namkeen has a higher margin resulting in more competitive intensity.

The INR 23,900 cr organized western snacks market (consisting of chips (52%), extruders (34%) and bridges-others (14%)) is expected to grow at 14.4% CAGR till 2025. Companies such as PepsiCo with Lay's chips and Kurkure, ITC with Bingo, Pratap snack's Yellow Diamond and DFM Food's Crax are the major players in this segment with a variety of snacks offering, easy accessibility, and a variety of SKUs.

Ethnic and western snacks market



Source: Frost & Sullivan Analysis, Food buddies, Company Reports & Ventura Research

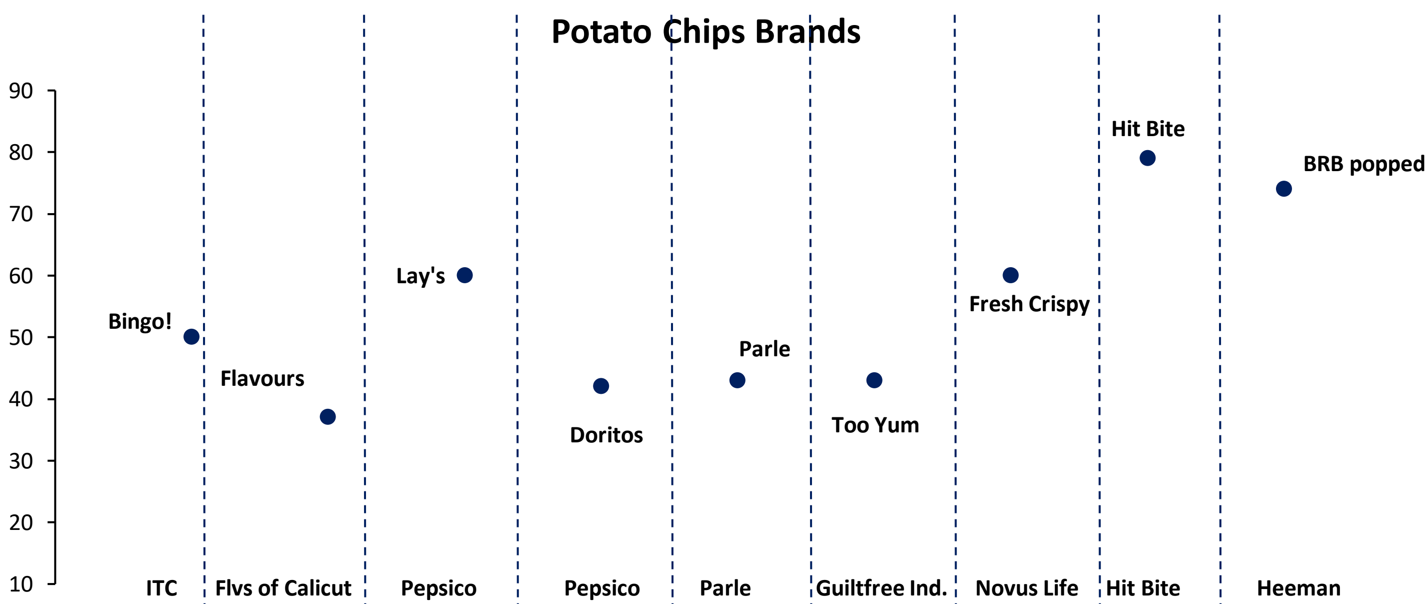
ITC Foods launched bingo! in March 2007 with a wide range of exciting packaged salted snacks. The range now includes multiple flavor variants of Potato Chips & Finger Snacks.

One of the biggest successes from the Bingo! snacks portfolio is Bingo! Mad Angles. It has carved a niche for itself in the consumers' minds and is synonymous with the perfect triangular snack. Mad Angles is a combination of innovative flavors on a traditional khakra base.

Bingo portfolio

Source: Company Reports & Ventura Research

Chips SKUs comparison (Rs./100g)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

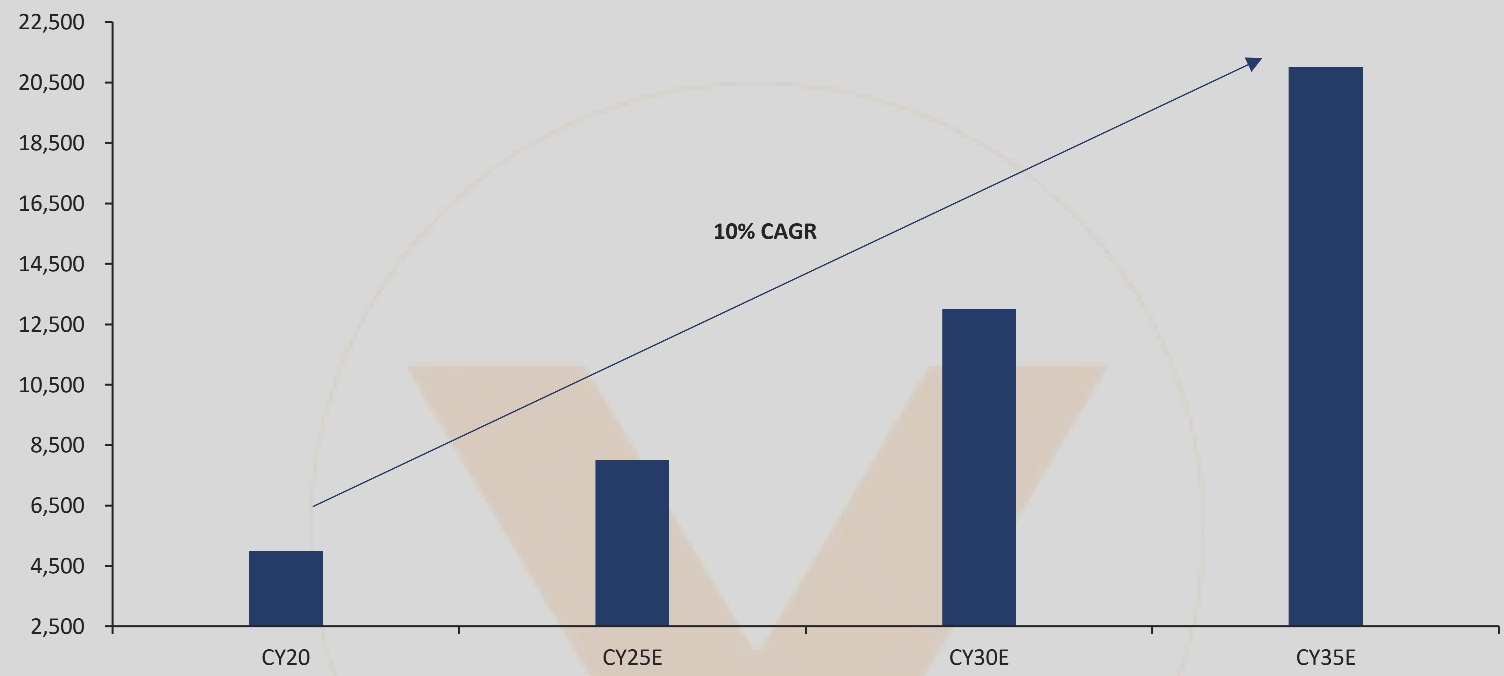
Sunfeast YiPPee!

Noodles

The INR 5,000 cr (FY20) noodles industry is expected to grow annually at a CAGR of 10% to INR 13,000 cr, over the period, FY20-30 driven by:

- New range of tastes and flavors, such as Chinese, mix of masalas, etc, and
- Healthier noodles offerings such as atta, oats, etc. based noodles

Market Size of instant noodles (INR cr)



Source: Company Reports & Ventura Research

The prominent players in the market are Nestle Maggi, Unilever Knorr, Top-Ramen, ITC (Sunfeast Yippe), and Capital Food India Ltd (Chings). Among the various companies operating in the market, Nestle enjoys the highest market share (~60%), followed by ITC (~22%).

A large part of the population comes from the middle or lower-middle class. Therefore, price sensitivity plays a significant role in hindering the growth of the instant noodles industry across the country. Most people in rural areas are unaware of the various brands that are available unless they see them at their local store. Hence, the lack of a well-established distribution network acts as a challenge for the instant noodles market in India.

ITC entered the instant noodles segment with the launch of Sunfeast Yippee! in the year 2010. YiPPee brand is India's 2nd largest instant noodles brand. The brand has achieved ~INR 1,000 cr of milestone in its 8th year of operations with the leadership position in AP, Odisha, and Kerala. Yippee! instant noodles are available in four variants

- Magic Masala,
- Classic Masala,
- Power Up Masala, and
- Mood Masala

YiPPee Noodles portfolio

YiPPee! Max Masala

YiPPee! Saucy Masala

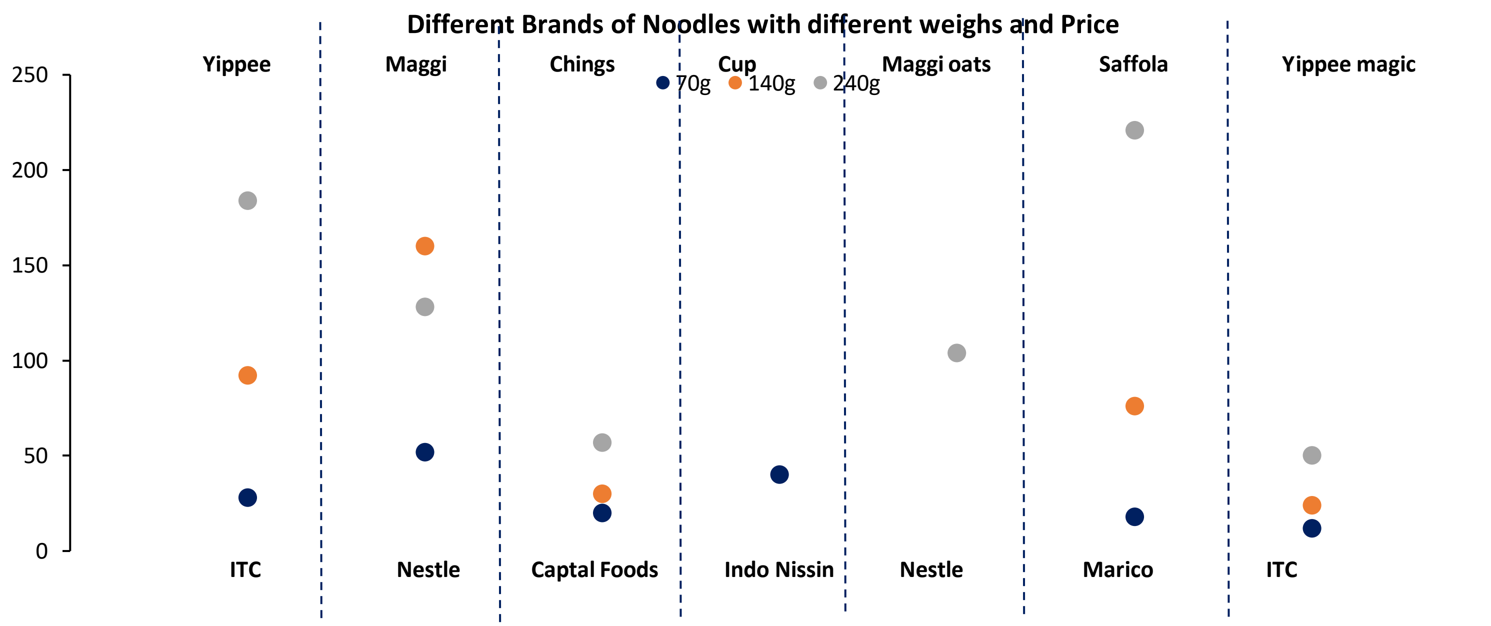
YiPPee! Magic Masala

YiPPee! Mood Masala

YiPPee! Power Up Atta Noodles

Source: Company Reports & Ventura Research

Instant Noodles SKUs comparison (Rs.)

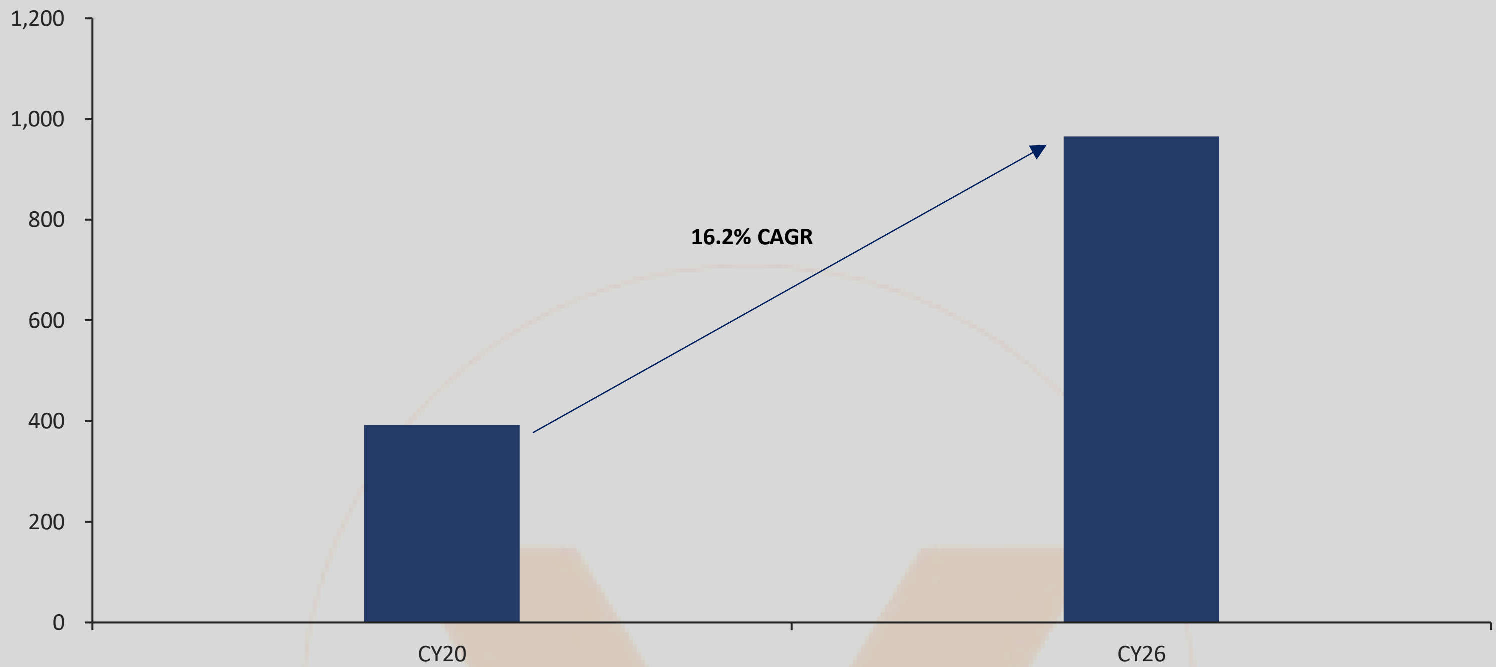


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Pasta

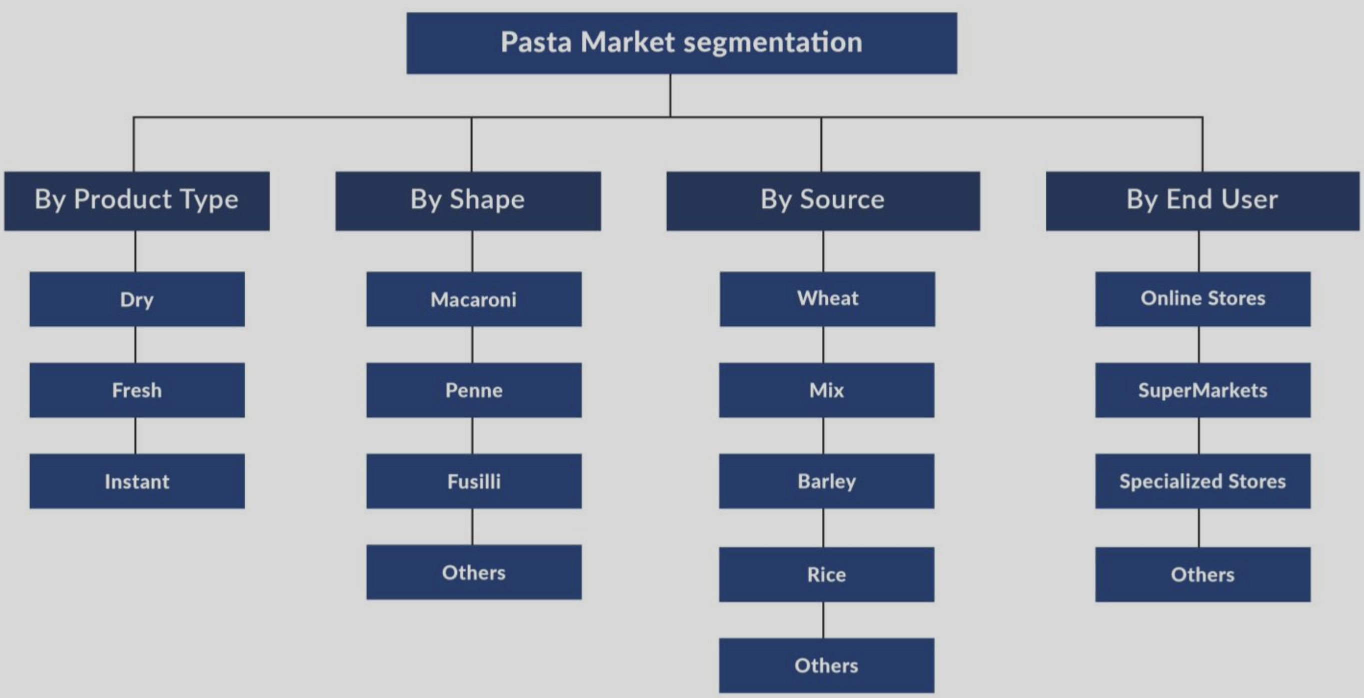
The USD 392 mn (CY20) Indian pasta market is expected to grow at a CAGR of 16.2% between CY21 and CY26 to reach a value of approximately USD 965 mn by CY26.

Indian Pasta market (USD Mn)



Source: Company Reports & Ventura Research

Pasta market segmentation



Source: Company Reports & Ventura Research

The primary factors catalyzing the growth of the pasta market in India include

- Rising urbanization,
- Changing lifestyles,
- Surging demand for ready-to-eat products,
- An increasing women's employment rate,
- Rising disposable incomes, and
- Health-conscious consumers are demanding food products with healthier ingredients

Sunfeast Pasta Treat, introduced in the year 2005, is an instant pasta made from wheat semolina and no maida. It is available in 4 flavors

- Masala,
- Cheese,
- Tomato Cheese and
- Sour Cream Onion

YiPPee Pasta portfolio

Sunfeast Pasta Cheese

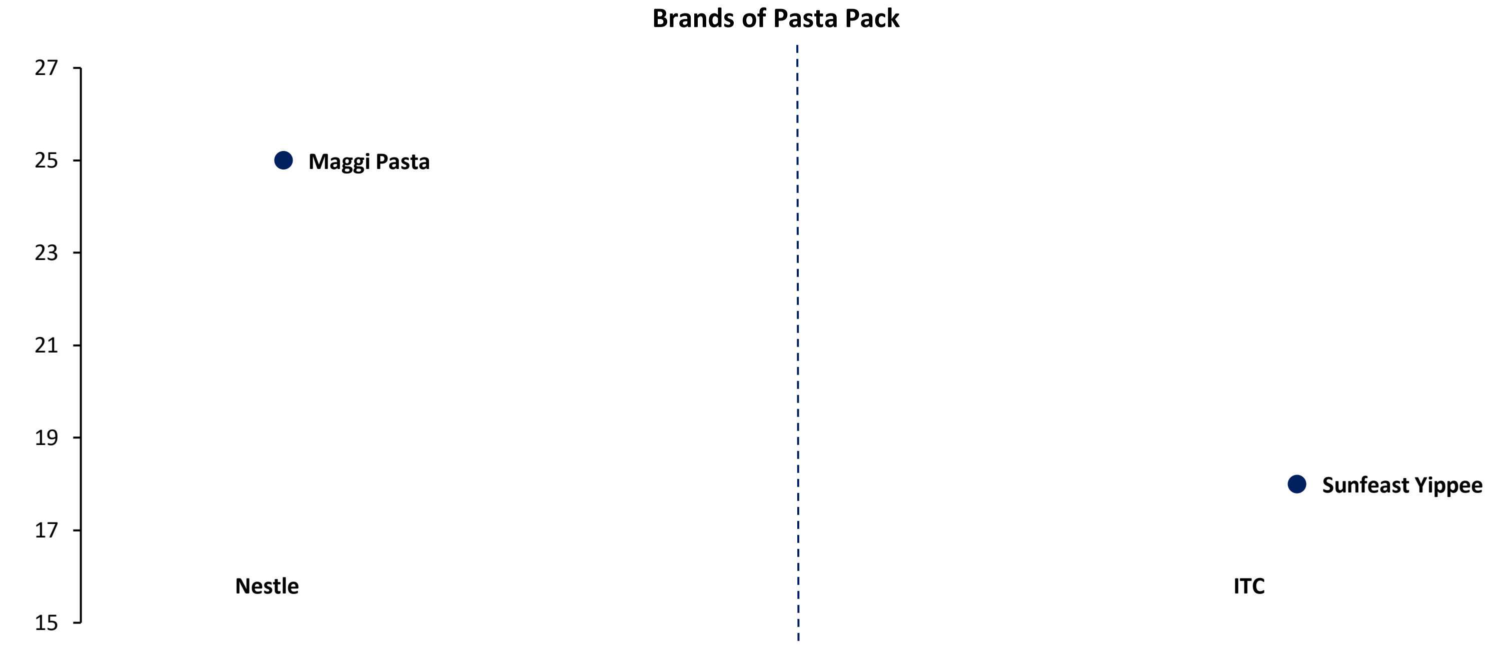
Sunfeast Pasta Tomato Cheese

Sunfeast Pasta Masala

Sunfeast Pasta Sour Cream Onion

Source: Company Reports & Ventura Research

Instant Pasta SKUs comparison (Rs./75g)

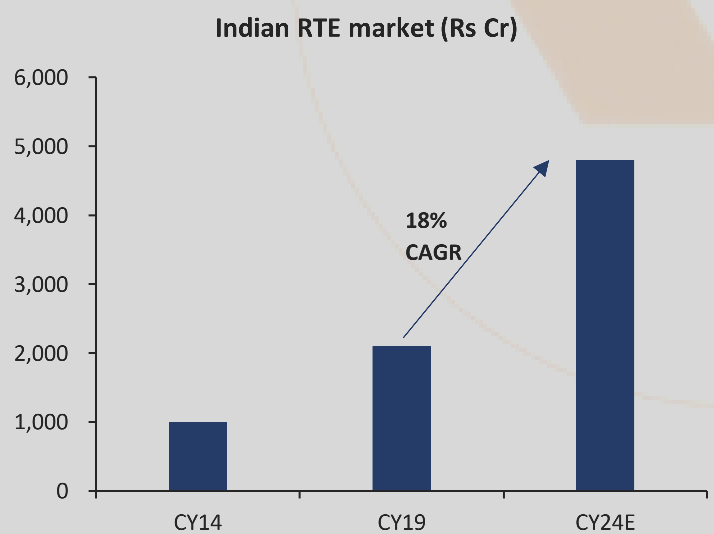


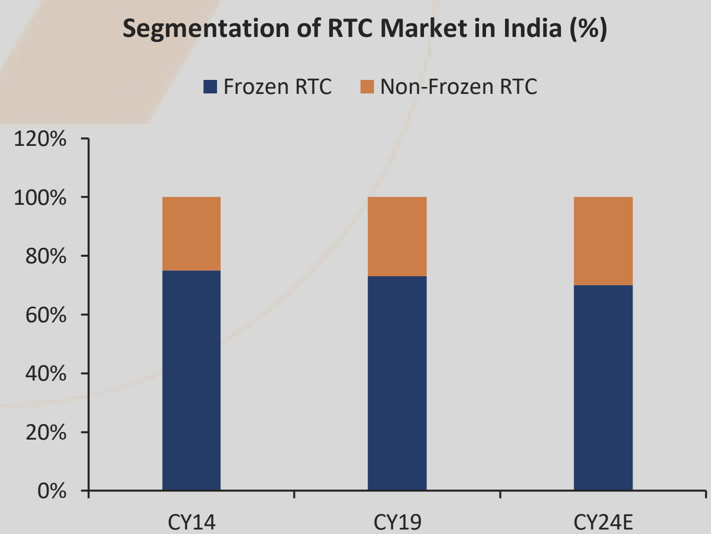
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Ready-To-Eat (RTE) / Ready-To-Cook (RTC) Food Market

The INR 2,100 cr (CY19) Indian RTE/ RTC market is projected to grow at a CAGR of around 18% to touch INR 4,800 cr by 2024.

Indian RTE market



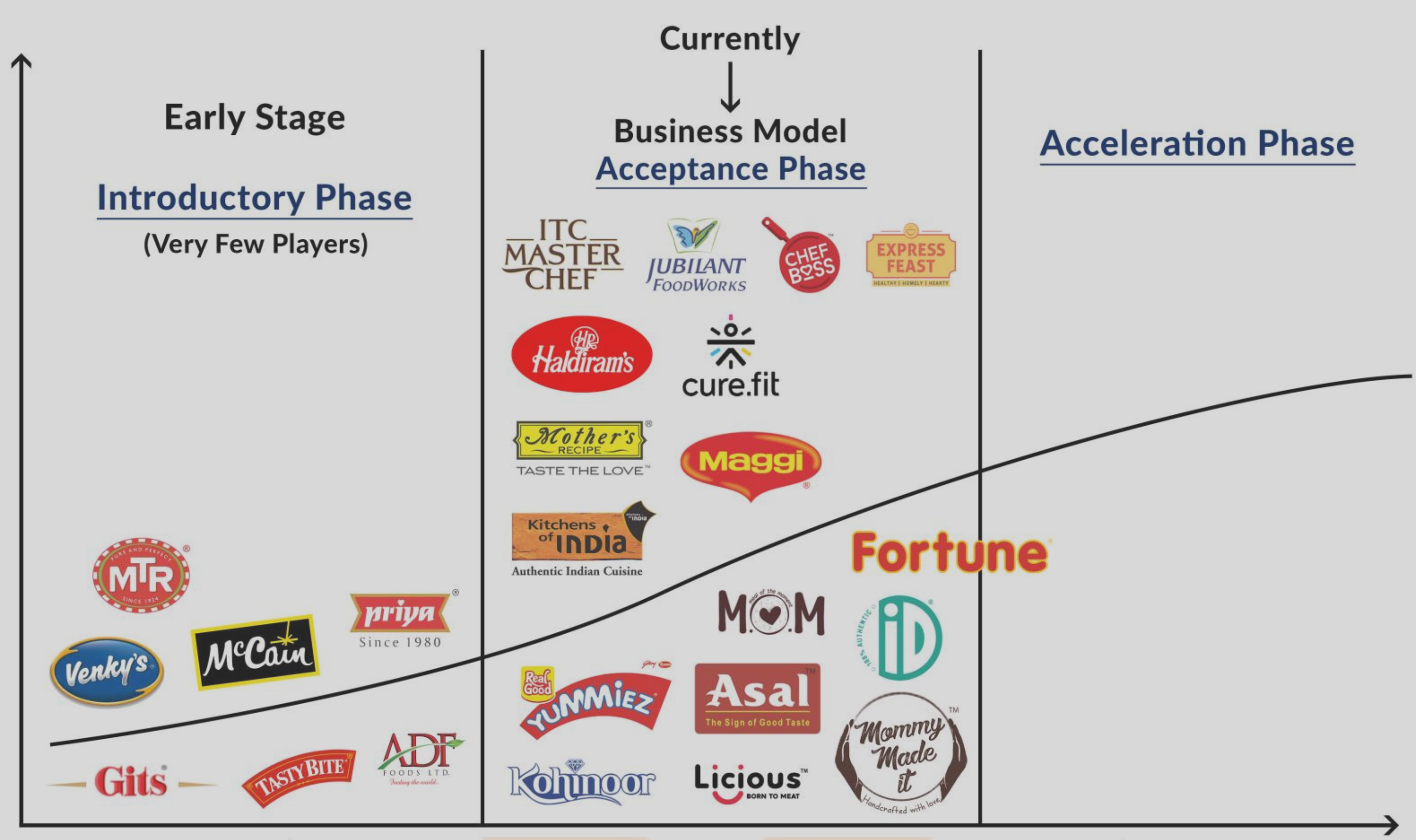


Source: Company Reports & Ventura Research

The growth in RTE/RTC segment is driven by –

- Changing demographics & lifestyles in urban India,
- Increasing exposure because of rising foreign travel,
- Comparatively safer than outside food,
- Convenience of carrying RTE frozen fruits and vegetables, and
- RTE food is comparatively affordable

RTC food consumption trend is on the verge of acceleration



Source: The investing tales, Company Reports & Ventura Research

RTE/RTC spice portfolio of ITC

- Magic Masala – spices creation having five different dehydrated vegetables
- Classic Masala – a perfect blend of spices
- Power Up Masala – made from whole wheat atta and has vegetable additions in every strand
- Mood Masala – differentiated offering with 2 Masala Mix sachets making for creation as per mood

RTE portfolio of ITC

- YiPPee! Quik Mealz - Instant bowl of noodles ready to consume in minutes, by just adding hot water. This is available in two options
    - Veggie Delight,
    - Chicken Delight, and
    - Khow Suey

YiPPee RTE portfolio

Quick Mealz Veggie Delight

Quick Mealz Chicken Delight

Source: Company Reports & Ventura Research

ITC Master Chef – flagship RTC portfolio

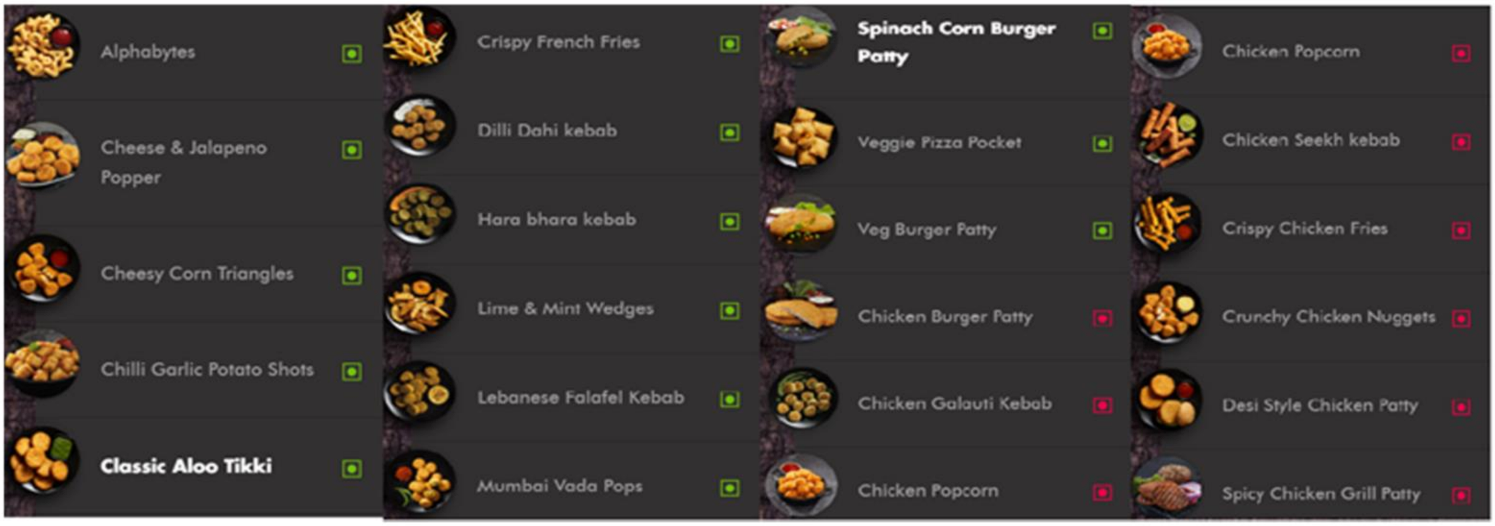
The company offers a range of quality products (frozen snacks, frozen prawns, cooking pastes, gravies, dehydrated onions & mango pulp).

The pandemic has been a strong trigger for the growth of the frozen snack business, enabling of INR 2,400 cr segment to grow by 15%.

During the lockdown, ITC pivoted to a direct-to-home strategy which enabled it to expand its reach 132 towns from the earlier 12.

It has also struck a partnership with ice cream major Havmor to sell its range of frozen Snacks leveraging 100 ice cream carts in the Delhi NCR region. This move is part of ITC's new go-to-market distribution strategy, to expand the availability and accessibility of its range of frozen food offerings.

ITC Master Chef product portfolio



Source: Company Reports & Ventura Research

Kitchens of India

Kitchens of India is an authentic Indian cuisine brand that caters to the demand for RTE meals. The USP of this brand is that no preservatives are used. The kitchens of India’s variants include:

- Gourmet Delights,
- Daily Treats, and
- Decadent deserts

The gourmet delights include marinades and curry pastes which help in a preparation of gourmet meal simply and most convenient manner.

ITC Kitchens of India product portfolio

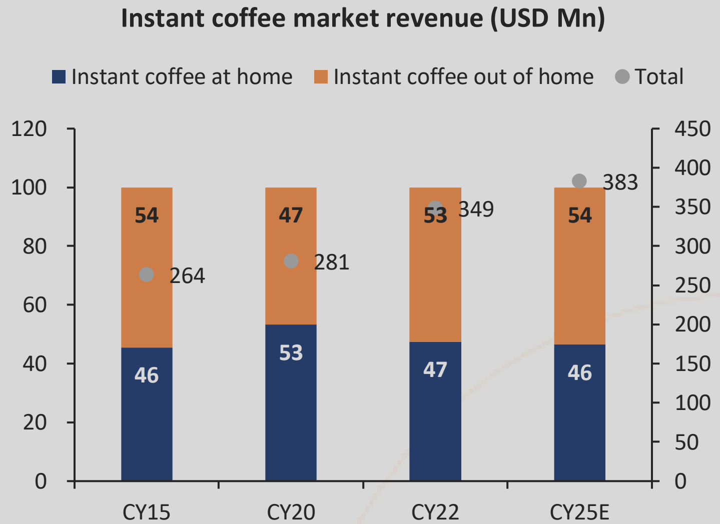
Source: Company Reports & Ventura Research

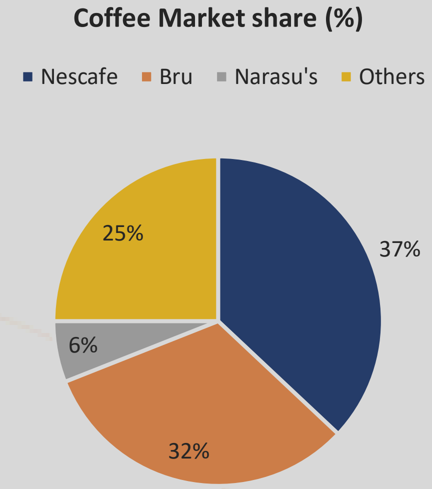
Recently, Kitchens of India tied up with multiplex chain INOX Leisure to make its products available to patrons across its cinemas and also on its apps.

Sunbean coffee

USD 348.6 mn (CY22) Indian instant coffee market is expected to grow at a 3.2% CAGR by FY25 to reach USD 383 mn.

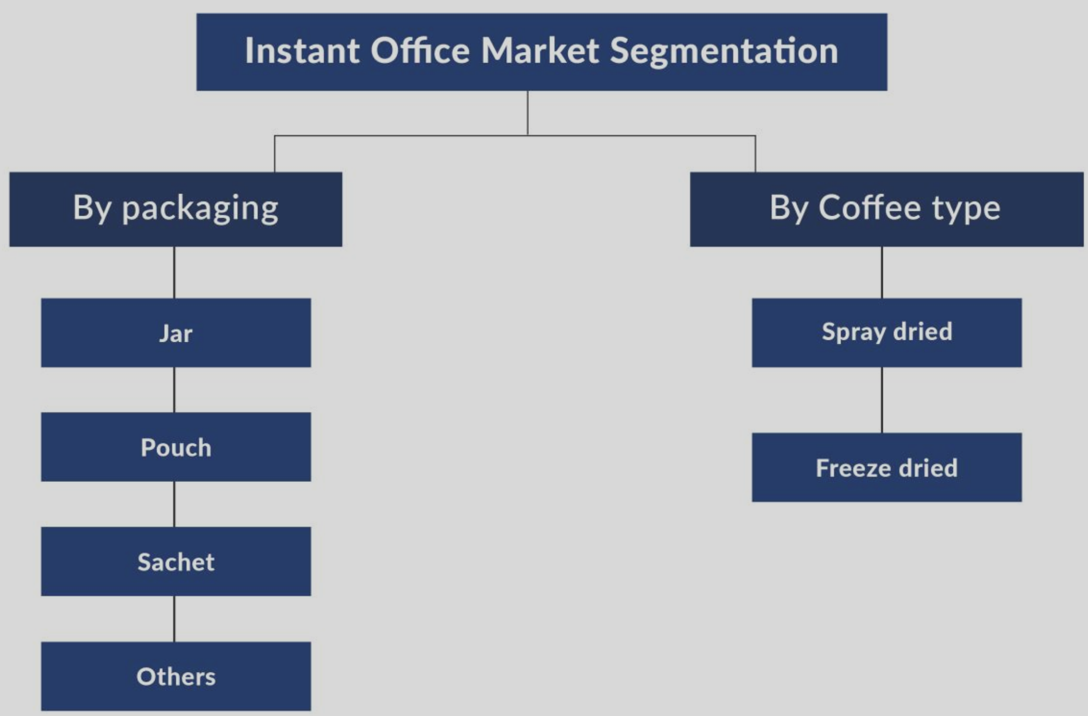
Market Size of Coffee in India





Source: Company Reports & Ventura Research

Instant coffee market segmentation



Source: Company Reports & Ventura Research

India is the third-largest producer and exporter of coffee in Asia and the sixth-largest producer and fifth-largest exporter of coffee in the world. This self-reliance in coffee production coupled with

- The domestic per capita coffee consumption is negligible, especially in regions other than South India when compared to black tea consumption

- Shift from tea to coffee
- The increase in disposable income (coffee is considered more expensive than tea) more global exposure,
- Digital and media penetrations,
- urbanizing,
- lifestyle changes, and
- Ready-to-drink market is growing well in India

This should help sustain the demand for coffee in India.

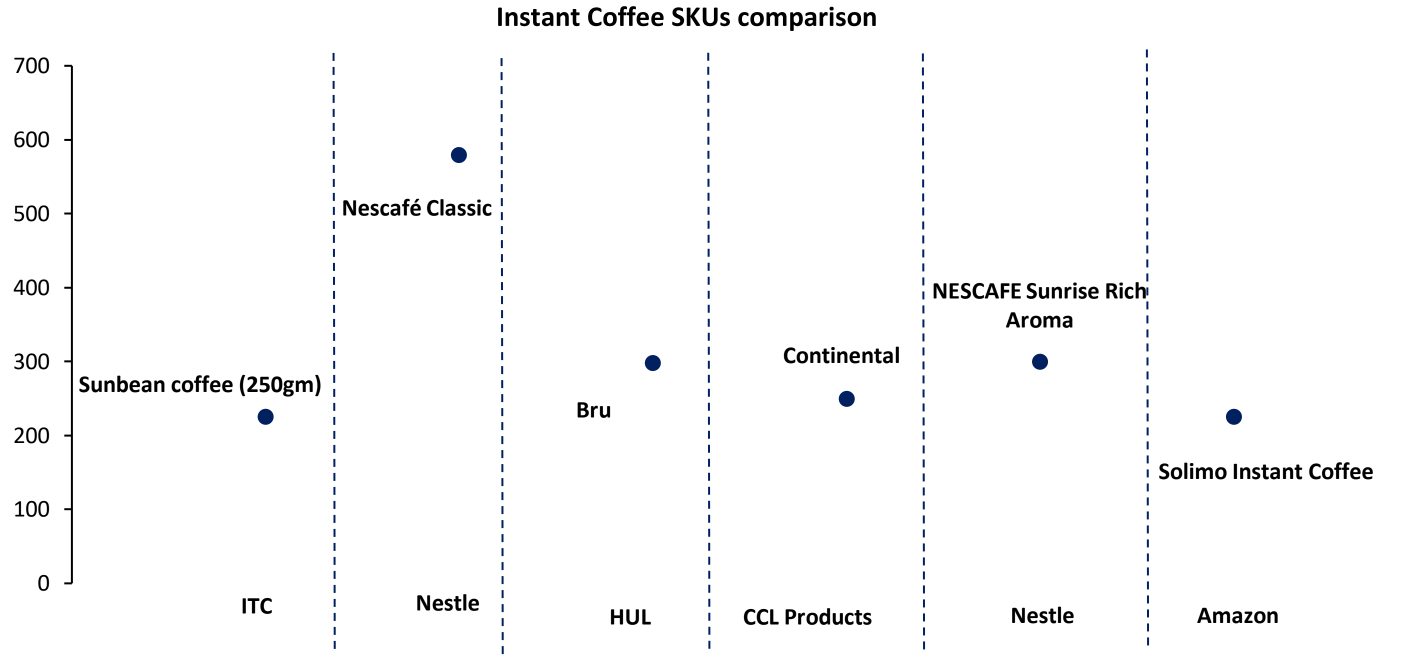
ITC's coffee brand Sunbean

ITC launched roasted and ground coffee under the Sunbean brand in the year 2016. However, this coffee was sold only through its hotel properties. Recently, Sunbean Beaten Coffee and Sunbean Gourmet Coffee is made available in select stores located in Delhi & NCR region and through its online store. Once the test marketing is complete, a national rollout is expected to be launched.

Sunbean coffee portfolio

Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Instant Coffee SKUs comparison (Rs./200g)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

B Natural

The 46.8 Bn liters (CY20) of the global fruit juice market is expected to reach a volume of 53 Bn liters by CY27. The global market is expected to reach USD 182 Bn by CY27; growing at a CAGR of 4.3% from USD 141 Bn CY22.

Mango-based drinks command about 75 percent of the INR 12,000 cr packaged juice market in India as of FY22E and are growing at 9-10 percent every year.

Maaza, according to industry estimates, has about 40 percent share of the mango-based drinks market in India, followed by Frooti at 28 percent and Slice (PepsiCo) at 23 percent.

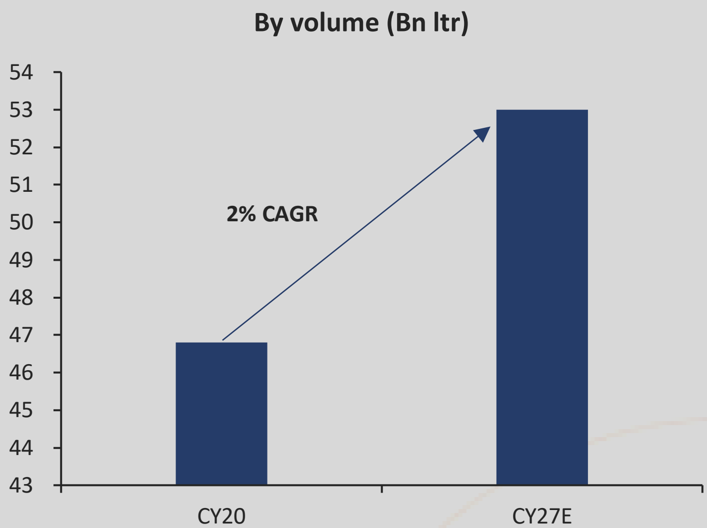
The fruit-based beverage industry is an interesting segment with a high level of ongoing product innovations. As manufacturers attempt to jump onto the health and wellness trend.

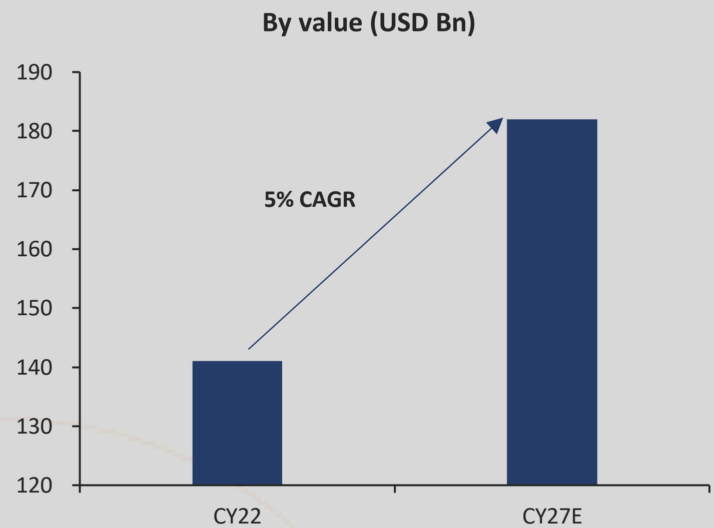
The summer months are some of the best for the fruit-based beverage industry. Every year, the summers seem to get hotter than the last. This ever-growing demand has silently increased sales of beverage companies year on year.

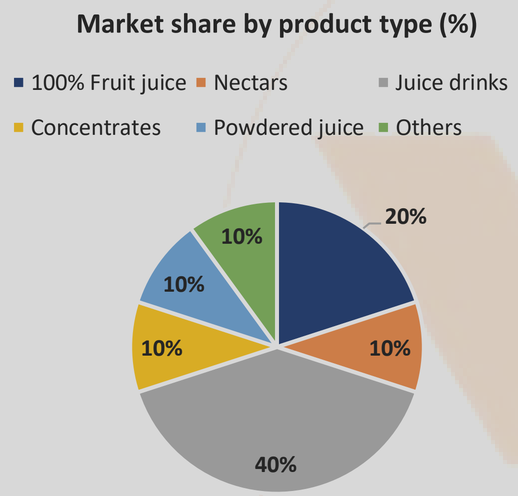
India’s per capita consumption of non-alcoholic beverage drinks is just about 5 liters, which is very low in comparison to the global average of 85 liters.

The INR 20,000 cr carbonated beverages market in India, of which cola drinks account for INR 12,000-14,000 cr in FY22E. However, they face challenges as consumers move towards ‘healthier drinks.’

Global fruit juice market

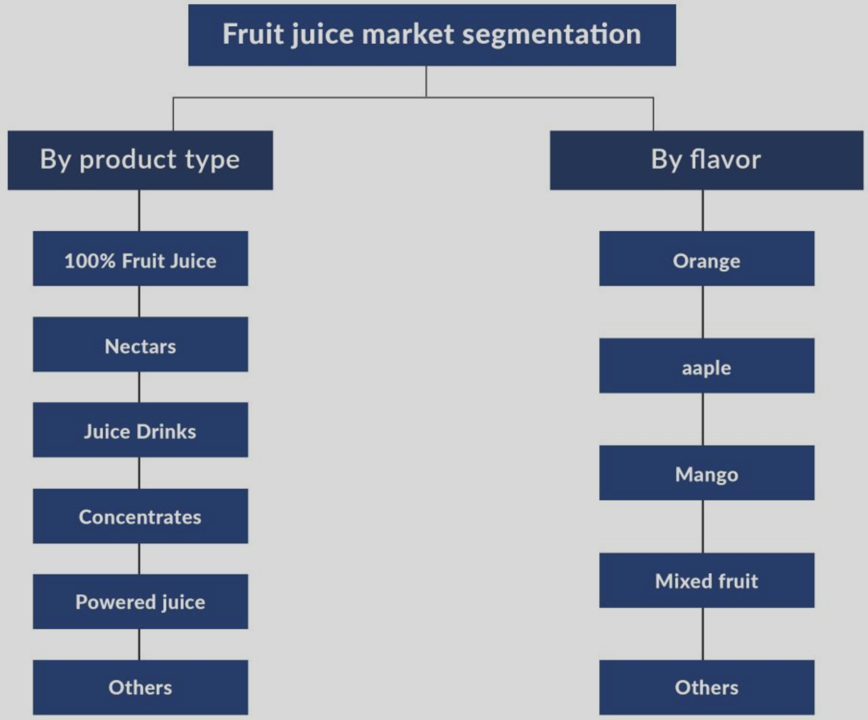






Source: Imarc, Company Reports & Ventura Research

Market segmentation



Source: Imarc, Company Reports & Ventura Research

There are two main reasons why fruit-based beverages have suddenly become popular with the masses:

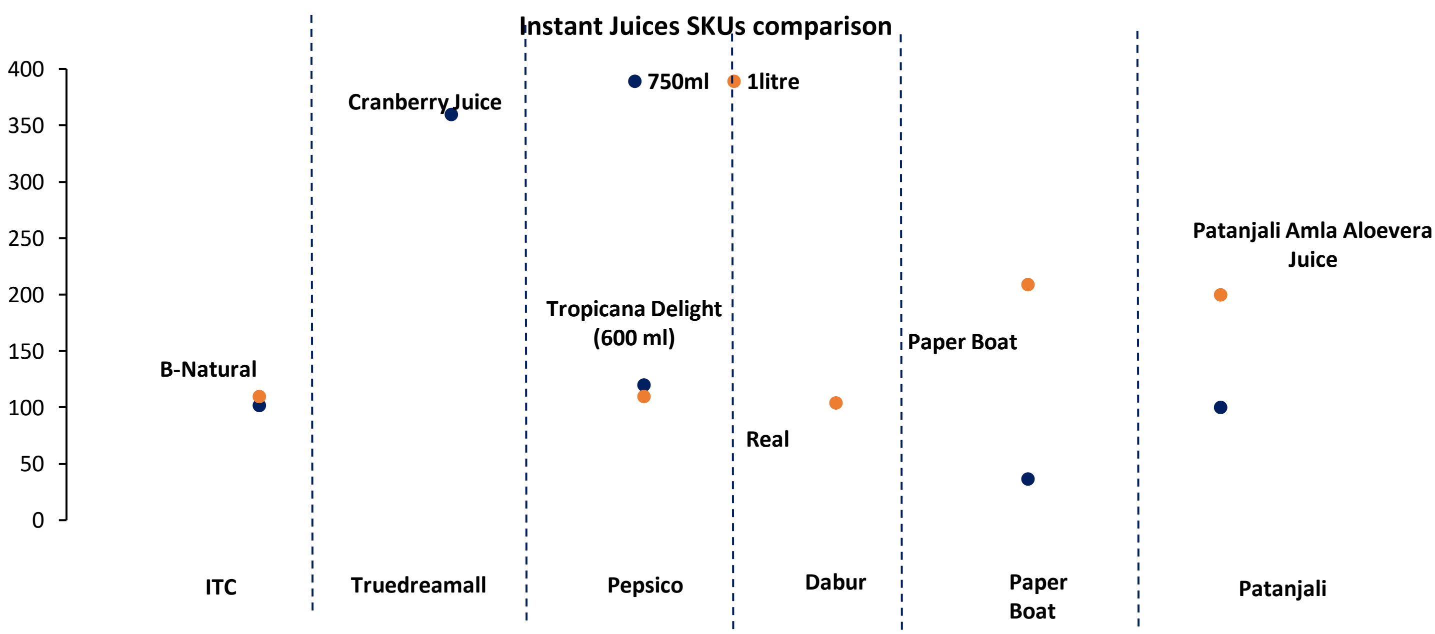
- Health & wellness-conscious consumers are perceiving packaged drinks as safe choices over fresh fruit juices.
- A sheer number of unique and innovative packaged fruit juices in the market with interesting ingredients and attractive packaging

B Natural offers tasty and nutritious Fruit beverages. Its entire range is made from 100% Indian Fruit Pulp, for Indian Consumers by Indian Farmers, has 0% Preservatives or Concentrates.

B Natural portfolio

Source: Company Reports & Ventura Research

Instant Juices SKUs comparison (Rs.)

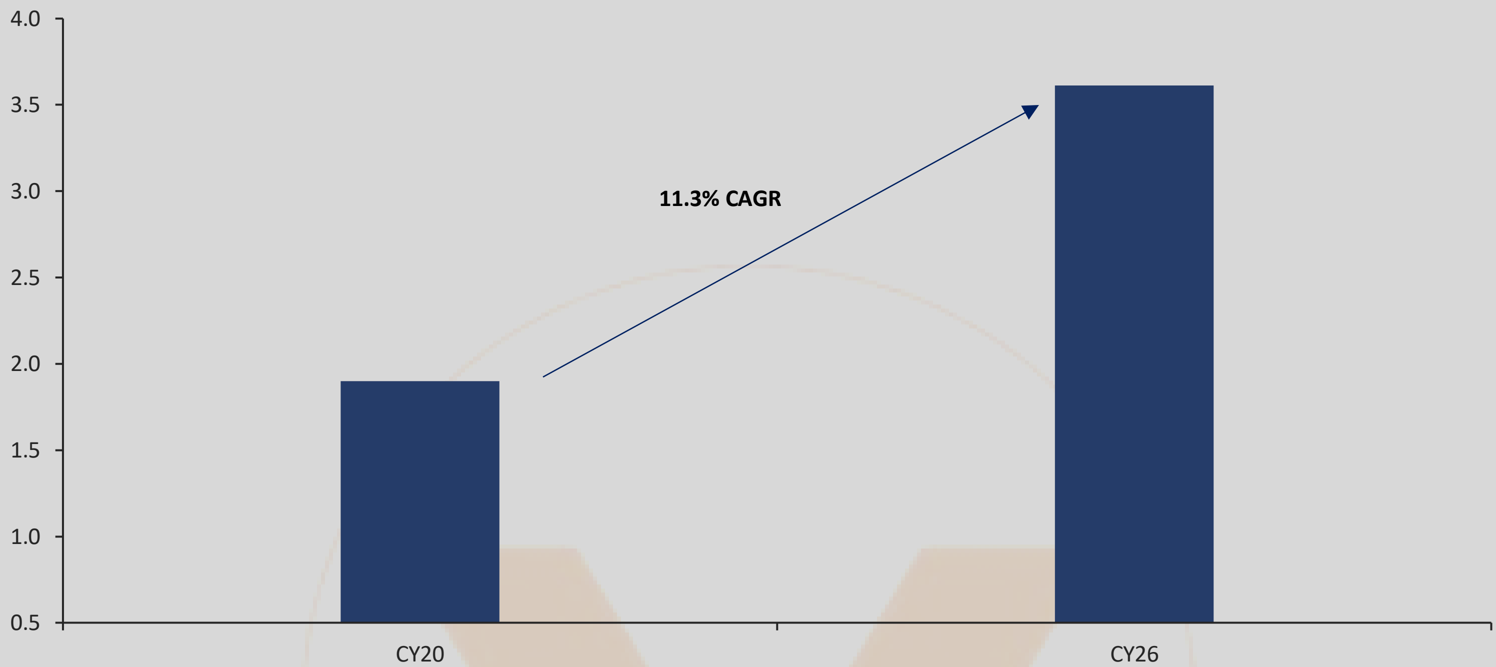


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Chocolate, confectionery, candies, and toffees – mint-o, Candyman, GumOn, Fabelle

The USD 1.9 Bn (CY20) Indian chocolate market is the fastest growing globally and is expected to scale to USD 3.6 Bn by CY26 (11.3% CAGR).

Indian chocolate market (USD Bn)

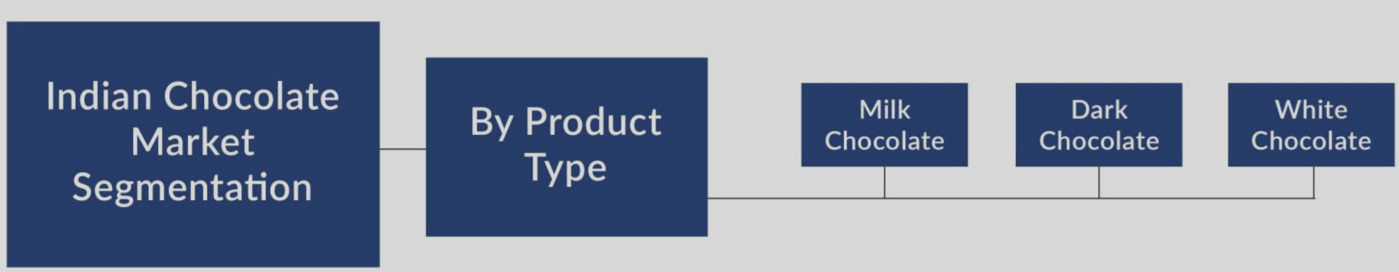


Source: Company Reports & Ventura Research

This growth is driven by –

- Increasing consumer preferences toward chocolate-based baked goods, confectioneries, and western desserts,
- Growing appetite for premium chocolate and the availability of dark chocolate,
- Young population which is a key consumer of chocolates,
- Chocolates are replacing traditional sweets in the country,
- Chocolate consumption in India is just 150 grams per person per annum compared to the developed world where they consume 5-7 kg of chocolates per person per annum.

Market segmentation



Source: Imarc, Company Reports & Ventura Research

The chocolate market is broadly categorized into mass and premium segments. While multinational companies like Ferrero, Hershey's, and Lindt have a strong presence in the premium chocolate market. overall, the chocolate market is dominated by Mondelez (65% market share) and Nestle (20% market share).

Mondelez's Dairy Milk is the largest selling chocolate brand accounting for 42% of the total market. Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF) also has its sights set on the healthy chocolate category with its chocolate brand Amul, which has produced 75%, 90%, and 99% dark chocolates — with intentions to launch a 100% variety soon. Other players with a significant presence include Surya Food and Agro, Lotus Chocolate Company, and ITC Limited.

ITC forayed into the adult confectionery segment in the year 2004 with the launch of Mint-O candies and mints. Fabelle chocolates (2016) are ITC's premium offering in the luxury chocolate space.

ITC chocolate product portfolio

Source: Company Reports & Ventura Research

Sunrise Pure

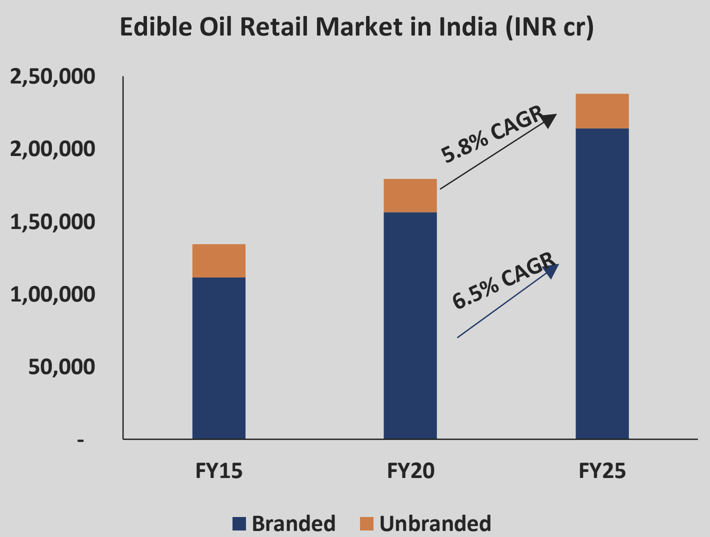
Packaged Edible Oil Market

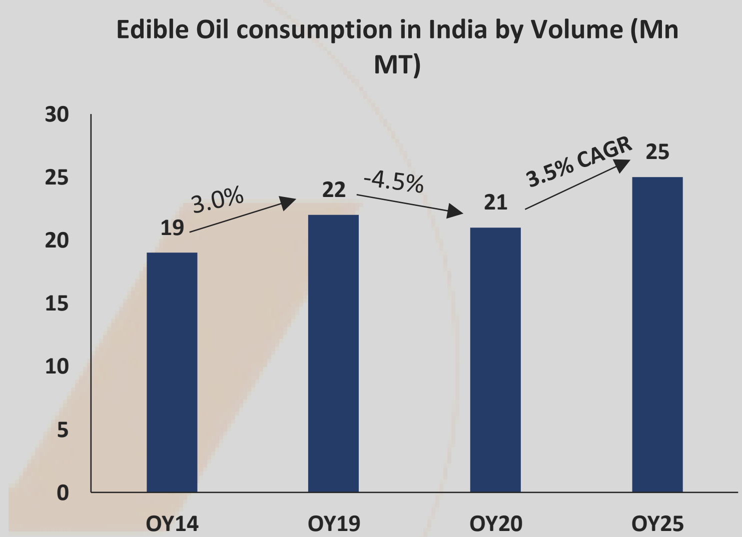
Edible Oil Consumption in India (Volume):

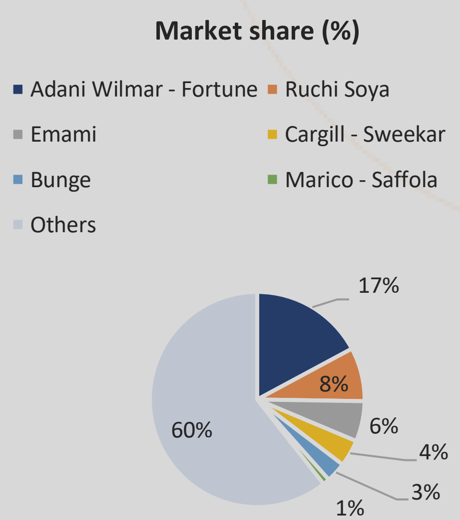
The INR 1,79,500 cr (FY20) Indian edible oil market is expected to grow at 6% CAGR to reach INR 2,38,000 cr by FY25 supported by a faster 6.5% CAGR growth of the branded edible oil business which is expected to scale to INR 2,14,200 cr by FY25 from INR 1,56,165 cr clocked in FY20.

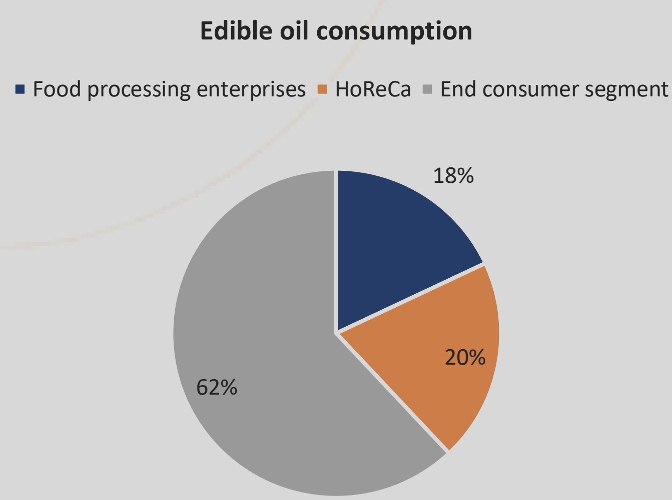
The total consumption of edible oil in India in Oil Year (OY) 2019 has been estimated at ~22 Mn MT. Of this ~10, Mn MT is produced domestically from primary sources (Soybean, Rapeseed & Mustard, Groundnut, Sunflower, Safflower & Niger) and secondary sources (Oil palm, Coconut, Rice Bran, Cotton Seeds & Tree Borne Oilseeds) while the remaining 60%, is met through imports.

Edible Oil Market in India









Source: Technopak Research, Adani Wilmar RHP, Ruchi soya RHP

Approximately 18% of the volume is consumed by large-scale food processing enterprises such as savoury snacks and bakery goods manufacturers who buy in bulk (loose form in tankers). Almost 20% of this volume is consumed by the HoReCa (Hotels, Restaurants, and Caterers) segment and 62% of the volume are consumed by the end consumer segment.

Key Trends and Growth Drivers

- **Low per capita Consumption suggests headroom for growth:** India's per capita consumption of edible oil is estimated to be 16-17 kg per annum which is relatively low in comparison to the world average of 24 kg per annum

- **Policy push has led to the formalization of the edible oil industry in India:** In the pre-GST era, tax avoidance led to a high share of cash sales and unrecorded sales of the category. Implementation of GST restricted loose and cash sales.

- **The shifting mindset toward building a wider Food Portfolio business:** Both regional and national oil brands managed to grow their respective business by strengthening their market distribution abilities across all retail points. Product extension also optimizes marketing costs. Many oil brands, therefore, have an active and growing food portfolio comprising staples and other processed food categories.

- **The competitive nature of the branded edible oil space:** Usually formalization of a consumer consumption category is accompanied by a growing share of the bigger brands. The mindset shift towards branded play, regional supply chain, cost of distribution, and ability to address regional tastes and preferences have all contributed to this trend.

- **Growing ability to address rural and semi-urban demand:** Both national and regional brands have done so by introducing product SKU mixes to address price-sensitive rural demand and by strengthening retail distribution in rural and semi-urban areas.

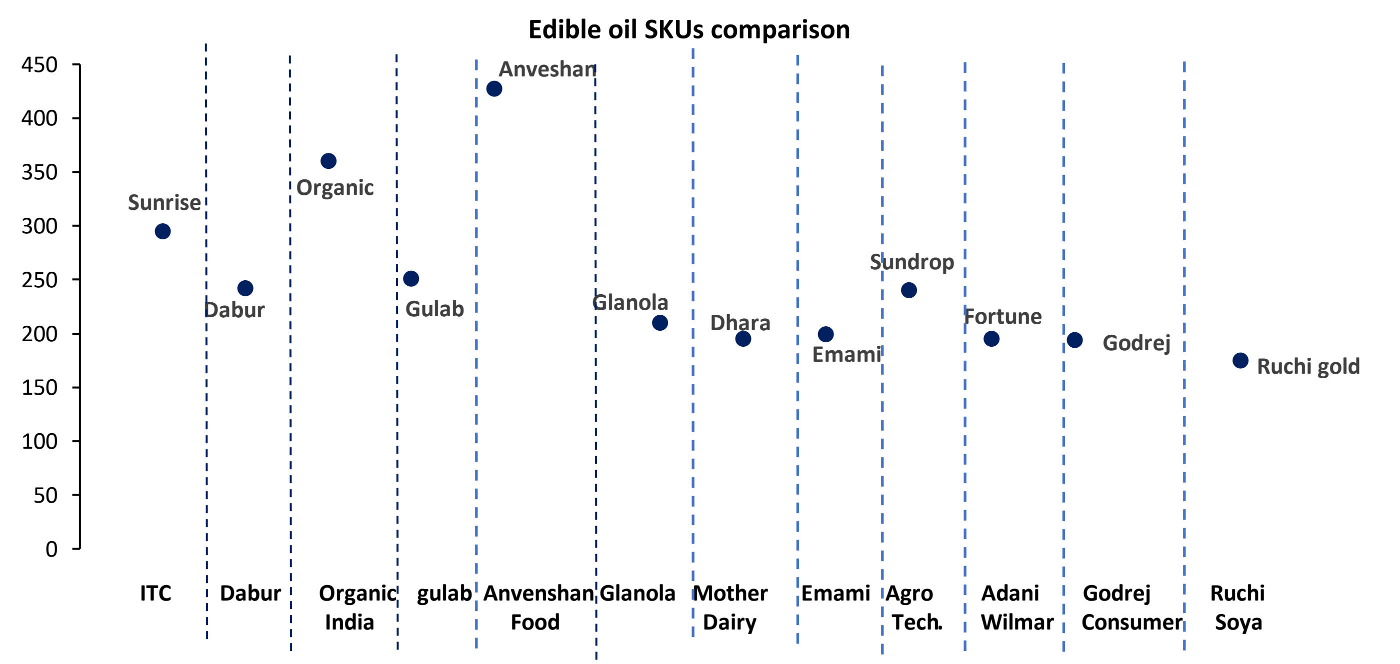
- **Emerging premium and health-focused segments:** Exotic oils such as olive oil and canola oil and supplemented and fortified varieties of pure and blended oils are emerging segments positioned on health and wellness. The Food Safety and Standards Authority India (FSSAI) would also make fortification mandatory for edible oil in near future. This policy push will speed up the growth in the segment.

ITC acquired the Sunrise brand in April-2021, and with it, the company has entered the edible oil market

Sunrise Pure product portfolio

Source: Company Reports & Ventura Research

Edible oil SKUs comparison (Rs./1L)



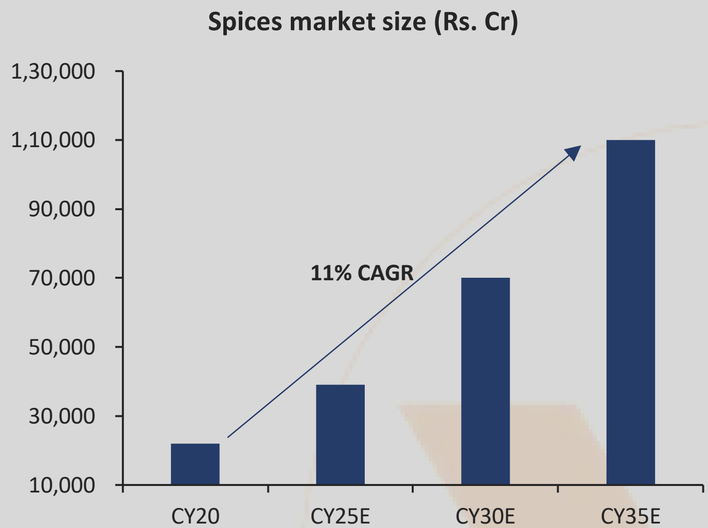
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

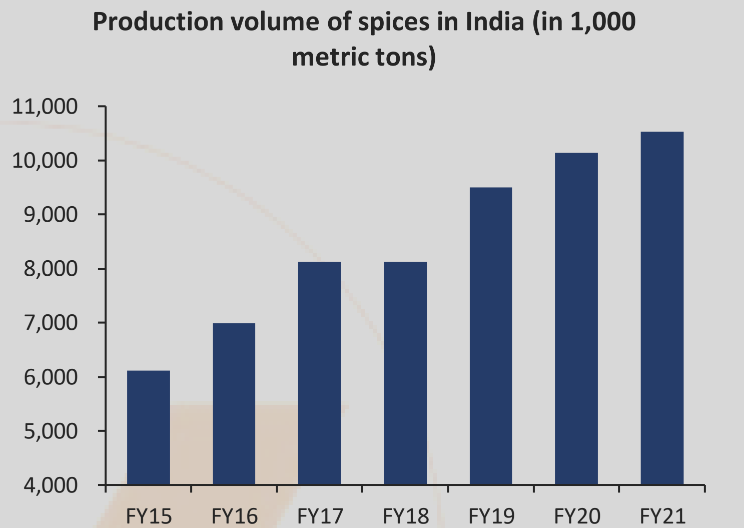
Spices market

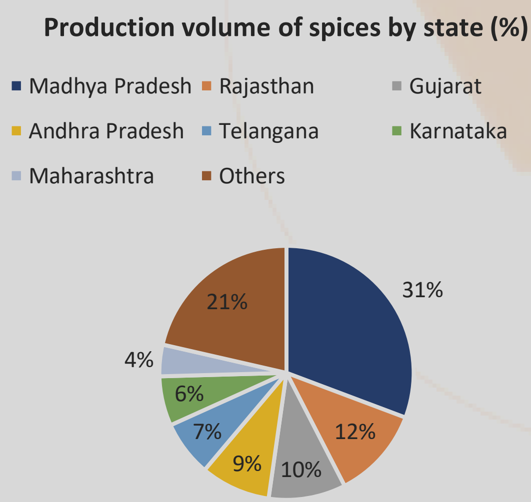
Various industry sources peg India's spices market to be between INR 70,000-80,000 cr with 35% market share being attributed to the branded market. As per ITC, the branded market for spices was valued at INR 22,000 cr in CY20 and is expected to grow at an 11% CAGR to touch INR 39,000 cr by CY25.

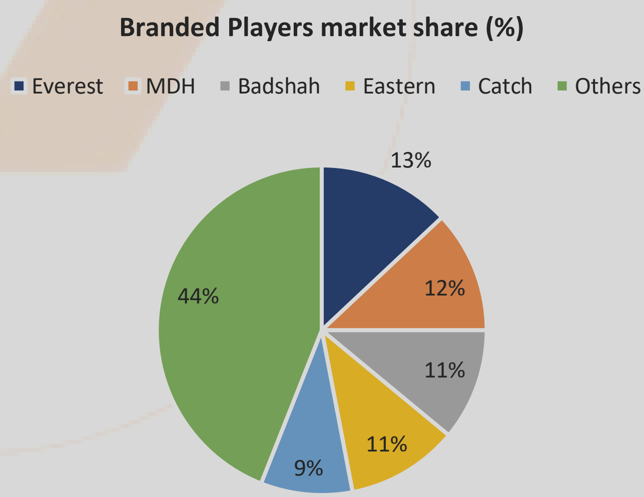
The spices market in India is a highly regional and segmented category with the top 5 players constituting only about 45% of the branded spice market.

Spices market in India









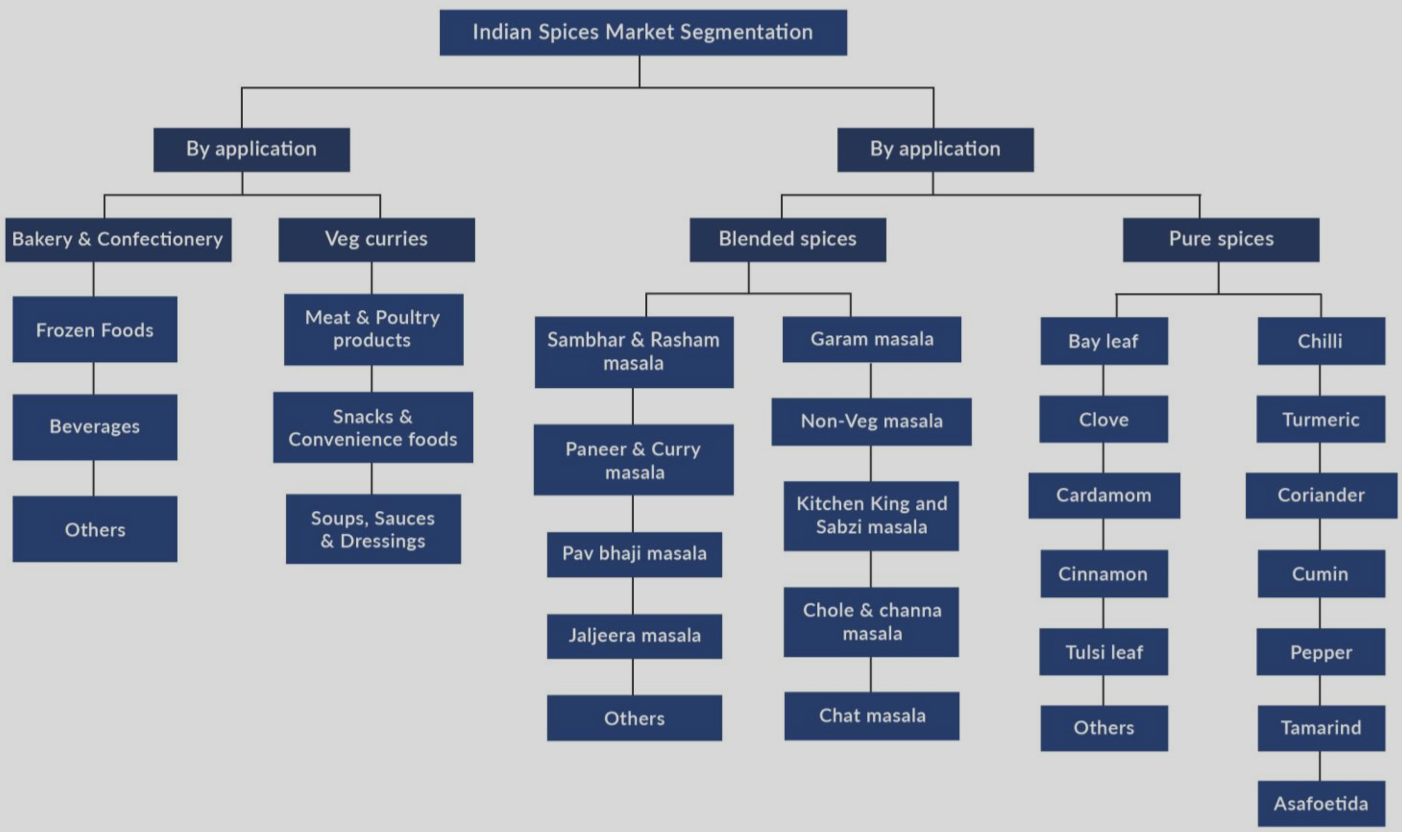
Source: Statista, Company Reports & Ventura Research

This growth in the spices segment is expected to be driven by –

- Abundance of spices - India produces about 75 varieties out of the 109 spices used globally. And India is one of the world's largest producers of cardamom, cloves, chili, curry leaves, fenugreek and fennel seeds, turmeric, and black pepper, among others,
- The spices market is highly unorganized, dominated by regional players with significant market share. With demand shifting from loose packing to packaged spices (to avoid adulteration) the packaged market is expected to grow at an accelerated pace,

- The expanding HoReCa sector is also bolstering growth,
- Accelerated usage of spices in the rapidly growing processed and ready-to-eat food products, and
- The rising consumer concerns about the negative health impact of synthetic additives in spices are augmenting the demand for natural and organic spices

Market segmentation



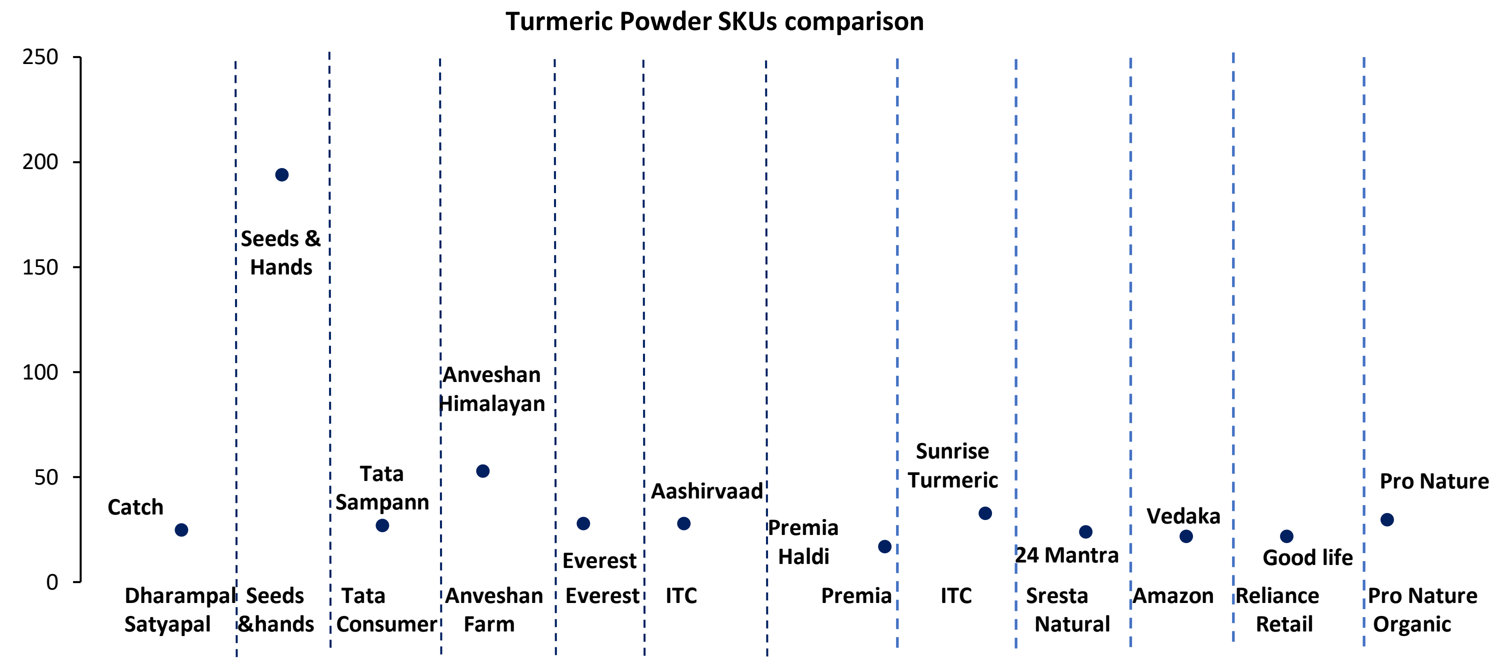
Source: Imarc, Company Reports & Ventura Research

ITC's acquisition of the 100 years old Sunrise brand (for a consideration of INR 2,150 cr in FY21) will hasten its growth in the spices segment. In addition, ITC will pay a consideration of INR 150 cr over the next two years once mutually agreed upon operational and financial milestones will achieve. Sunrise has a strong household presence in Eastern India with 15-20% market share. Within West Bengal, it dominates the spices market with a 50% market share. And prior to the acquisition, the Sunrise brand was growing at CAGR of 22%.

Sunrise Pure product portfolio

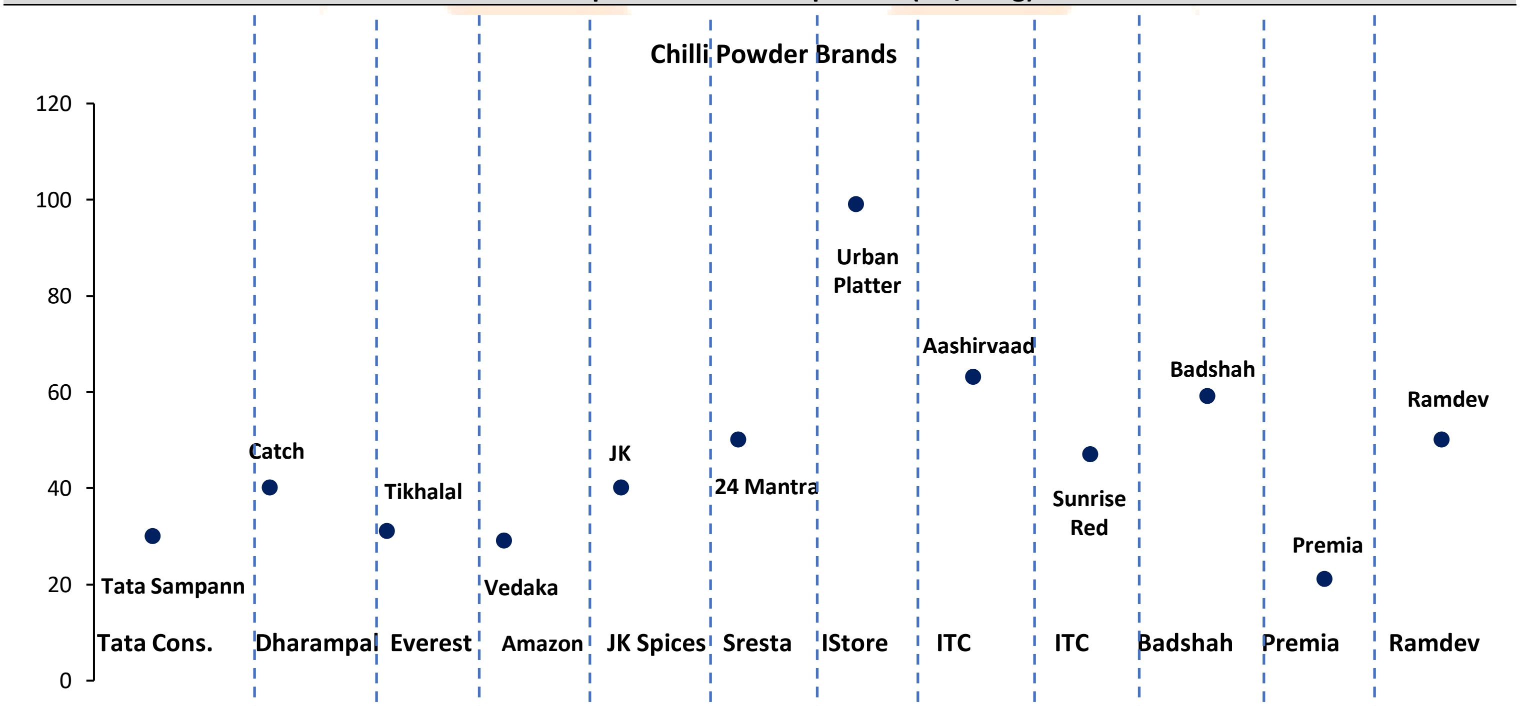
Source: Company Reports & Ventura Research

Turmeric Powder SKUs comparison (Rs./100g)



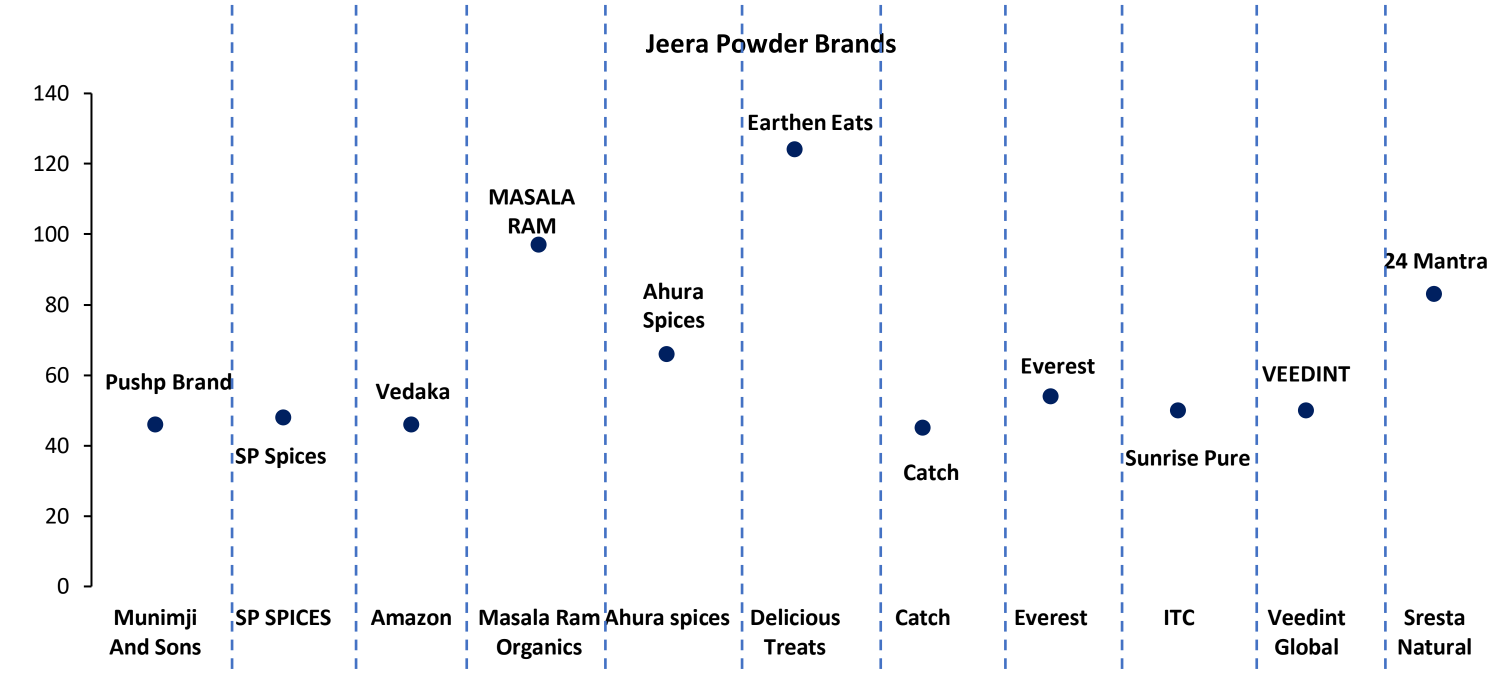
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Red chili powder SKUs comparison (Rs./100g)



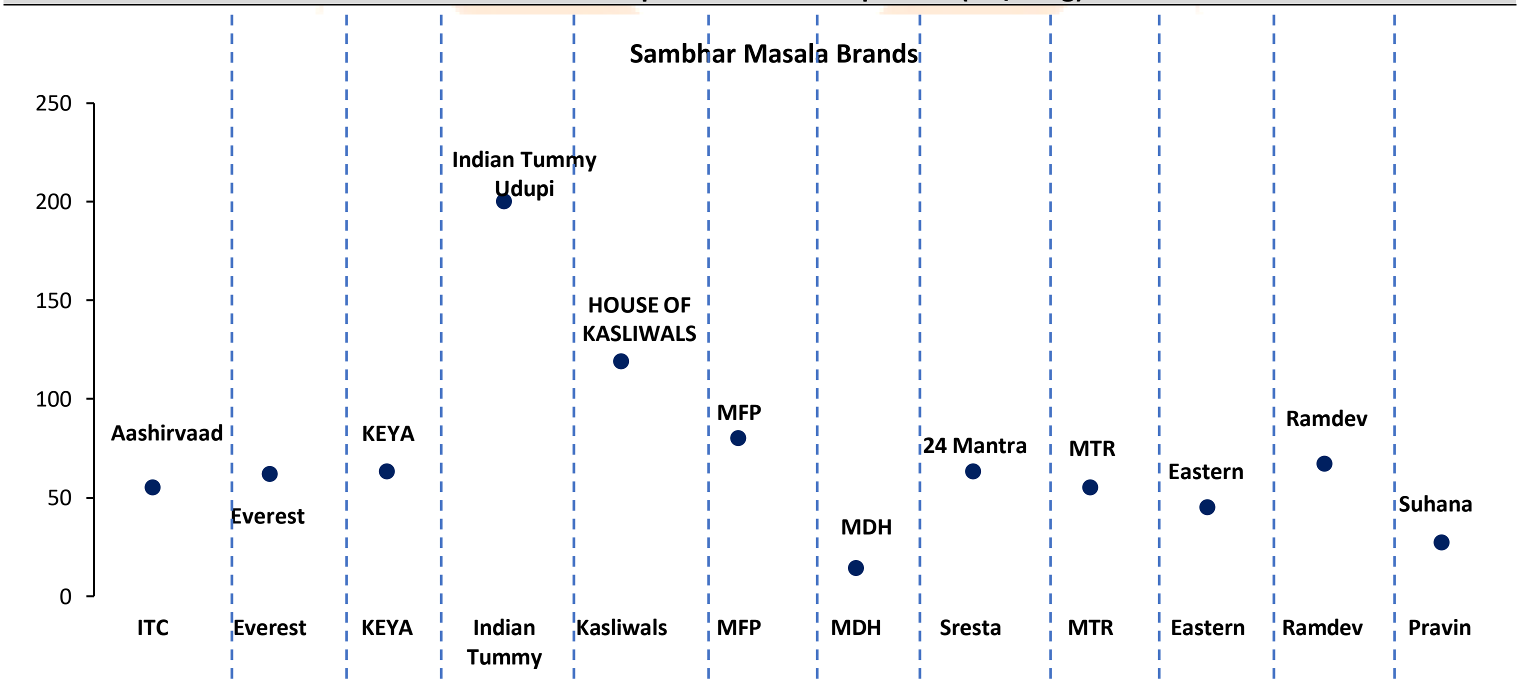
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Jeera powder SKUs comparison (Rs./100g)



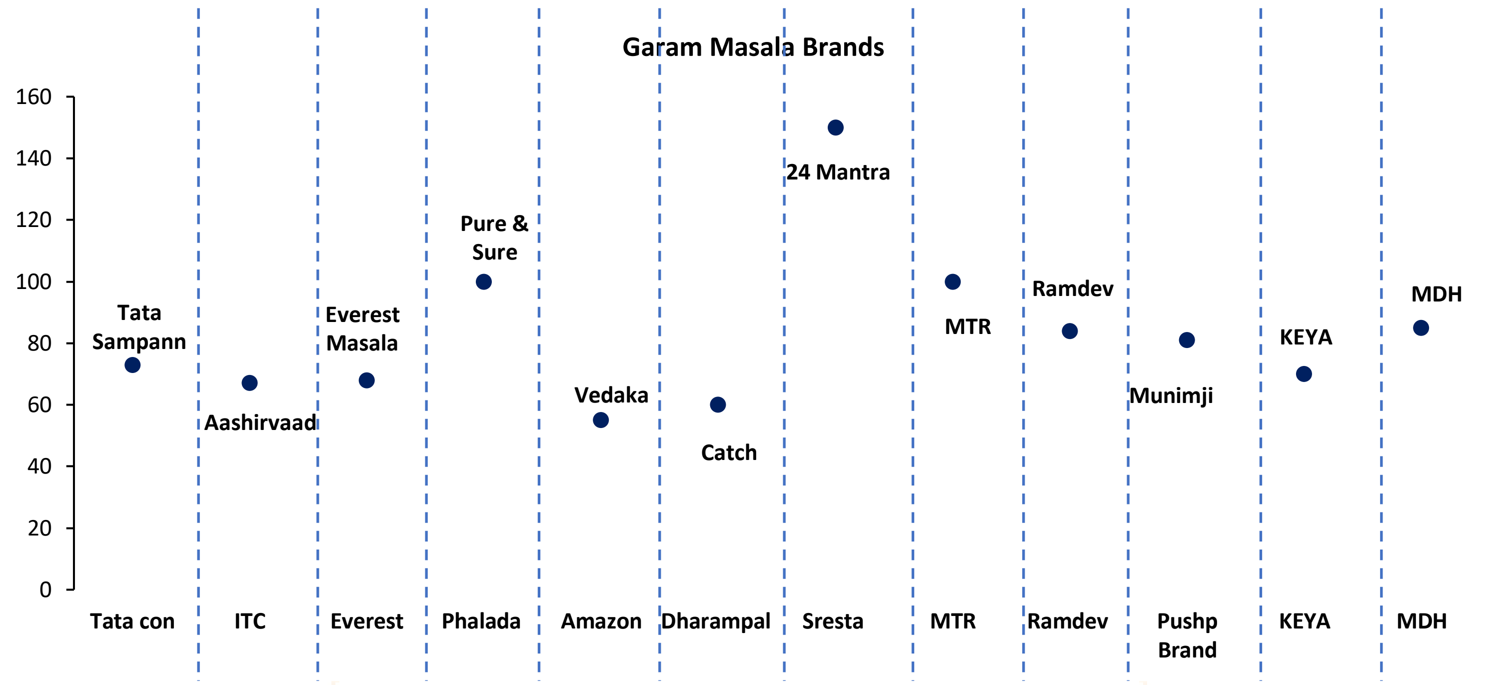
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Sambhar masala powder SKUs comparison (Rs./100g)



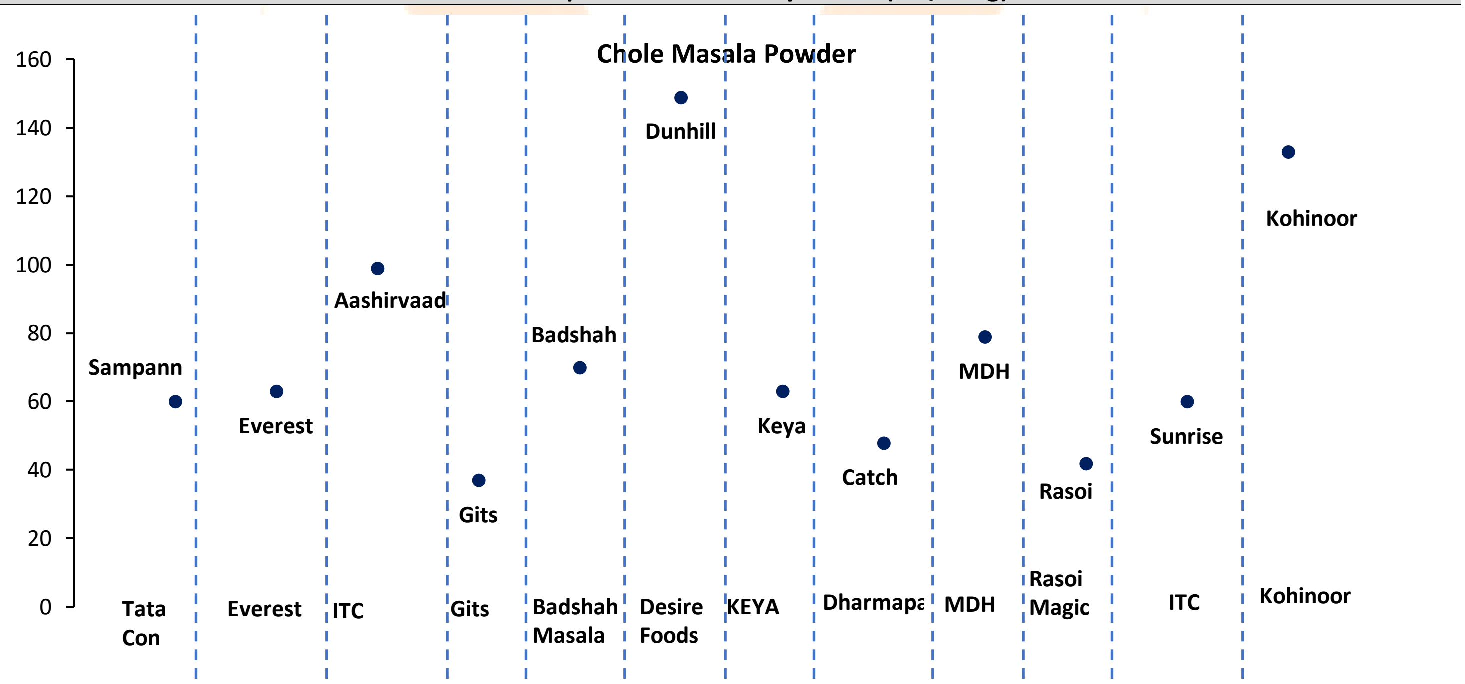
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Garam masala powder SKUs comparison (Rs./100g)



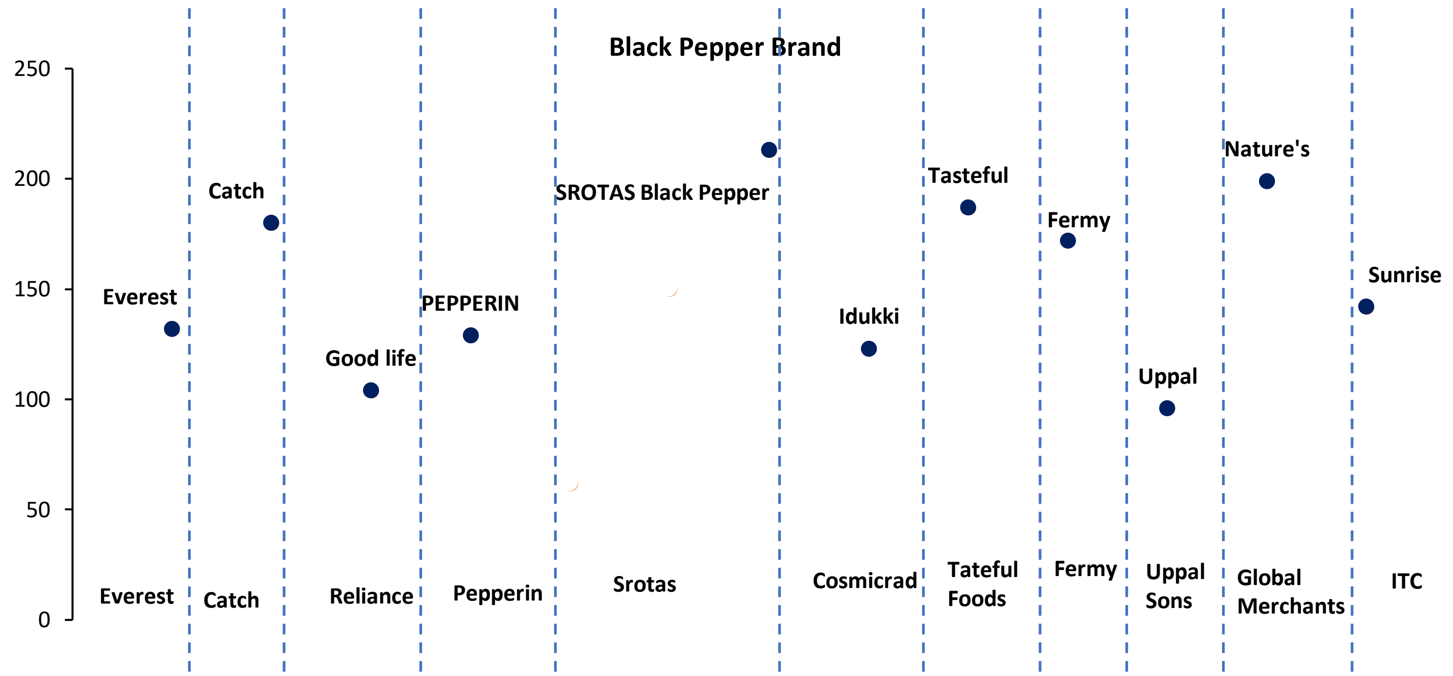
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Chole masala powder SKUs comparison (Rs./100g)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Black pepper powder SKUs comparison (Rs./100g)

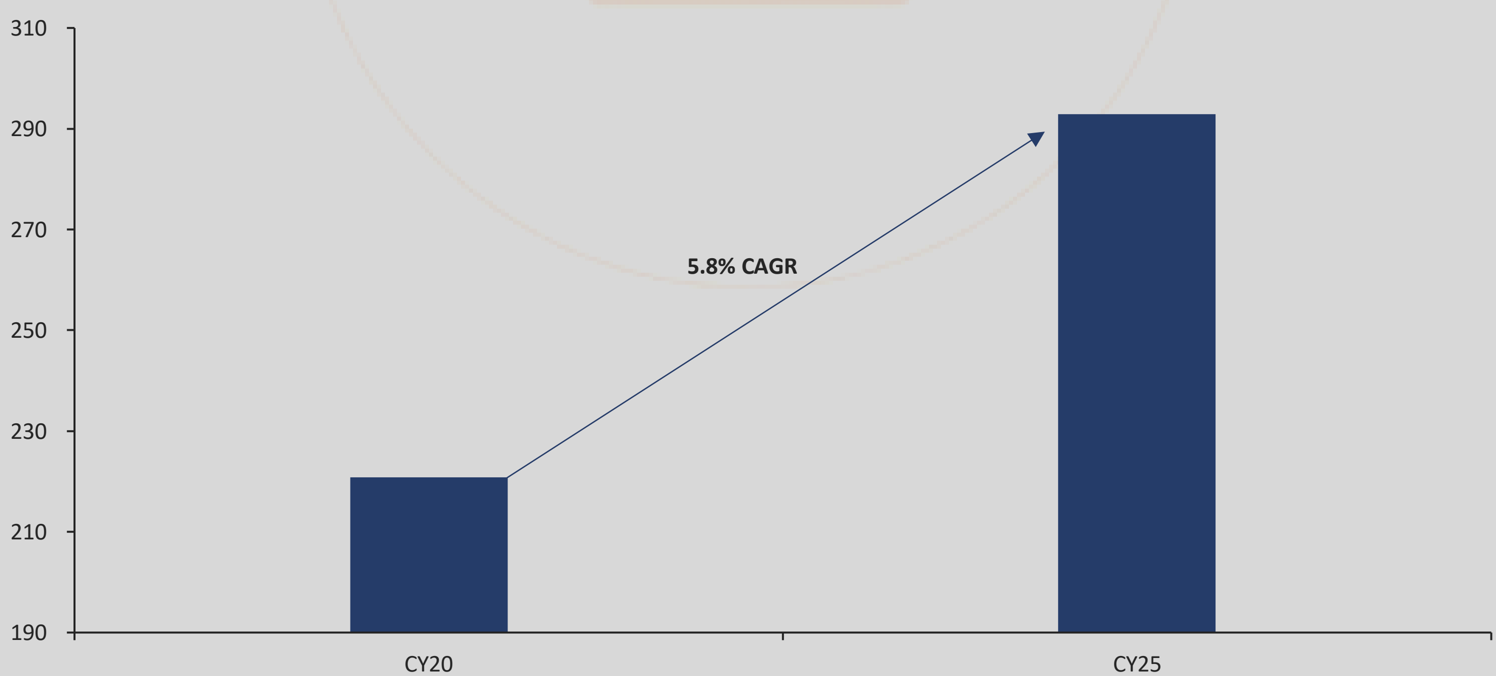


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Plant-based meat products

Almost 72% of Indians are non-vegetarian eaters by choice. And given the going concerns around wellness and sustainability, India has the potential to emerge as a large market for plant-based alternatives. According to Carmen Bryan, a consumer analyst at GlobalData, the USD 220.8 mn (CY20) meat substitutes market in India is expected to reach USD 292.9 mn by CY25, clocking a CAGR of 5.8%.

Meat substitutes market in India (USD Mn)



Source: Carment Bryan, Company Reports & Ventura Research

Plant-based meat is healthier than regular meat, as it is lower in calories and saturated fats. Coconut oil, vegetable protein extract, and beet juice are some ingredients used in plant-based meat. Plant-based meat is healthier when consumed in moderation as part of a balanced diet. It also offers more nutritional benefits than regular meat. India has an abundance of protein-rich food such as pulses, soybeans, legumes, seeds, nuts, milk, meat, fish, and poultry.

Plant-based meat vs regular meat

	Plant-based meat vs regular meat	
Nutrition	**Ground Beef (4 oz)**	**Beyond Meat Burger (4 oz)**
Calories	340	260
Protein (g)	17	20
Saturated fat (g)	12	5
Sodium (mg)	75	350
Iron (mg)	1.8	4
Cholesterol (mg)	95.2	0

Source: FoodData Central, Beyond Meat

Plant-based meat products is a fledgling industry with huge growth potential. ITC has ventured into plant-based meat products under the umbrella brand of ITC Master Chef. Initial product launches include plant-based burger patties and nuggets which mimic the taste of chicken.

To begin with, these offerings are primarily being sold via e-commerce and large retail chains in the top eight cities, and directly to institutional customers such as hotels and restaurants.

Plant based meat product portfolio

Source: Company Reports & Ventura Research

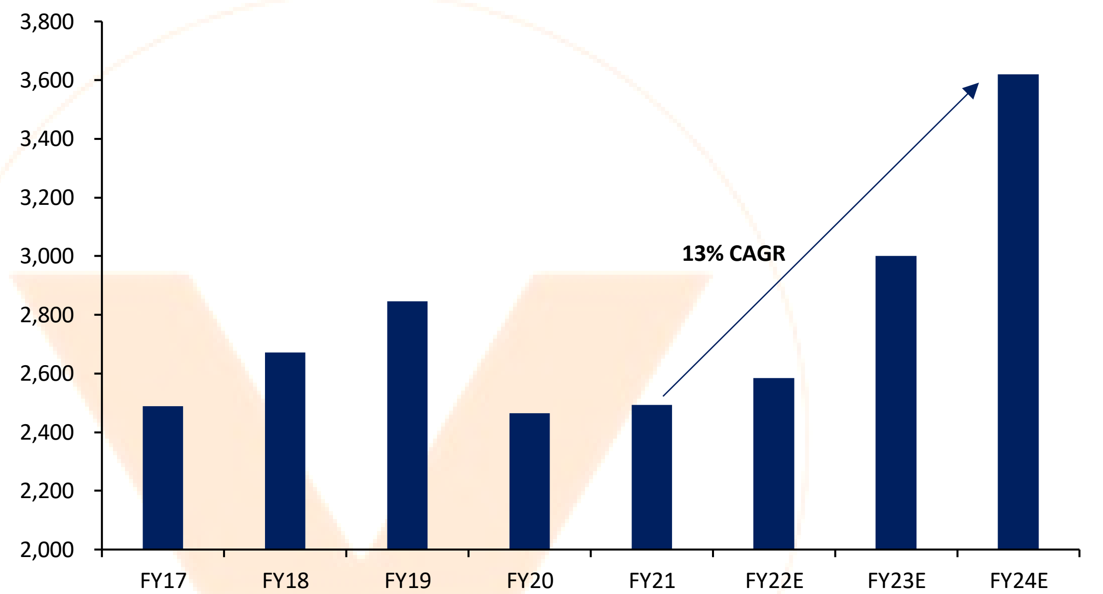
ITC's other businesses

In line with ITC's aspiration to be India's premier FMCG company, the company has entered into several businesses which include –

- personal care (July 2005),
- stationery and educational products (2002), and
- matches & agarbatties (2003)

Revenue from the other business segment, (after a pandemic induced hit) is expected to grow at a CAGR of 13% to INR 3,744 cr by FY24.

FMCG Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis, etc. (INR cr)



Source: Company Reports & Ventura Research

Personal care

ITC's personal care portfolio houses several premium brands such as 'Essenza Di Wills' (2005), 'Fiama' (2007), 'Vivel' (June 2008), 'Engage' (May 2013), 'Savlon' (2015), 'Charmis' (2017), 'Shower to Shower' (2015), 'Dermafique' (2018), 'Nimyle' (2018), 'Nimwash' (May 2020), and 'Superia' (2007) brands have received encouraging consumer response and are being progressively extended nationally.

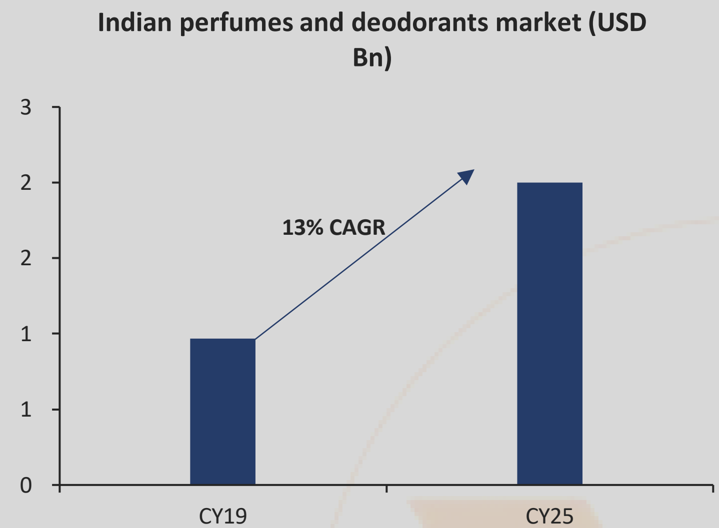
The personal care product portfolio of ITC

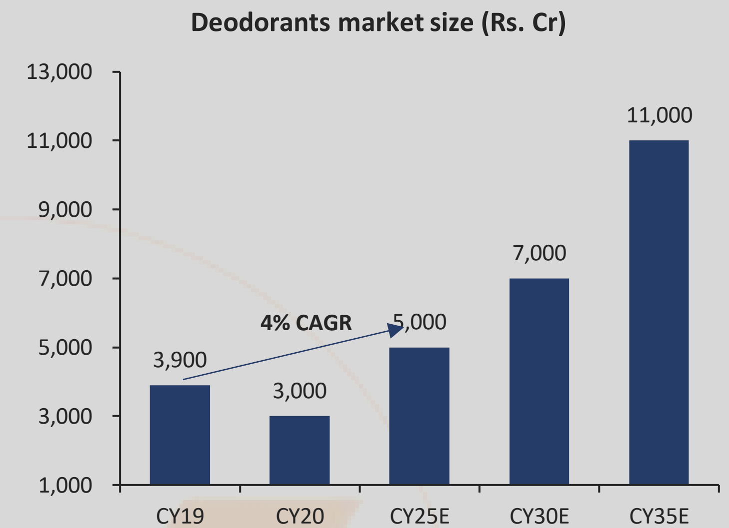
Source: Company Reports & Ventura Research

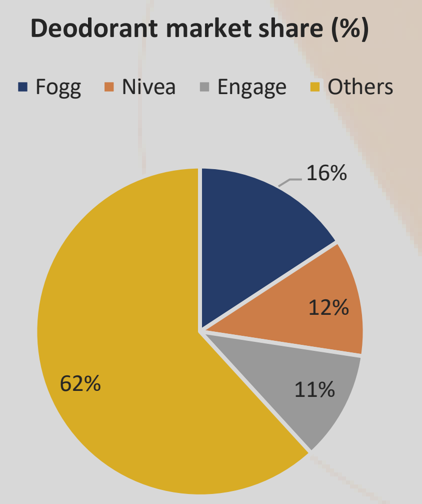
Fragrance Products

The USD 970 mn (CY19) Indian perfumes and deodorants market is expected to grow at a 13% CAGR to reach USD 2 Bn in CY25. Within the fragrance products, as per ITC, the deodorants market is expected to reach INR 5,000 cr in CY25 (4% CAGR) from INR 3,900 cr clocked in CY19.

Deodorants market size (INR Cr)







Source: Company Reports & Ventura Research

The key growth drivers are –

- Increasing disposable income,
- Significant enhancement in working-class population,
- Increasing awareness of personal hygiene,
- Fashion consciousness, and
- Booming e-commerce pan-India, given a cheap internet cost

Some of the leading fragrance brands operating in the Indian market are Fogg, Beiersdorf, ITC, Raymond Group, Unilever Group, McNroe Vanesa Care Pvt., etc. This category has seen the uptick in localization in production of late. This has been complemented by a surge in the demand for high-end luxury perfumes in the Indian market facilitated by the growth of e-commerce channels.

Essenza Di Wills

Essenza Di Wills product portfolio of ITC

Source: Company Reports & Ventura Research

ITC launched the brand in the year 2005. The brand is an exclusive, international range of fine fragrances and personal care products for discerning individuals. Product extensions include -

- Inizio – comprehensive grooming regimen, Inizio Femme and Inizio Homme, which includes a host of bath & body care products.
- Aqua Homme
- Mikkel
- Ignite (for women)

Engage

Engage launched in May 2013 marked ITC's entry into the deodorant segment. Engage consists of a range of 16 deodorants - with 8 fragrances each for Men & Women.

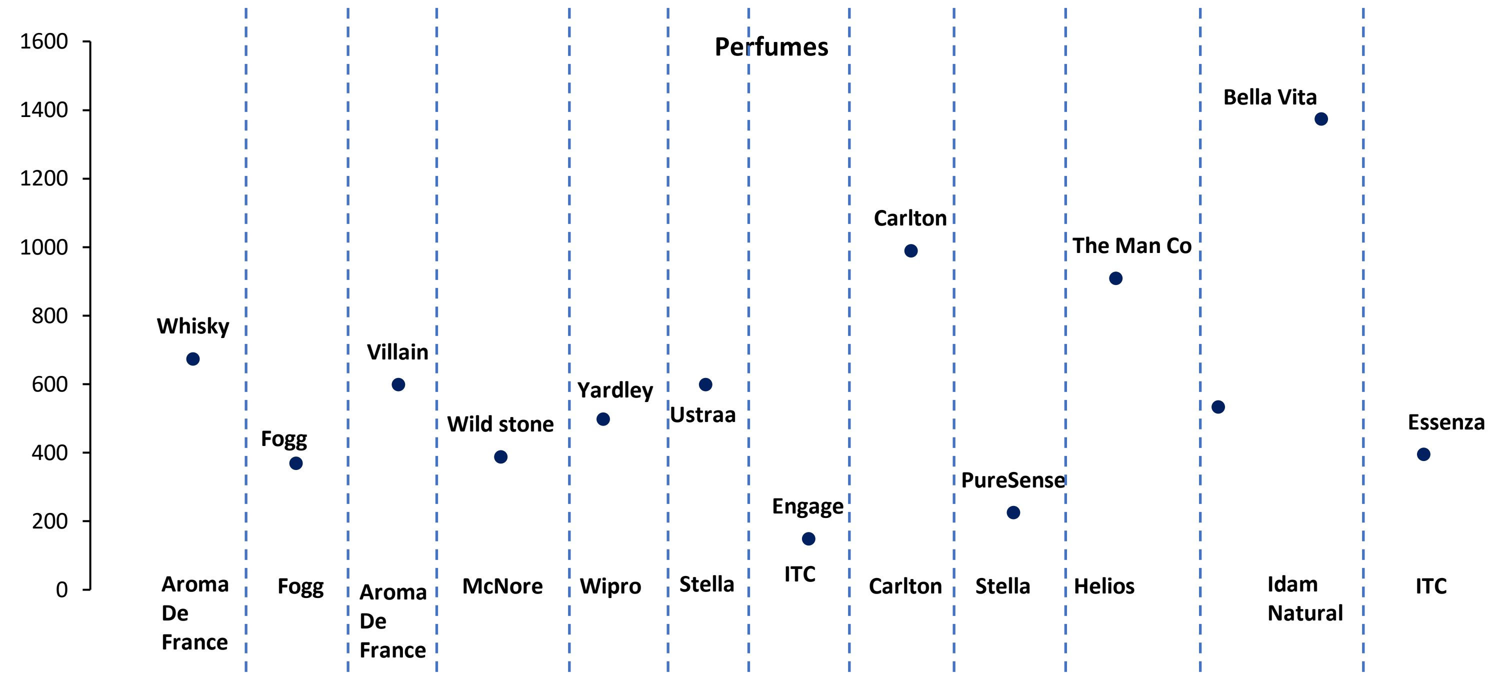
Product extensions include

- **Engage cologne sprays -** 8 exquisitely crafted fragrances - 4 for Men & 4 for Women.
- **Engage perfume sprays -** its clear transparent packaging distinguished this range.

Engage product portfolio of ITC

Source: Company Reports & Ventura Research

Perfume SKUs comparison (Rs./100ml)

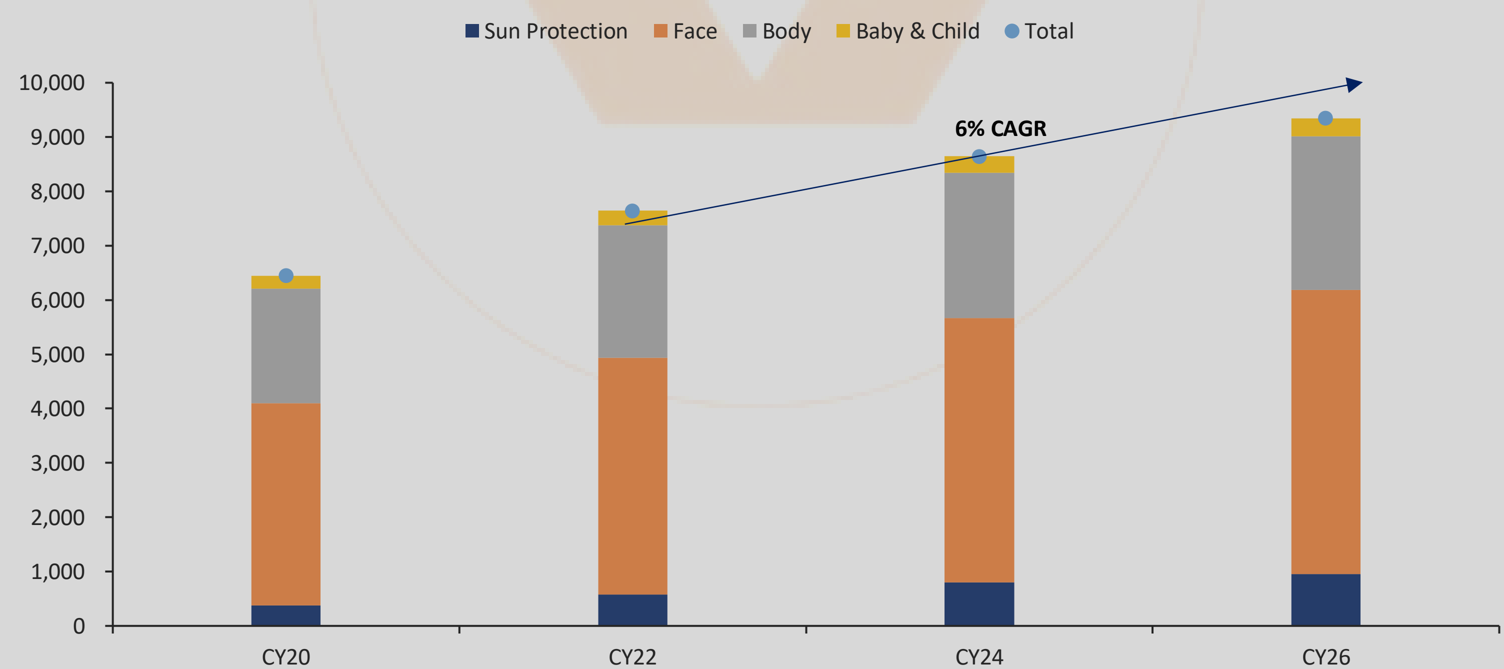


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Dermafique - skincare

The USD 6.5 bn (CY20) skincare market in India is expected to reach a value of USD 9.3 bn by CY26, growth of 6%.

Skin Care market in India (in Mn USD)



Source: Statista, Company Reports & Ventura Research

This growth is driven by –

- Increasing awareness around good appearance,

- Strong preferences for fair skin and reducing signs of aging, acne, wrinkles, and fine lines,
- Millennials and GenZ spend more on beauty and skincare essentials,
- Increasing disposable income,
- Rapid mushrooming of beauty parlors and spas, and
- Increasing grooming awareness among male

Major skincare product include creams, lotions, and powders, which helps improve the quality and health of the skin and provide nourishment. In recent times, the trend for organic and herbal skin care is gaining traction as abhorrence for synthetic chemicals is rapidly increasing.

India's skincare market is majorly controlled by

- Hindustan Unilever Limited,
- The Himalaya Drug Company,
- Emami Limited,
- Johnson & Johnson (India) Ltd,
- Oriflame India Private Limited,
- Nivea India Pvt. Ltd.,
- Amway India Enterprises Private Limited,
- Procter & Gamble Home Products Private Limited,
- Lotus Herbals Limited, etc.

In 2017, ITC entered the skincare market with the launch of Charmis. Charmis is a Deep Nourishing Cold Cream.

The New Charmis Deep Radiance Skin Care Range consists of Face Serum, Face Wash, and Hand Cream having a trio of power ingredients as viz: Vitamin C, Hyaluronic Acid & Salicylic Acid.

Charmis product portfolio of ITC

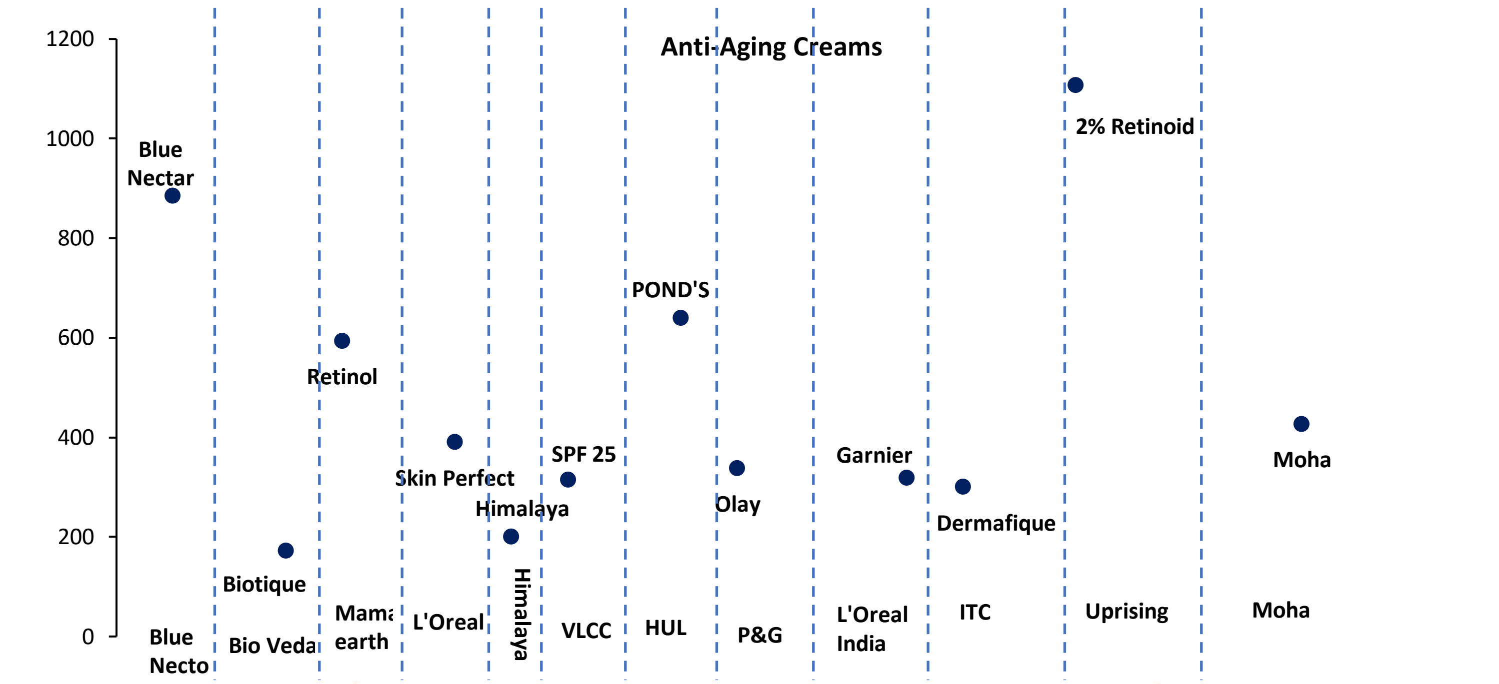
Source: Company Reports & Ventura Research

Dermafique launched in 2018 has been developed in partnership with dermatologists and cellular biologists provide a minimalist approach to the skin regimen, namely for cleaning, toning and hydrating.

Dermafique product portfolio of ITC

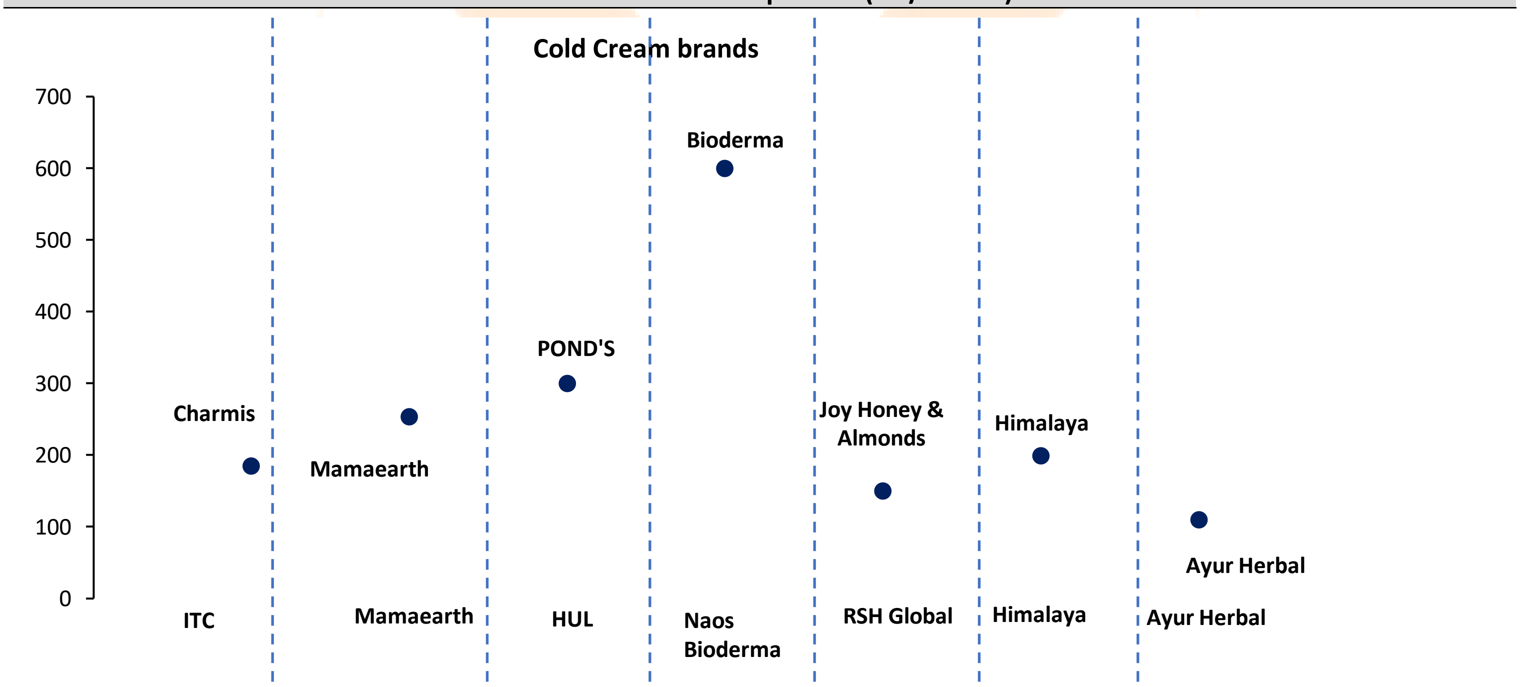
Source: Company Reports & Ventura Research

Anti-Aging SKUs comparison (Rs./50g)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Cold cream SKUs comparison (Rs./200 ml)



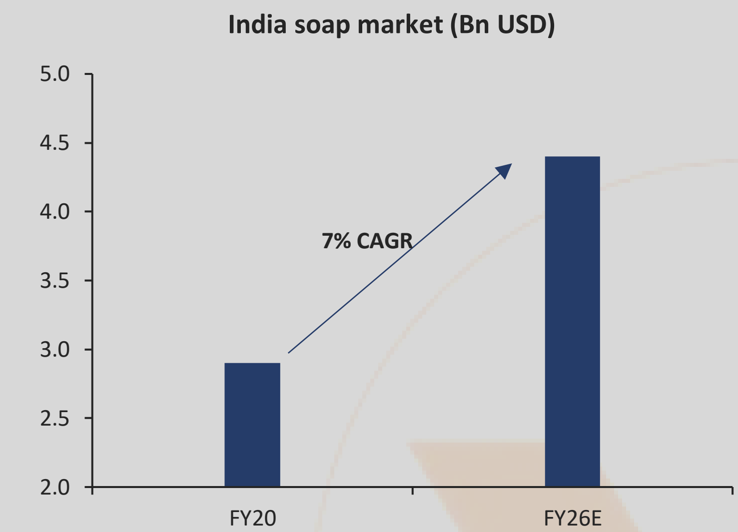
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

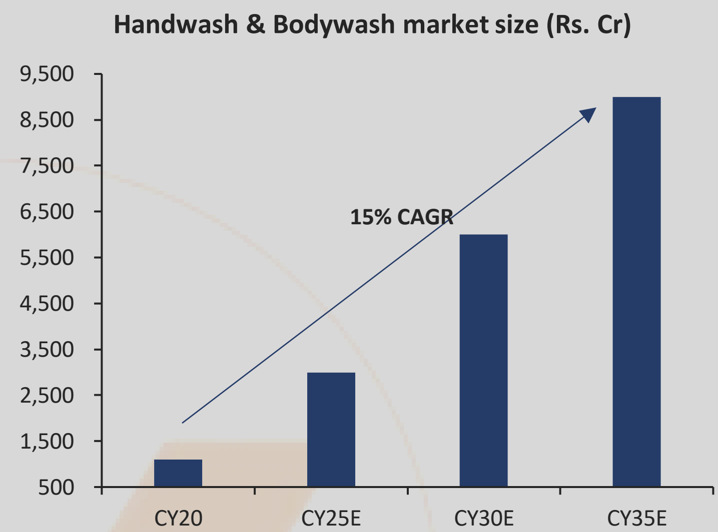
Bathing solutions

ITC's bathing solutions products include

- Soaps (segment expected to grow at a CAGR of 7% to USD 4.4 bn by FY26 from USD 2.9 bn recorded in FY20),
- Handwash & bodywash segment (expected to grow at a CAGR of 22% to INR 3,000 cr by CY25 from INR 1,100 cr recorded in CY20)

Soap, Handwash & Bodywash market in India





Source: Techsciresearch, Company Reports & Ventura Research

This growth is supported by –

- Increasing focus on maintaining proper hygiene
- Rising disposable incomes,
- Boost via the Swachh Bharat mission,
- Liquid hand wash market is fast expanding due to its affordability, convivence and increasing accessibility

Fiama

ITC launched Fiama in the year 2007. Offerings include

- shower gel,
- bath soap,
- body oils,
- gel bar, and
- hand wash

Products include

- Fiama Scents Body Wash has 2 variants,
  - Mimosa and Neroli, &
  - Juniper Berries and Geranium
- Fiama Bath Essential is a new range of bath accessories. (loofahs, scrubs, and specialized shower tools)

- Fiama handwash are differentiated by their fashionably designed exquisite bottle shape and pop colors (which are a refreshing change from the monotone color schemes on other hand wash around). The handwash variants are –
  - Happy,
  - Fresh, and
  - Relax
- Fiama Essential Oils are 100% pure and natural. Product variants include:
  - Peppermint,
  - Lemongrass,
  - Bergamot, and
  - Grapefruit

Fiama product portfolio of ITC

Source: Company Reports & Ventura Research

Fiama product portfolio of ITC

Source: Company Reports & Ventura Research

Vivel

Launched in the year 2008, Vivel differentiates itself as being an exclusive women's product that provides nourishment to the skin. Vivel comprises of soap and body wash offers.

Vivel soaps variants include – Aloe vera, lotus oil, cool mint, neem oil + aloe vera, glycerin + neem oil, and glycerin

Vivel Body Washes come in exciting variants - nourishing lavender + almond oil, cooling mint + cucumber, neem oil + aloe vera, glycerin + honey.

Vivel product portfolio of ITC

Source: Company Reports & Ventura Research

Superia

Superia is a mass-market soap and shampoo brand launched in the year 2007. Since the brand has not lived up to its expectation ITC shrank the brand in Dec-2021.

Superia product portfolio of ITC

Source: Company Reports & Ventura Research

Savlon

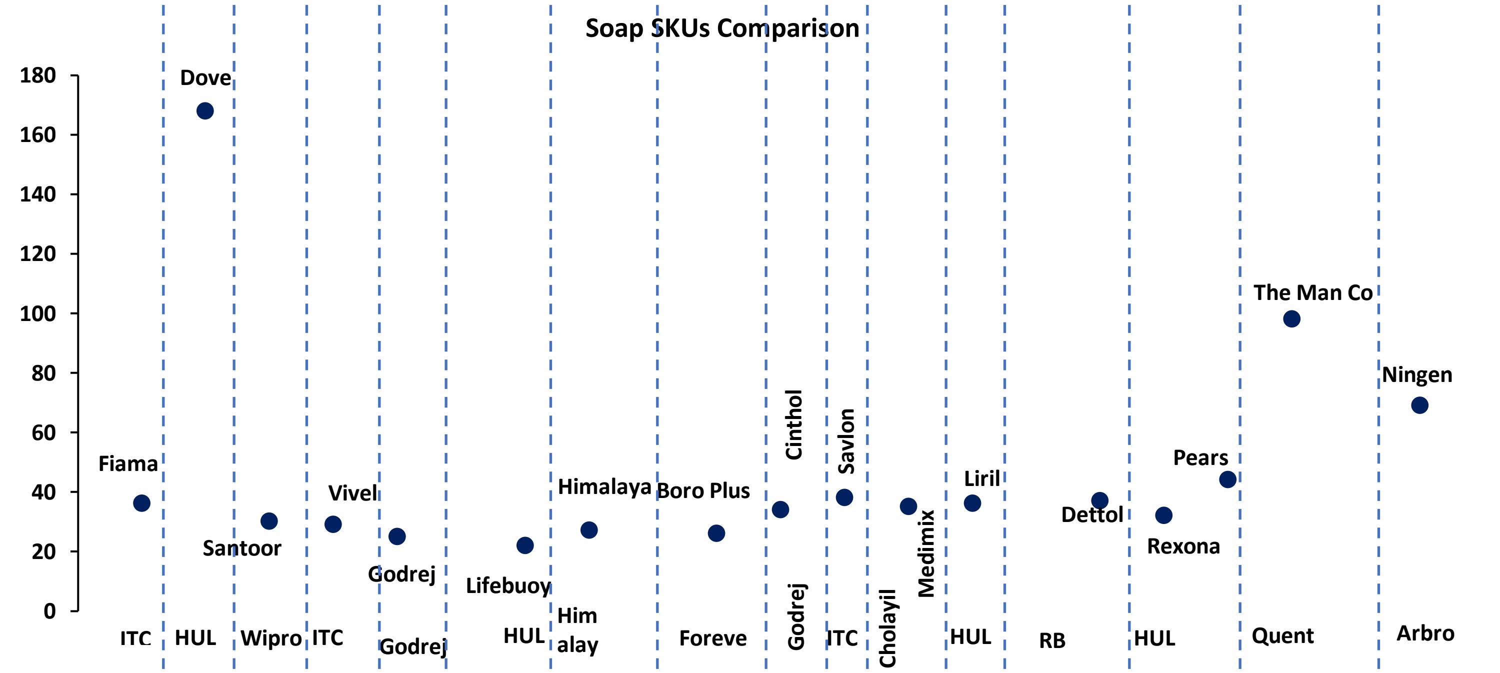
Savlon is 50+ years old brand that was acquired by ITC in the year of 2015 from Johnson & Johnson. Today, this INR 1,000 cr+ umbrella brand has product offerings that span

- Antiseptic - Savlon Antiseptic Liquid
- Handwash
  - Savlon Herbal Sensitive
  - Savlon Deep Clean
  - Savlon Moisture Shield
- Soap - Savlon Glycerine
- Disinfectant - Savlon Disinfectant Spray
- Wipes - Savlon Germ Protection Wipes
- Masks - Savlon FFP2 S Masks provide 95% protection
- Hand Sanitizing liquid – Savlon Hexa with a portfolio of SKUs
- Clothes disinfectant - Savlon Clothes Disinfectant and Refreshing Spray
- Surface disinfectant – Savlon surface disinfectant with an offering of
  - Spray
  - Multipurpose liquid
  - Spray & wipe

Savlon product portfolio of ITC

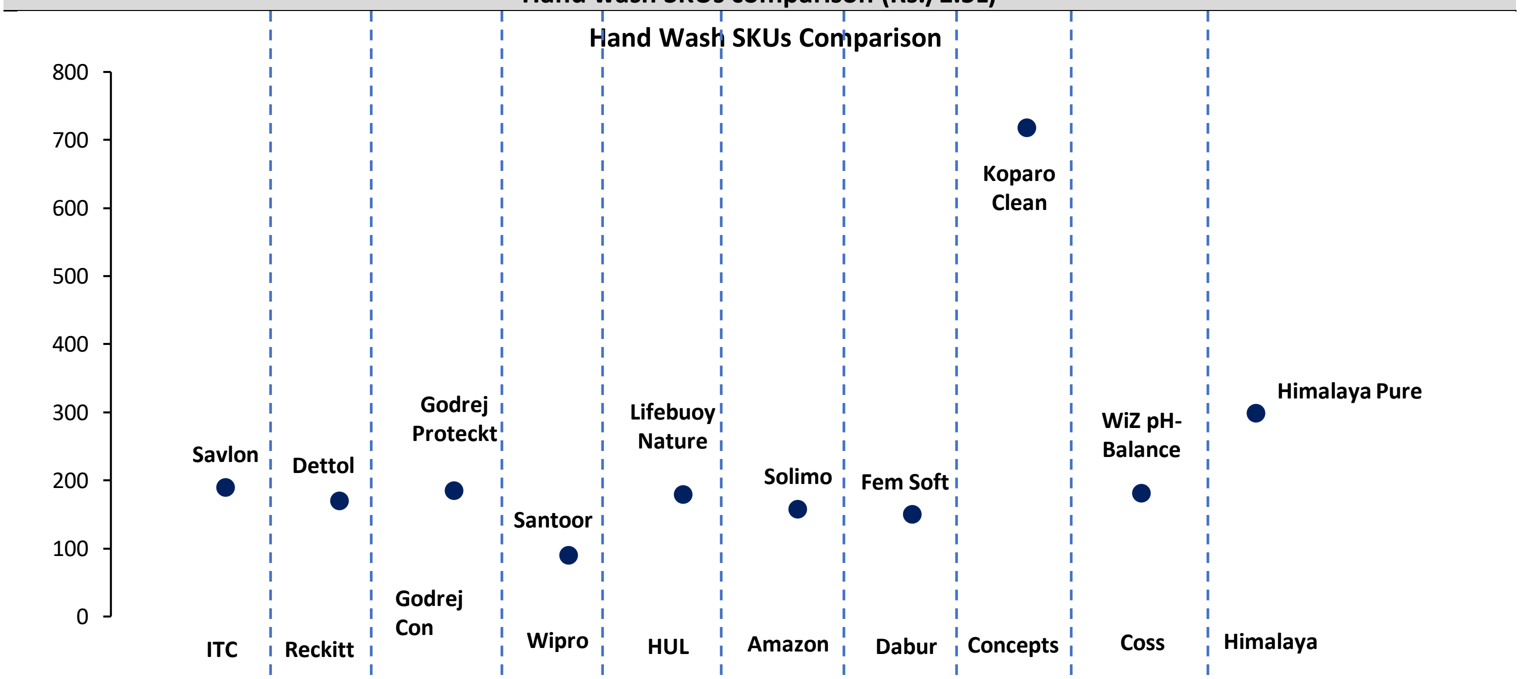
Source: Company Reports & Ventura Research

Soap SKUs comparison (Rs./100g)



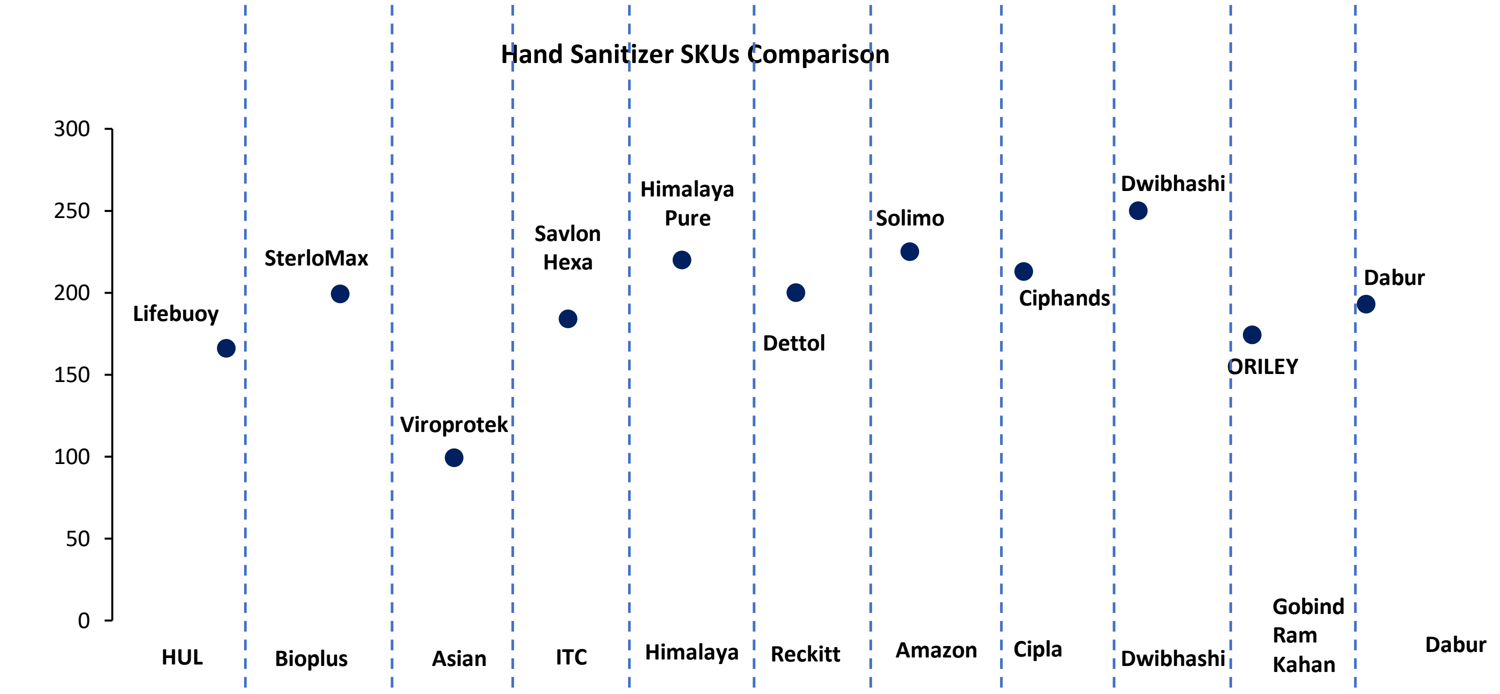
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Hand wash SKUs comparison (Rs./1.5L)



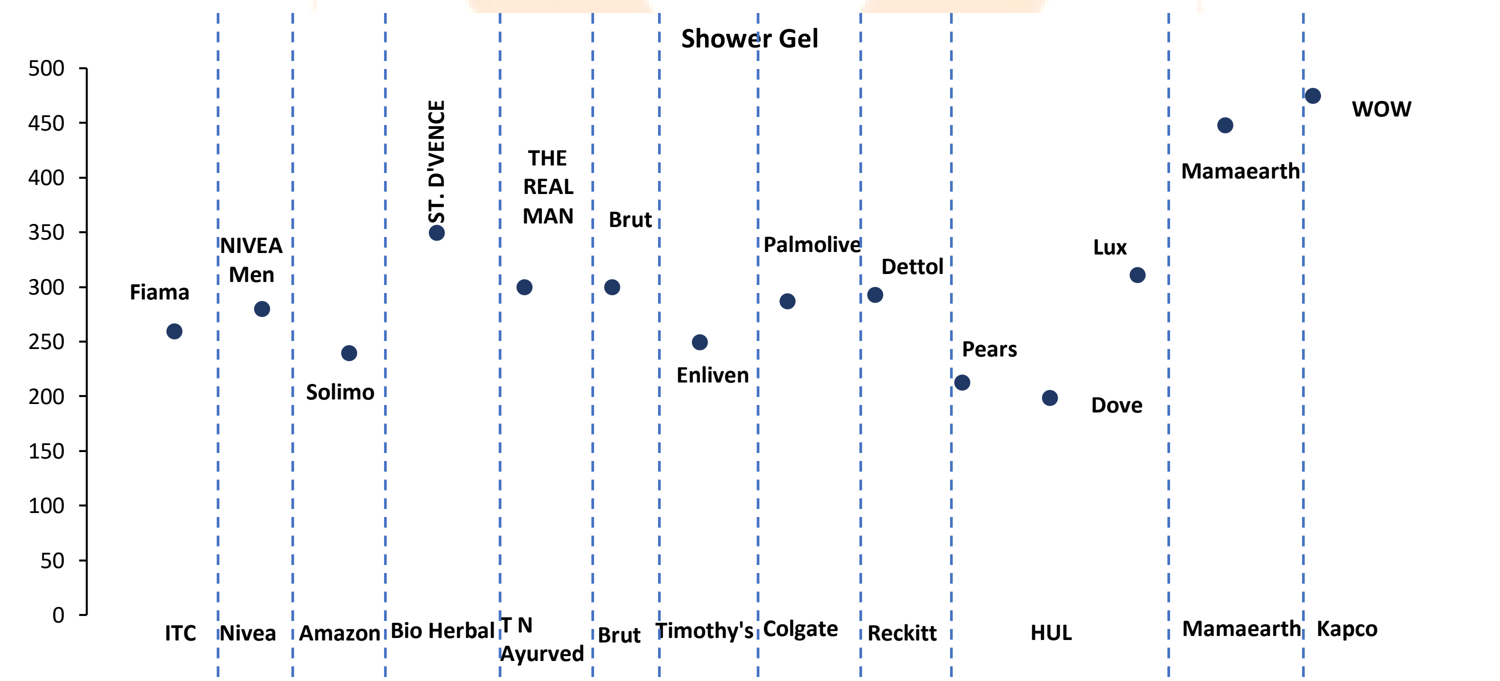
Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Hand Sanitizer SKUs comparison (Rs./500 ml)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Shower Gel SKUs comparison (Rs./500 ml)

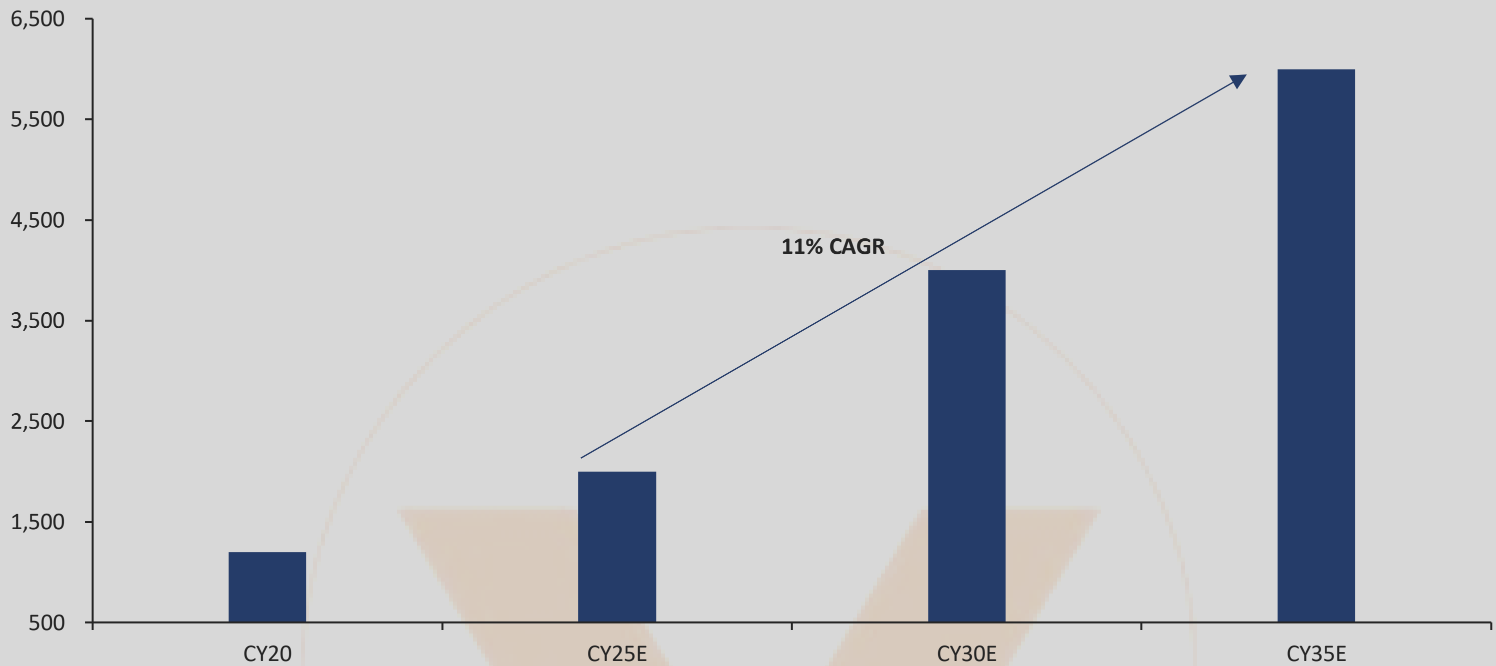


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Nimyle

The INR 1,200 cr (CY20) India floor cleaner market is projected to grow at a healthy CAGR of 11% to reach INR 6,000 cr by CY35. In 2021, the Western region held the largest market share of 32% (being an early adopter), followed by North India (28% market share).

Floor Cleaner market size (INR Cr)

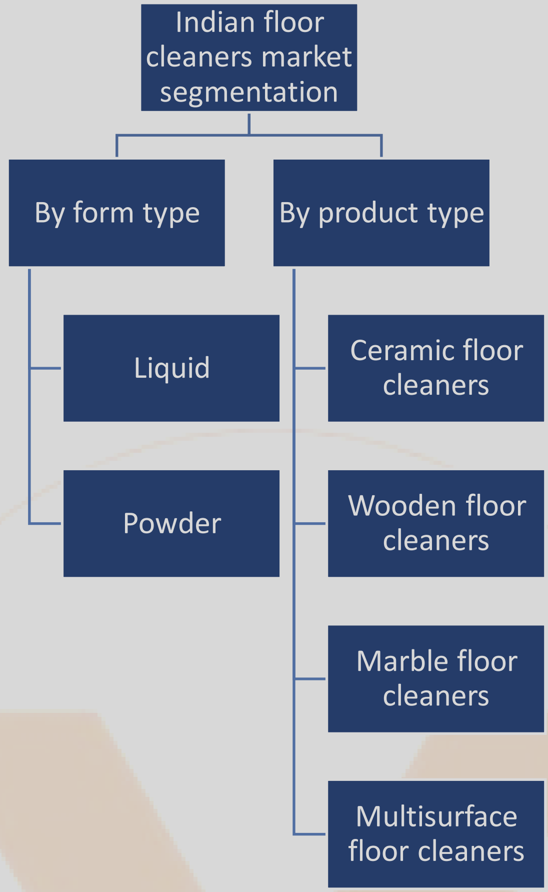


Source: Statista, Company Reports & Ventura Research

Key growth drivers for the segment are –

- Growing demand for household cleaning products,
- Increasing availability both offline and online,
- Newer product offerings, and
- Increasing awareness towards hygiene post-pandemic

Market segmentation



Source: Imarc, Company Reports & Ventura Research

In 2018, ITC acquired the brand Nimyle from Arpita Agro Pvt Ltd (AAPL) to enter the floor cleaner space. Nimyle Herbal is a neem-based anti-bacterial floor cleaner.

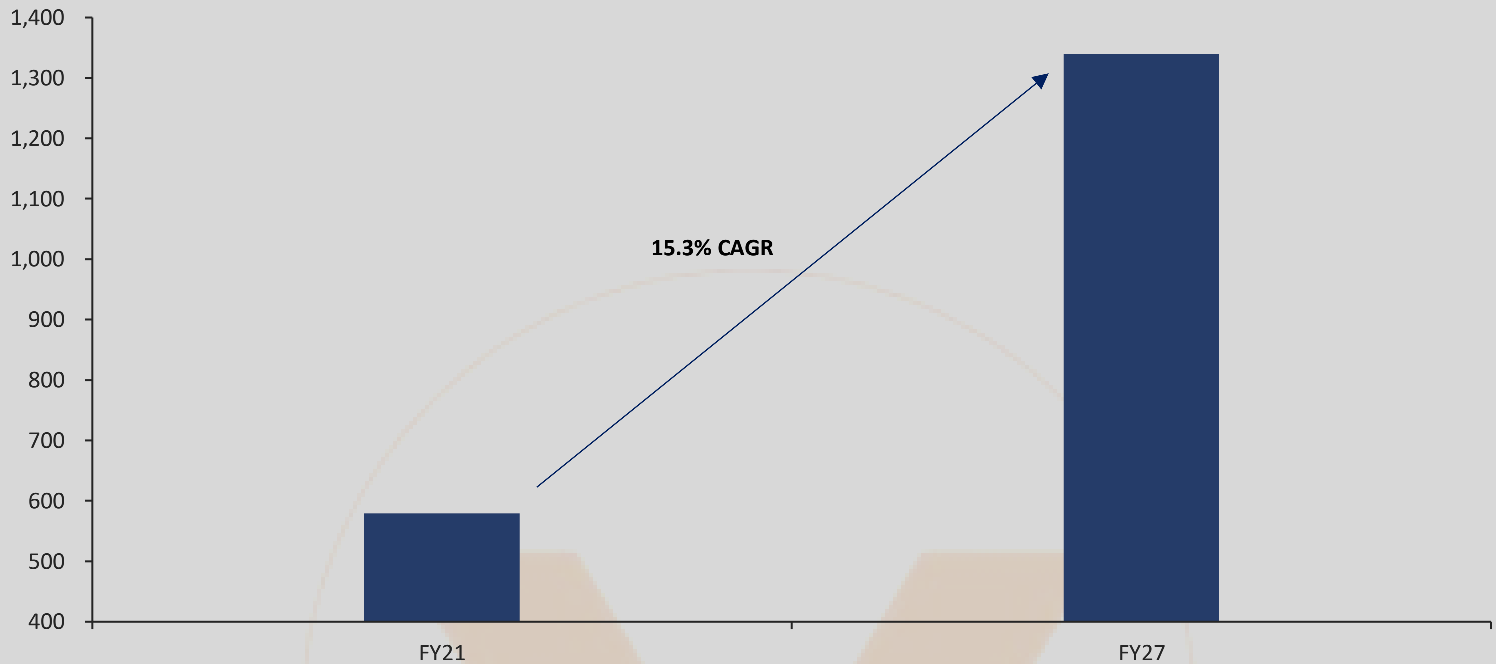
Nimyle product portfolio of ITC

Source: Company Reports & Ventura Research

Nimeasy

The USD 578.7 mn (FY21) Indian dishwashing product market is expected to reach USD 1340.1 mn by FY27, growing at a CAGR of 15.3%.

India's dishwashing product market (USD mn)



Source: Statista, Company Reports & Ventura Research

The key driver for the segment are -

- The increasing changing consumer lifestyle as people are getting more hygiene conscious,
- Rising disposable income,
- Increasing kitchen hygiene, and
- Food safety is also the driving factor for the Indian dishwashing detergent market

The recently launched (2021), Nimeasy dishwasher gel comes with enzyme technology that gives lift-off action, reducing the need for scrubbing utensils. It is suitable for a variety of cookware including aluminum, stainless steel, teflon coated non-stick, ceramic, silver, crockery, etc.

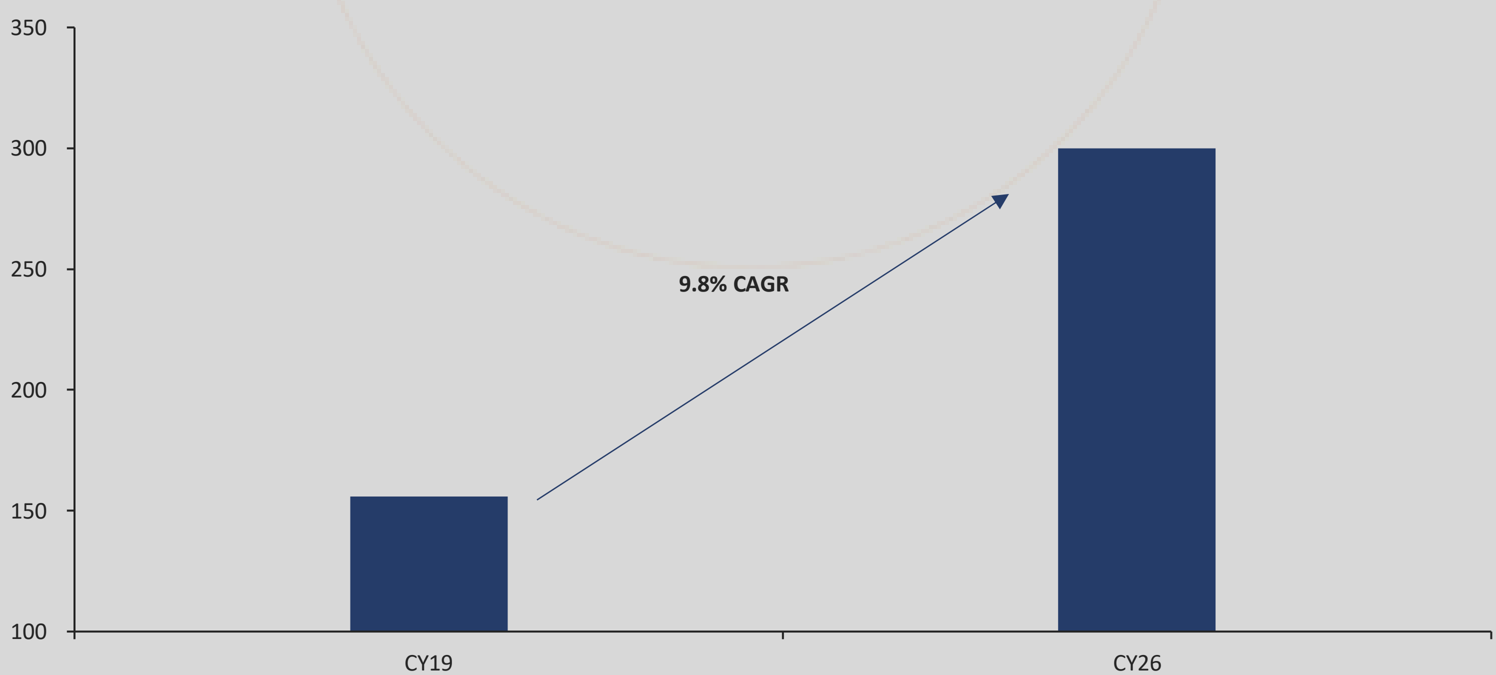
Nimeasy product portfolio of ITC

Source: Company Reports & Ventura Research

NimWash

The USD 156 mn (CY19) India fruit and vegetable washer system market is forecast to grow at CAGR of 14.9% to reach USD 300 mn by CY26.

Fruits and vegetable cleaners' market in India (USD mn)



Source: Statista, Company Reports & Ventura Research

This growth is driven by –

- increased awareness of health benefits and eating hygienic food,
- rising disposable income, and
- increasing urbanization

NimWash with its 100% natural action assures the effective removal of pesticides and 99.9% germs from fruits & vegetables.

NimWash product portfolio of ITC

Source: Company Reports & Ventura Research

Shower to Shower

The INR 760 cr (FY19) Indian prickly heat powder market is expected to sustain double digit growth over the next few years. Emami (along with its home-grown brand Navratna Cool Talc and Dermicool post-acquisition from Reckitt Benckiser) is India's leading player with a 45% market share followed by Zydus Wellness's Nycil which has a market share of 34.3%.

ITC entered this segment in 2015 with the acquisition of the 30-year-old brand Shower to Shower from Johnson & Johnson. Shower to Shower is an Ayurvedic Prickly Heat Powder that helps control sweat and provides effective relief from prickly heat problems.

Shower to Shower product portfolio of ITC

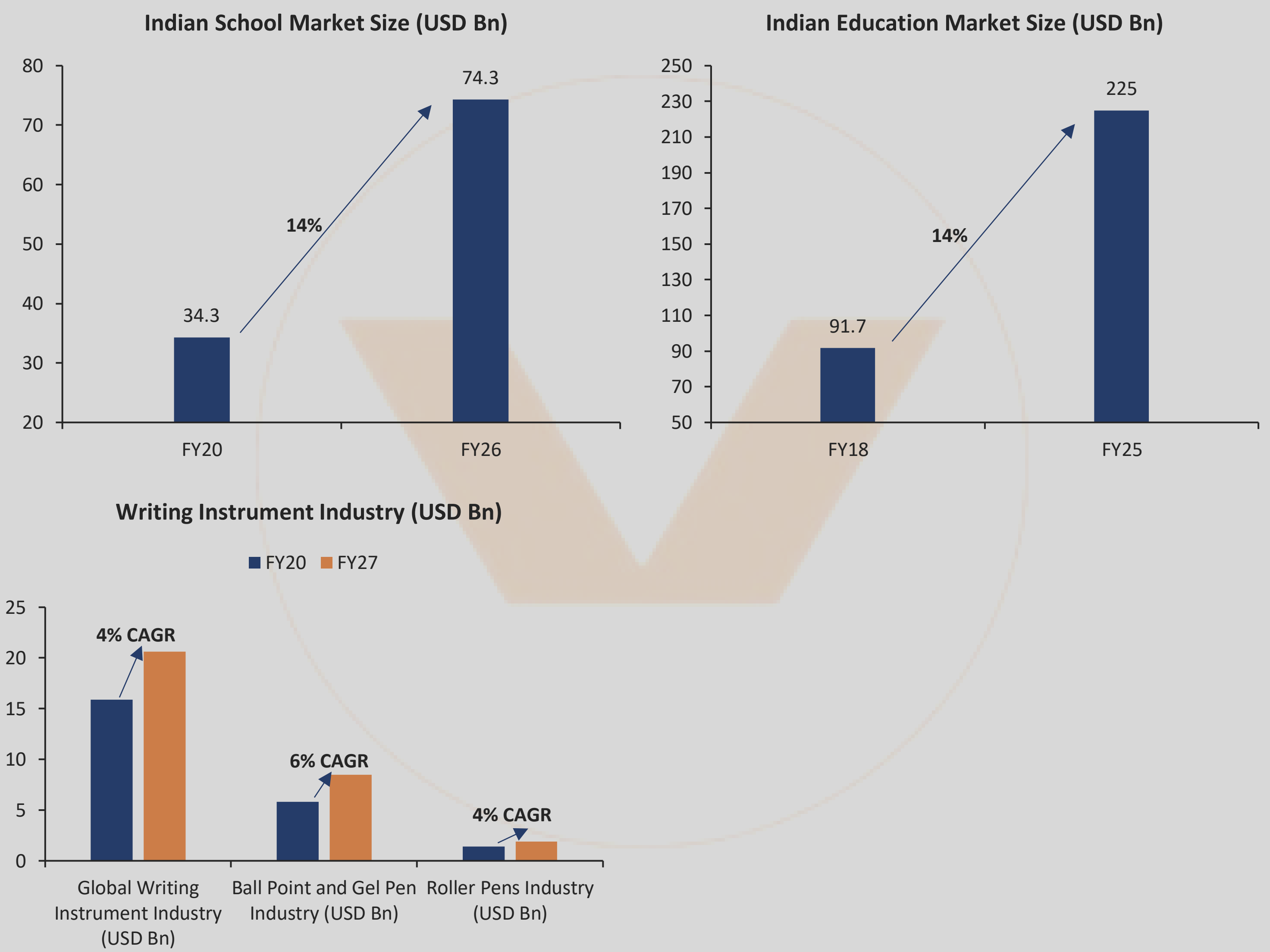
Source: Company Reports & Ventura Research

Stationary & Education

The USD 192.2 bn (CY20) global stationery products market is expected to reach USD 217.9 bn by CY27, growing at a CAGR of 2%. The Asia-Pacific region is the largest contributor to the global stationery industry and is expected to reach USD 29.2 bn by CY27.

The USD 91.7 bn (FY18) education sector is among the largest consumers of stationery products; which is expected to grow by 14% CAGR to reach USD 225 bn. India has ~15 lakhs schools, 935 universities, and 39,931 colleges. It will boost the growth of the Indian stationery market.

Stationery market in India

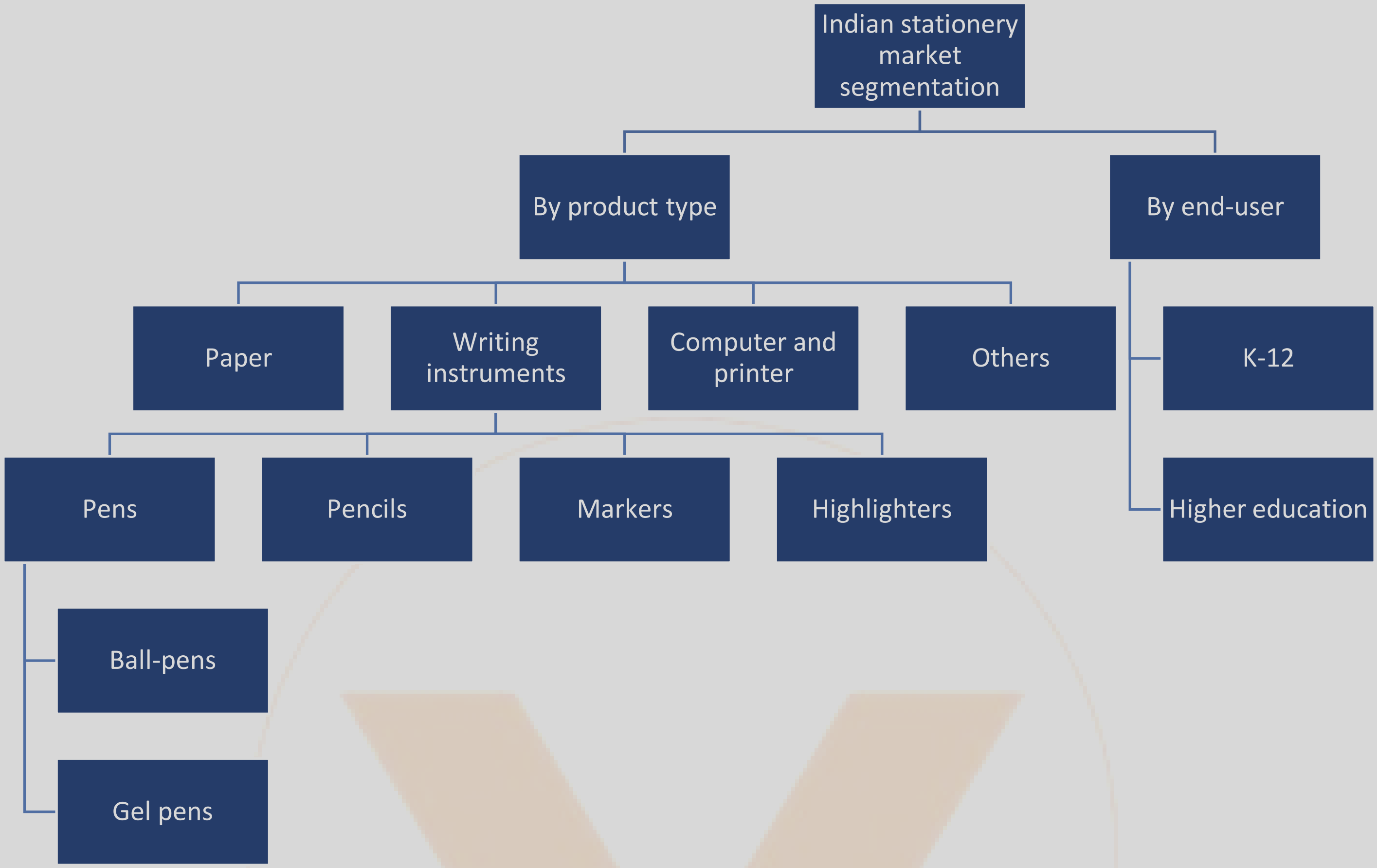


Source: Statista, Linc ltd, Company Reports & Ventura Research

Key growth drivers

- India to become the most populous nation by CY27. With India's youthful population at 50% should sustain high consumption growth for decades,
- Rising literacy,
- Increasing budgetary educational allocation to INR 1,04,278 cr for FY23 (+11.9% an increase over FY22 allocation), and
- Rising trend in the corporate gifting segment

Market segmentation



Source: Red TV, Company Reports & Ventura Research

Classmate

ITC entered the education and stationery business in the year 2002 with its premium brand offering Paperkraft. Later it expanded into the popular segment with its Classmate brand in the year 2003. By the year 2007, the Classmate brand became the largest notebook brand in the country.

Classmate is a complete stationery portfolio with a large product range that includes

- writing instruments (ball, gel & roller pens & mechanical pencils),
- mathematical instruments (geometry boxes),
- scholastic products (erasers, sharpeners, and rulers), and
- art stationery products (wax crayons, plastic crayons, sketch pens, and oil pastels)

Classmate Notebooks has more than 300 variants of its products (including notebooks, long books, practical books, drawing books, and reminder pads).

Classmate Interaktiv series is an innovative range of notebooks. It encourages students to learn through "Do It Yourself" activities, thus enhancing their creativity and imagination through experiential learning. Various series of products on offer include

- Origami, and
- 3D craft

Other Classmate brand products include

- Pulse - trendy range of notebooks,
- Pens - ball, gel & roller pens,
- Mechanical pencils and leads,
- Geometry boxes,
- Erasers, Sharpeners & Scales, and
- Art material - Classmate Colour Crew's range of art materials comes in a range of rich and vibrant colors.

The company has strengthened its reach in the college and value segments of the notebook industry through 'Classmate Pulse' and 'Saathi' brands, respectively.

ITC continuously working on deepening consumer engagement through Classmateshop.com, a first-to-market initiative that offers personalized notebook covers. The unique 'MyClassmate' app has a powerful new feature focusing on cognitive and co-curricular skill development in a storytelling and gamified format.

The classmate product portfolio of ITC

Source: Company Reports & Ventura Research

Paperkraft

Paperkraft Signature series - premium PU leather notebooks (blend of finest grade 80GSM paper, suave style, and master craftsmanship).

Paperkraft's premium new ceramic rollerball pens,

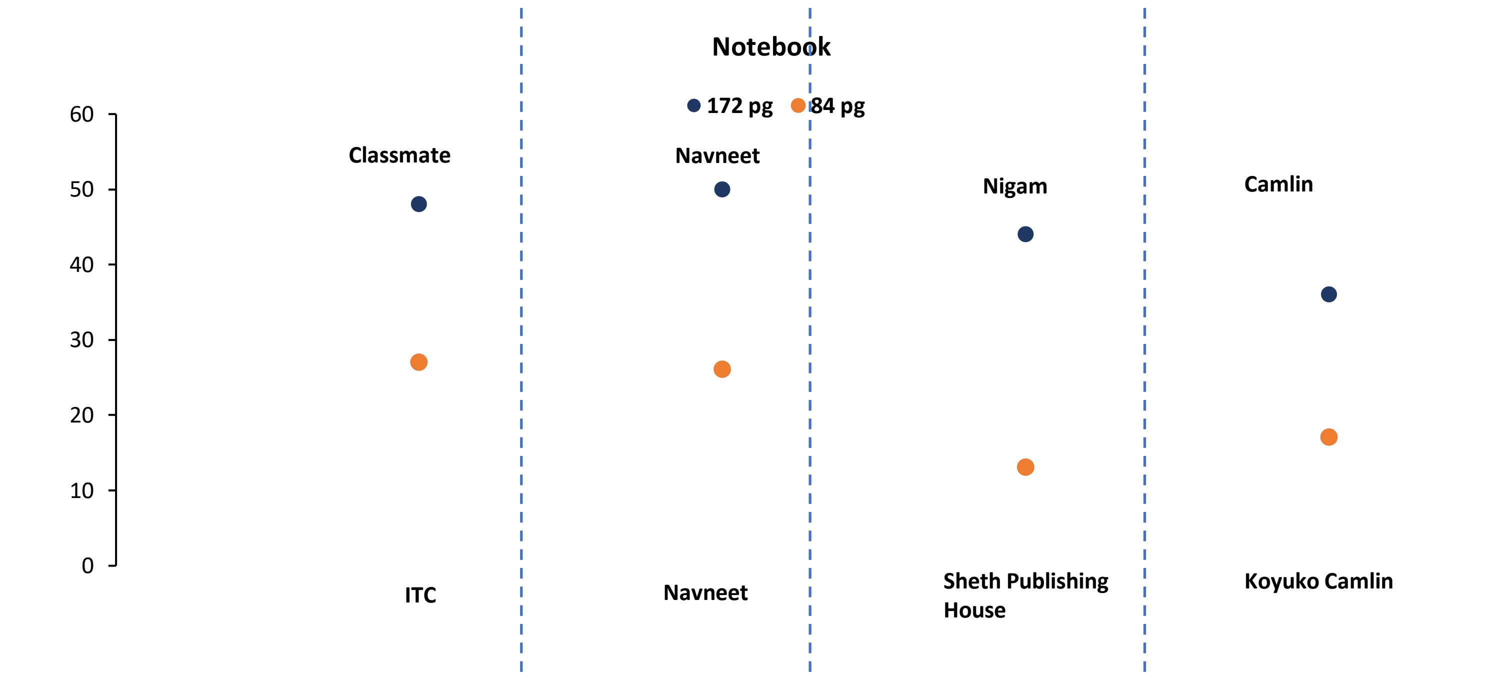
- Scepter (aluminum), and
- Callista (brass)

These pens are available in three variants Chopin, Beethoven, and Mozart.

Paperkraft product portfolio of ITC

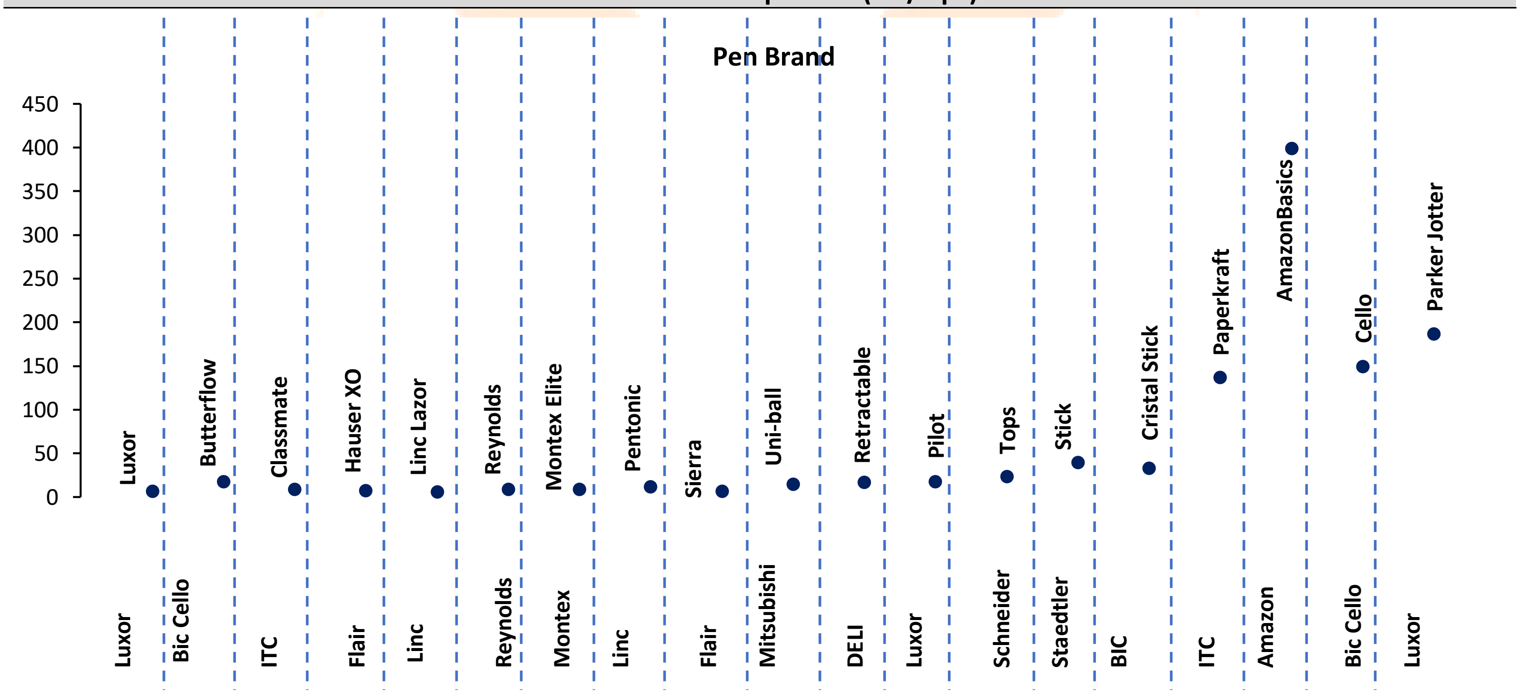
Source: Company Reports & Ventura Research

Notebook SKUs comparison (Rs.)



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Ball Pen SKUs comparison (Rs./1 pc)

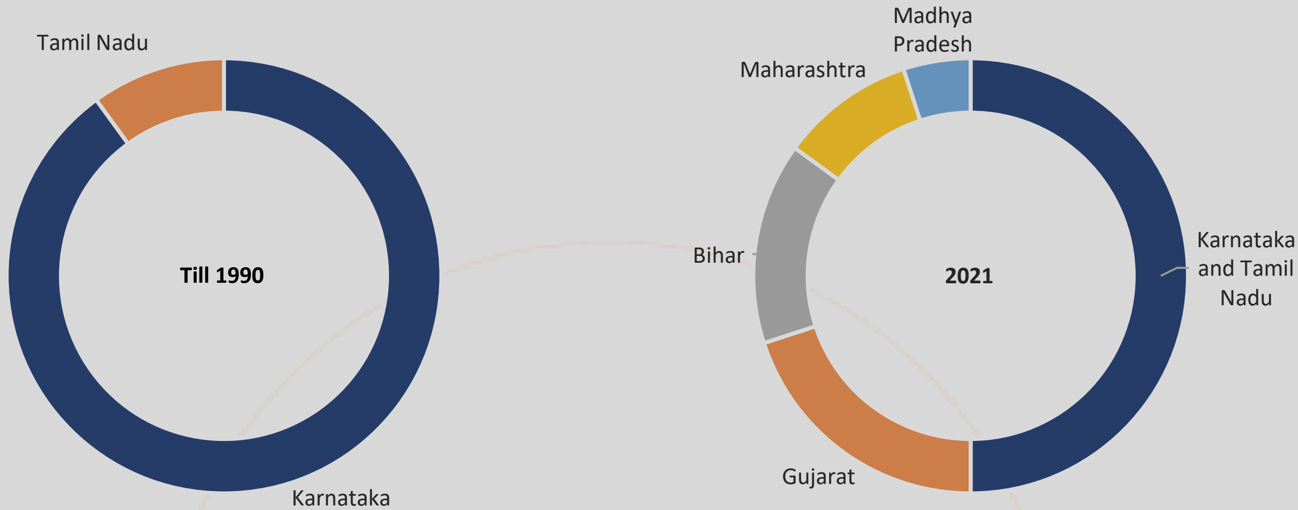


Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

Matches & Agarbatti

The industry has 6000+ players and among key competitors are brands like Cycle, Moksh, Zed, AIM, Kalpana, Hari Darshan, and Patanjali. The INR 8,800 cr (FY21) Agarbatti and Dhoop market in India is growing at an approximately 15%, three-year CAGR.

State wise contribution to agarbattis production (%)



Source: Company Reports & Ventura Research

ITC commenced marketing Agarbattis (Incense Sticks) sourced from small-scale and cottage units in 2003. Mangaldeep brands sell dhoop, dhoop cones, and agarbattis. Mangaldeep Agarbatti is manufactured at various centers across the country and standardized processes are followed to ensure the same quality across locations.

ITC has signed an MoU with ORMAS (Orissa Rural Development & Marketing Society), an autonomous body under the Panchayat Raj in Odisha. The initiative provides technical training and employment opportunities to over 4,000 rural women.

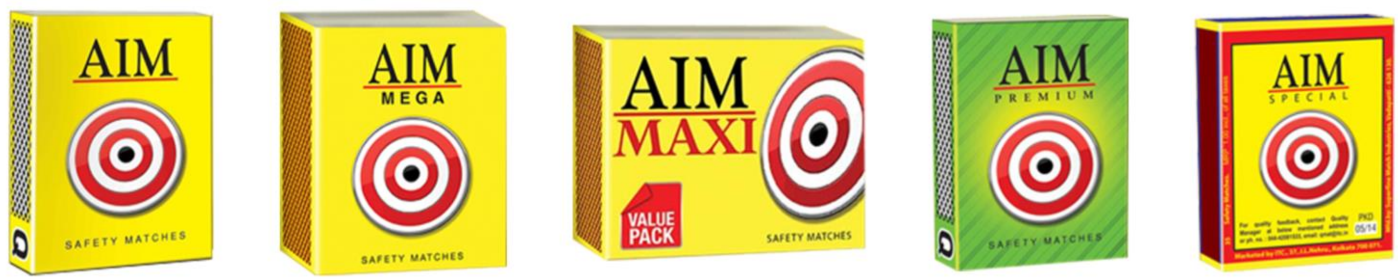
Mangaldeep product portfolio of ITC

Source: Company Reports & Ventura Research

ITC safety match's brands

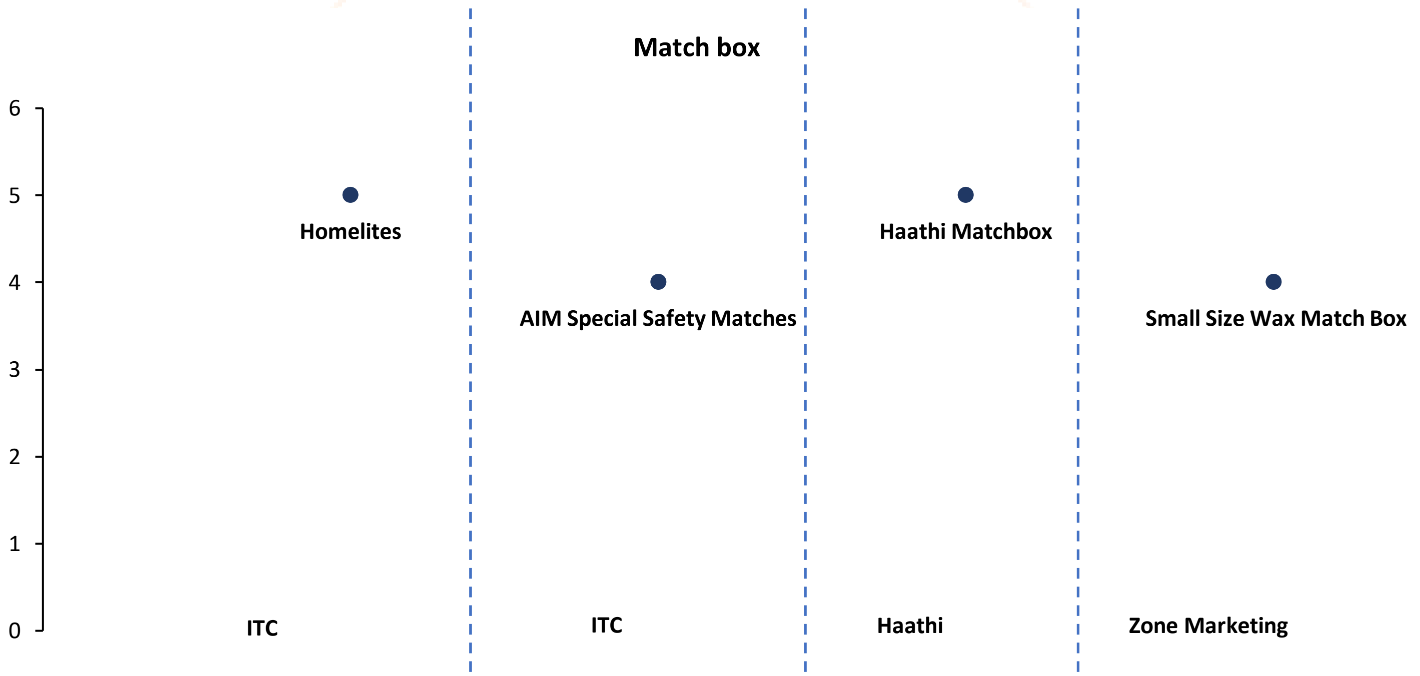
- AIM - wooden and wax matches format,
- Homelites - stronger, longer and Karborised match sticks

AIM product portfolio of ITC



Source: Company Reports & Ventura Research

Matches SKUs comparison



Source: Amazon, JioMart, Dmart, Bigbasket, Company Reports & Ventura Research

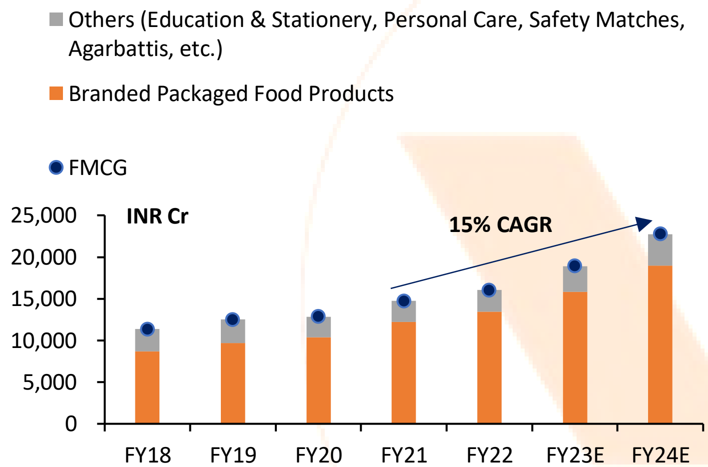
Strong visibility of growth in FMCG segment

During FY18-21, the FMCG business reported a 9% revenue CAGR to INR 14,737 cr, branded ackaged food products reported a growth of 12% in revenue CAGR to INR 12,244 cr, others (apparel, education, and stationery products, personal care products, safety matches, agarbattis, etc.) reported a de-growth of 2% in revenue CAGR to INR 2,493 cr, while EBIT grew at 70% CAGR to INR 838 cr. EBIT margins have improved by 418 bps to 5.7% in FY21.

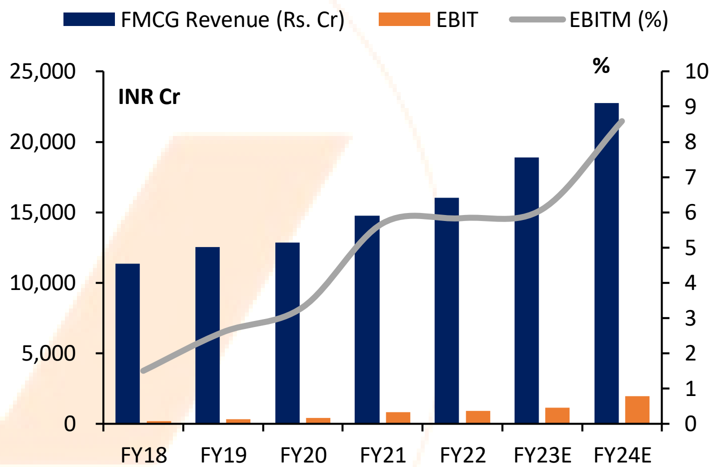
During FY21-24E, we expect the FMCG business revenue to grow at 16% CAGR to INR 22,729 cr. packaged food products revenue is expected to grow at 16% CAGR to INR 18,985 cr, others are expected to grow at 15% CAGR to INR 3,744 cr, the EBIT is expected to grow at a 33% CAGR to INR 1,951 cr. EBIT margins are expected to improve at 8.6% (+290 bps).

Visibility of growth in FMCG segment

Revenue breakup of FMCG segment (Rs. Cr)



FMCG business performance



Source: Statista, Company Reports & Ventura Research

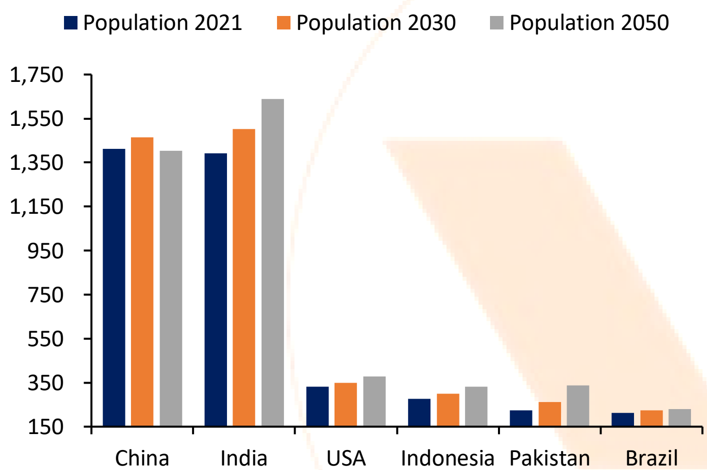
Strong consumption growth going forward

India is at the cusp of witnessing strong consumption growth going forward, due to

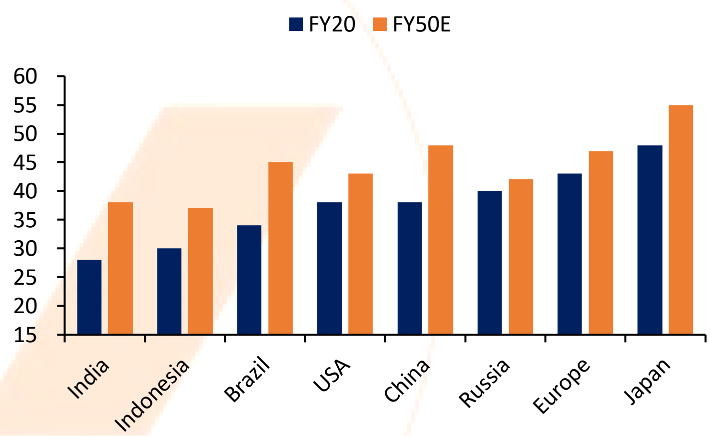
- 0.8% population CAGR over FY21-30, which leads India to become a highly populated country by the year 2030,
- Lowest median age (28 years) population among major countries
- A growing share of the urban population
- Lower per capita consumption compared to other developing nations
- Globally, it has been witnessed that as an economy's per capita GDP grows beyond USD 2000, consumption demand starts escalating. India's per capita GDP at USD 1928 is very close to that inflection point.
- Various government initiatives to boost economic growth

Key matrix to fuel consumption growth in India

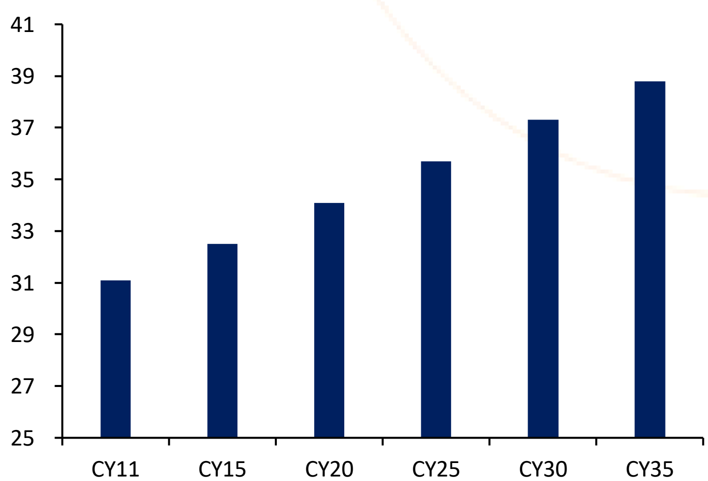
Population of countries (in Mn.)



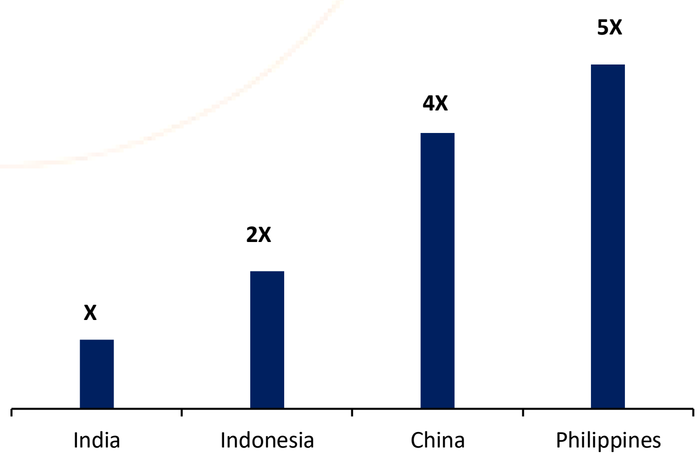
Population Median Age amongst the lowest in the world



Urban population share in India (%)



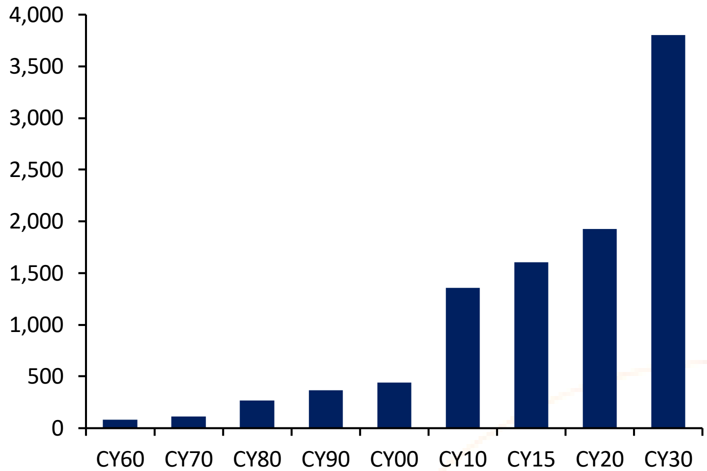
FMCG Per Capita Consumption



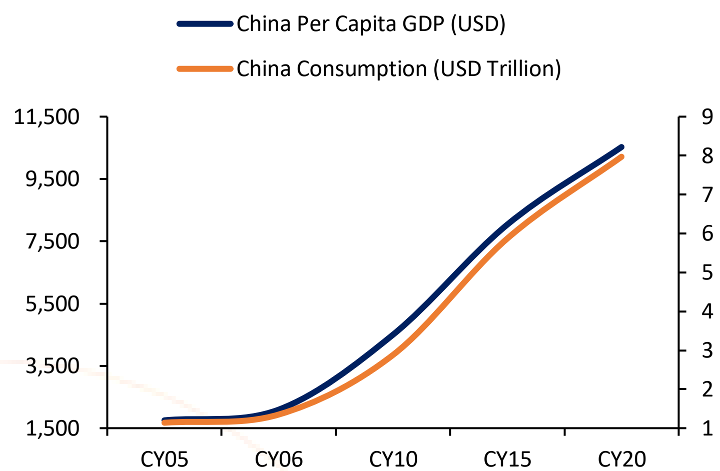
Source: Statista, world bank, Company Reports & Ventura Research

Key matrix to fuel consumption growth in India

India Per Capita GDP (USD)



China per capita GDP & Private consumption



Source: Statista, world bank, Company Reports & Ventura Research

ITC's leadership position among various brands

ITC diversified into the FMCG business during the year 2001. The company's FMCG revenue has grown multi-fold from INR 109 cr in FY03 to INR 14,737 cr in FY21. Rapid growth with a strong focus placed ITC as the third largest FMCG player in India. Winning of ITC in the FMCG industry is supported by various leading brands among various categories. Also, the company has launched many new products among existing as well as new categories to leverage existing capabilities.

Portfolio of segment-leading brands

Fortifying the Core

- AASHIRVAAD — **No.1** In Branded Atta
- Sunfeast — **No.1** In Cream Biscuits
- BINGO! — **No.1** In Bridges Snacks
- classmate — **No.1** In Notebooks
- Sunfeast YiPPee! noodles — **No.2** In Noodles
- Savlon — **No.1** In Surface Disinfected Spray
- MANGALDEEP — **No.1** In Dhoop; **No.2** In Agarbatti

Annual Consumer Spends 22,000 cr

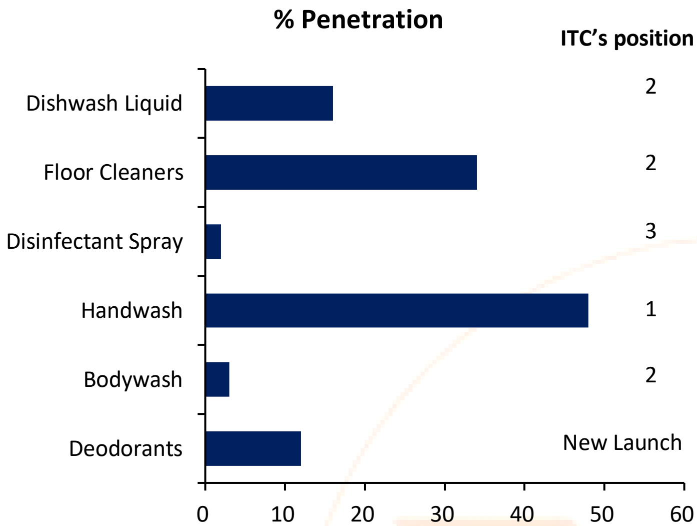
Addressing Adjacencies leveraging Mother Brands

Source: Company Reports & Ventura Research

Portfolio of segment-leading brands

Source: Company Reports & Ventura Research

Portfolio of segment-leading brands



Source: Company Reports & Ventura Research

ITC has one of the most extensive distribution networks (6,00,000 distributors) in India. The company has developed a strong distribution network which has helped the company to grow its presence as well helped it become a leading player in various categories.

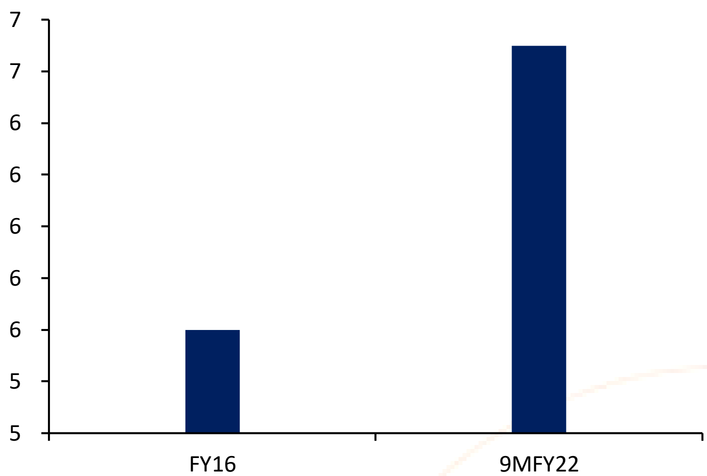
ITC has worked to remove as many stocking points as possible as part of its one distribution model. At each stocking point, products get degraded because of handling. The company will require less working capital if it eliminates some stocking points.

ITC spends a decent amount on advertising and enhancing its distribution network which helps to strengthen its existing as well as newly launched products. The company has a tie-up with many celebrities as brand ambassadors such as

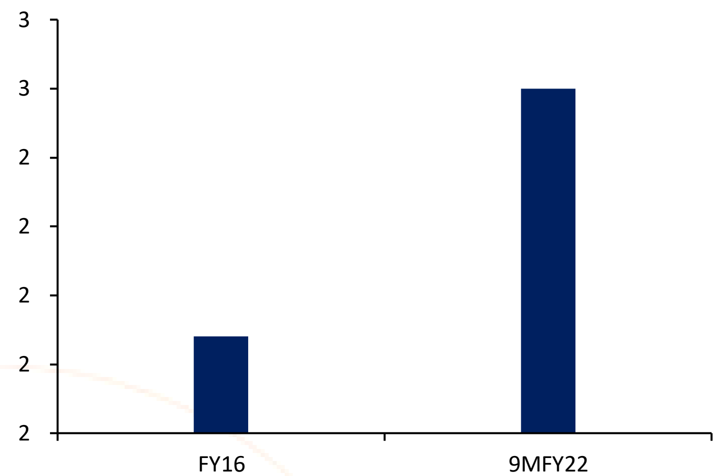
- MS Dhoni for YiPPee,
- Kiara Advani & Sanjana Sanghi for Charmis,
- Shah Rukh Khan for Sunfeast,
- Alia Bhatt for Sunfeast Dark Fantasy,
- Kartik Aaryan & Tara Sutaria for Engage,
- Boman Irani for Savlon,
- Ranveer Singh for Bingo,
- Sara Ali Khan for Fiama,
- Kriti Sanon for Vivel

Strong distribution network

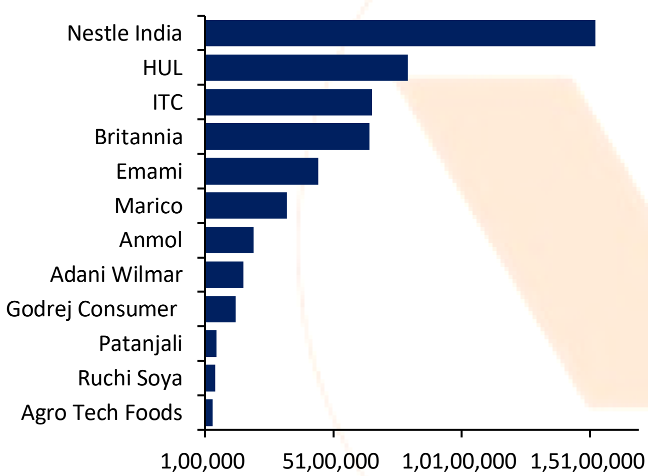
Total Reach (Mn)

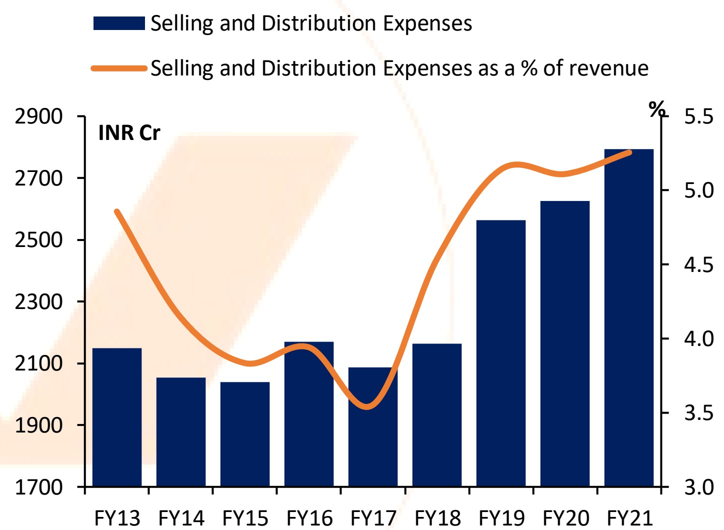


Direct Coverage (Mn)



Total distribution reach





Source: Statista, world bank, Company Reports & Ventura Research

The company has launched many new products in existing as well as in new categories. Management of the company has set an ambitious target of INR 1,00,000 cr of revenue for FMCG business by 2030, management also indicates that such an aspirational target will be achieved by the company through 2-3 years of delay from the earlier targeted year. Even profitability of the FMCG business will be going to improve as the company is focusing on backward integration and efficiency on existing backward integration. In the FMCG business, management is targeting an EBIT margin of ~10% by FY23, which seems nearly difficult to achieve due to the higher inflationary environment.

For taking an advantage of technological advancements, ITC is investing in cutting-edge digital technologies to shape a new paradigm of competitiveness, create innovative business models, and leverage newer opportunities.

B-Natural market strategy

Source: Company Reports & Ventura Research

Over the last few years, ITC has strengthened its engagements in the e-commerce space. ITC also revamped its direct-to-consumer platform, ‘ITC e-Store’, reaching consumers in 15 metros. The ITC e-Store, currently offering ~800 products across 45+ categories, provides a single platform to showcase the wide array of ITC’s product portfolio.

ITC is also progressively introducing more ‘digital first’ brands such as Dermafique’ and ‘Fiama’ to leverage the growing e-commerce space. ITC’s digital platforms like the Mangaldeep App, with over 1 mn downloads, as well as the first-of-its-kind ‘digital puja’ initiative during the pandemic have also received immense appreciation.

ITC has introduced the digital initiative in its classmate range. Classmateshop.com offers mass personalization of notebook covers as a first-to-market digital initiative. To ensure last-mile connectivity for all distributors and uninterrupted supply of products to consumers, the company has also developed apps like UNNATI (eB2B App) and VIRU (Virtual Salesman App), which facilitate digital ordering and end-to-end trade engagements.

ITC’s higher marketing spend in many of its categories, compared to its peers, aids to the company in strengthening its position.

Highest marketing spends in Snacks industry						
Rs.Cr.	**F17**	**F18**	**F19**	**FY20**	**FY21**	**FY22**
ACT II	11	7	4	5	10	8
Lays	15	37	25	49	34	74
Kurkure	20	26	40	32	24	33
Doritos	0	13	15	25	0	27
Cheetos	0	0	5	3	0	0
Bingo	68	97	82	95	125	95
Parle	0	0	0	0	2	0
Crax	6	6	11	14	14	21
Yellow D	25	15	26	14	6	11
Mexitos	7	0	0	0	0	0
Cornitos	1	0	0	0	0	0
Too Yumm	0	15	47	31	16	24
Balaji	0	0	2	20	9	4
Pipo	0	0	0	0	0	0

Source: Agro tech foods presentation, Company Reports & Ventura Research

Highest marketing spends after market leader in Noodles industry		
Rs. Cr.	**FY21**	**FY22**
Chings Noodles	4	0
Wai Wai	2	1
Knorr Soupy Noodles	14	0
Sunfeast Yippee noodles	79	61
Saffola Oodles	0	28
A&M Twisty Noodles	1	1
Maggi	98	84
Pran Mr Noodles	4	2
1 to 3 Chatpat noodles	1	1
Goldiee Noodles	2	0
Trdp Mario Masala Noodles	1	4

Source: Agro tech foods presentation, Company Reports & Ventura Research

Highest marketing spends after market leader in Pasta industry		
Rs. Cr.	**FY21**	**FY22**
Bambino Pasta	0	0
Sunfeast Yippee pasta	9	1
Keya Italiano Pasta	0	1
Maggi Pazzta	13	0
Savorit Pasta	1	0
Weikfield Pasta	2	0

Source: Agro tech foods presentation, Company Reports & Ventura Research

History of being successful with inorganic opportunities; open for inorganic growth in future

Acquisition history of ITC

In 1990, Tribeni Tissues Ltd

- a specialty paper manufacturing company and a major supplier of tissue paper to the cigarette industry. Later on, it was merged with the Bhadrachalam Paperboards division to form the paperboards & specialty papers division in November 2002.

In 2004, paperboard division of BILT Industrial Packaging Co. Ltd (BIPCO)

- to improve customer service with reduced lead time and a wider product range.

In 2015, Savlon and Shower-to-Shower from Johnson & Johnson

- Savlon is an established brand with a rich heritage and is associated with personal care products in the fast-growing antiseptic/anti-bacterial categories.
- Shower to Shower has a strong consumer franchise in the prickly heat talcum powder category.

In 2015, the B-natural brand

- for INR 100 cr and made an entry into the fast-growing fruit juices market.

In 2017, Charmis from Colgate-Palmolive

- to enhance its skincare portfolio.

In 2018, Nimyle from Arpita Agro Pvt Ltd (AAPL)

- to enter the floor cleaner space.

In 2020, spice-manufacturer Sunrise Foods Pvt Ltd

- at a cash deal price of INR 2,150 cr. Based out of Kolkata, Sunrise Foods, with a turnover of INR 591 cr in FY20 and a net worth of INR 243 cr, is a 70-year-old brand. It has a strong presence in the eastern and north-eastern parts of the country.

In Q3FY22, acquired a minority stake in Mother Sparsh

- a premium ayurvedic and natural personal care start-up with a focus on mother and baby care segments.

In Q1FY23, stake in Blupin Technologies Pvt Ltd

- invest INR 39 cr to acquire a 10.07% stake in Blupin Technologies Pvt Ltd, which owns the D2C mother and baby platform Mylo.

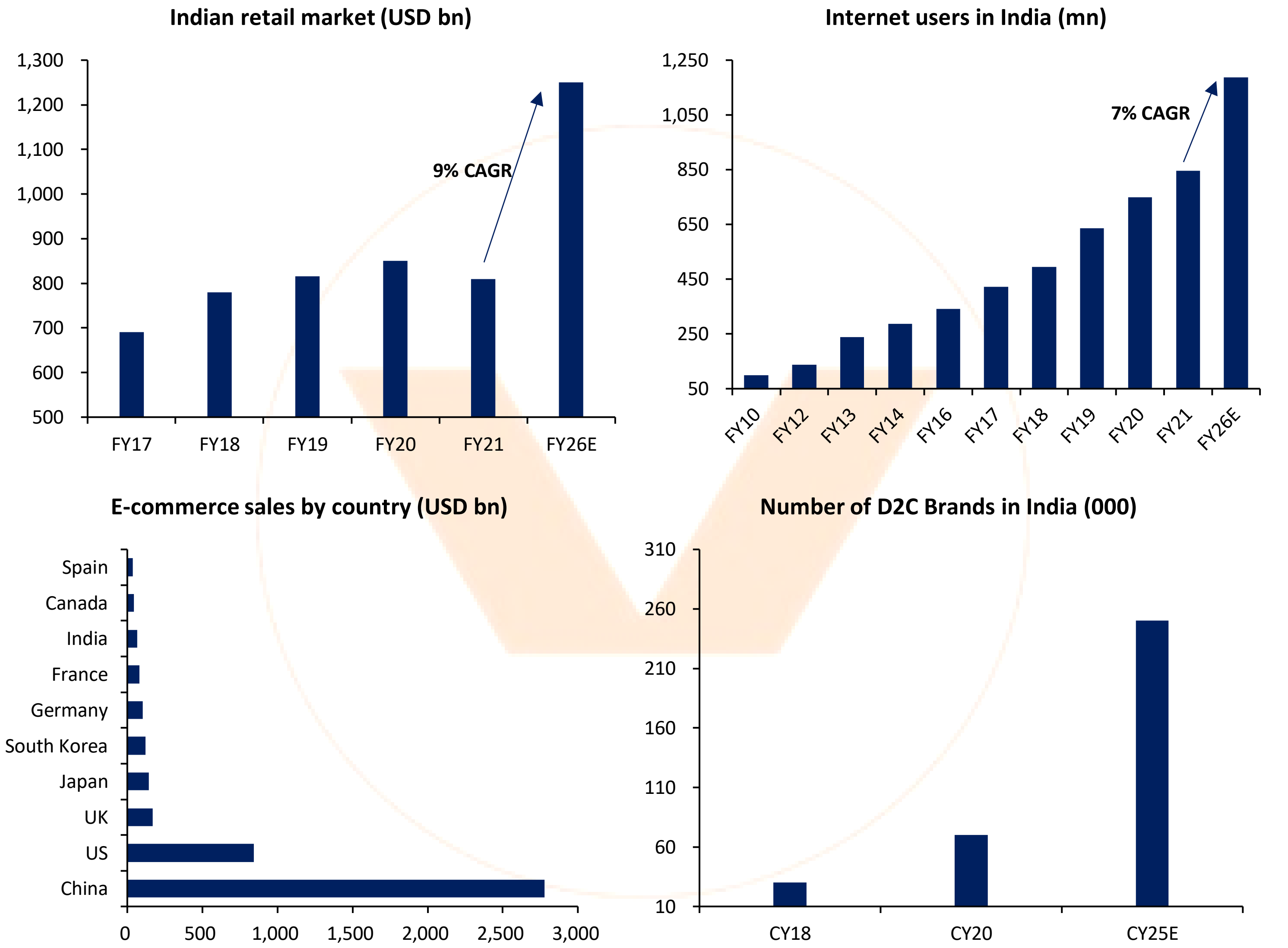
Source: Agro tech foods presentation, Company Reports & Ventura Research

ITC is planning to expand its presence in the FMCG market by acquiring more brands with an eye on the D2C space. The company has already made many key acquisitions in the past few years and is now betting aggressively on the inorganic route.

During the COVID-19 period, demand for packaged food, healthcare, and hygiene products remained strong. Many people found online shopping more comfortable compared to the traditional way of shopping. In the coming future, the pace of growth of online shopping can witness a fall compared to FY21 & FY22, but online shopping has many structural drivers which can help to post strong growth of D2C.

The Indian retail market is estimated to be worth over ~USD 810 bn in FY21 which is expected to reach ~USD 1,250 bn by FY26, making it the fourth largest in the world. India has the second largest population of internet users (i.e., ~845 mn), whereas e-commerce users account for only ~140-150 mn, which is just 15-20% of all internet users (most of the developed countries have ~70% as e-commerce users of all internet users). Internet users in India are expected to reach ~1,186 mn by FY26E.

E-Retail and D2C growth statistics



Source: Statista, Oberlo, World Bank, Bain & Co report, TRAI, Company Reports and Ventura Research

E-Retail and D2C growth statistics

E-commerce users (mn) scenario analysis	FY21	FY26E	CAGR (%)	FY26E	CAGR (%)	FY26E	CAGR (%)
Internet users (mn)	845	1,186	7	1,186	7	1,186	7
E-commerce users (mn)	140-150	237	10	356	19	415	23
Penetration (%)	20	20		30		35	

Source: Statista, oberlo, world bank, Bain and Company report, TRAI, Company Reports & Ventura Research

Staying on top

ITC commands leadership among various brands, which are seen in consumer product ratings.

Higher consumer product ratings

Noodles	Creams	Cookies	Ghee
YiPPee! : 4.5	Dark Fantasy : 4.1	Mom's Magic : 4.1	Aashirvaad Svasti : 4.0
Competition : 3.8	Competition : 3.8	Competition : 3.5	Competition : 3.6

Source: Company Reports & Ventura Research

The company is the first mover in many of its product launches, which are unique as well as higher in quality compared to its peers. This strategy has helped the company to achieve strong future growth with a strong market presence.

Unique product offering

Source: Company Reports & Ventura Research

New product ideas generation strategy

Sources: Traditional + Unconventional Data Sources

Process: Social Listening, Image Analytics, AI, NLP, Analytical Solutions etc.

Output: Insights + Content + Efficient Media Targeting

Multiple Data Sources

- Market Research
- Customer Care
- E Commerce
- Websites & Apps (Social Media
- Media Impressions
- Consumer Activations

Customer Data Hub

Real Time Consumer Data

- 24X7 tracking of consumer conversations
- Identifying micro trends
- Contextual & relevant content in house
- Create consumer golden records
- Crafting personalized content
- Improving media targeting & efficiencies

SIXTH SENSE

Real Time Insights →
New product ideas & propositions

- Heightened **Health / Immunity**
- Seeking **convenience &** accessibility
- **Experimentation** at home
- Food for **stress busting**

Source: Company Reports & Ventura Research

The company is focusing on converting wheat & loose atta buyers by highlighting the process efficiency of Aashirvaad and connecting to the progress of self – the "4 Kadam Aage" campaign in the northern market.

In the southern market, the company focuses on increasing consumption of Aashirvaad atta by communicating "Versatility of Atta" by educating consumers with Atta recipes.

Aashirvaad atta campaign

North – Shift in behavioural choice

Business Need: To convert Wheat & Loose Atta buyers
Action: Highlight Process Efficiency of Aashirvaad and Connect to Progress of Self – "**4 Kadam Aage**"

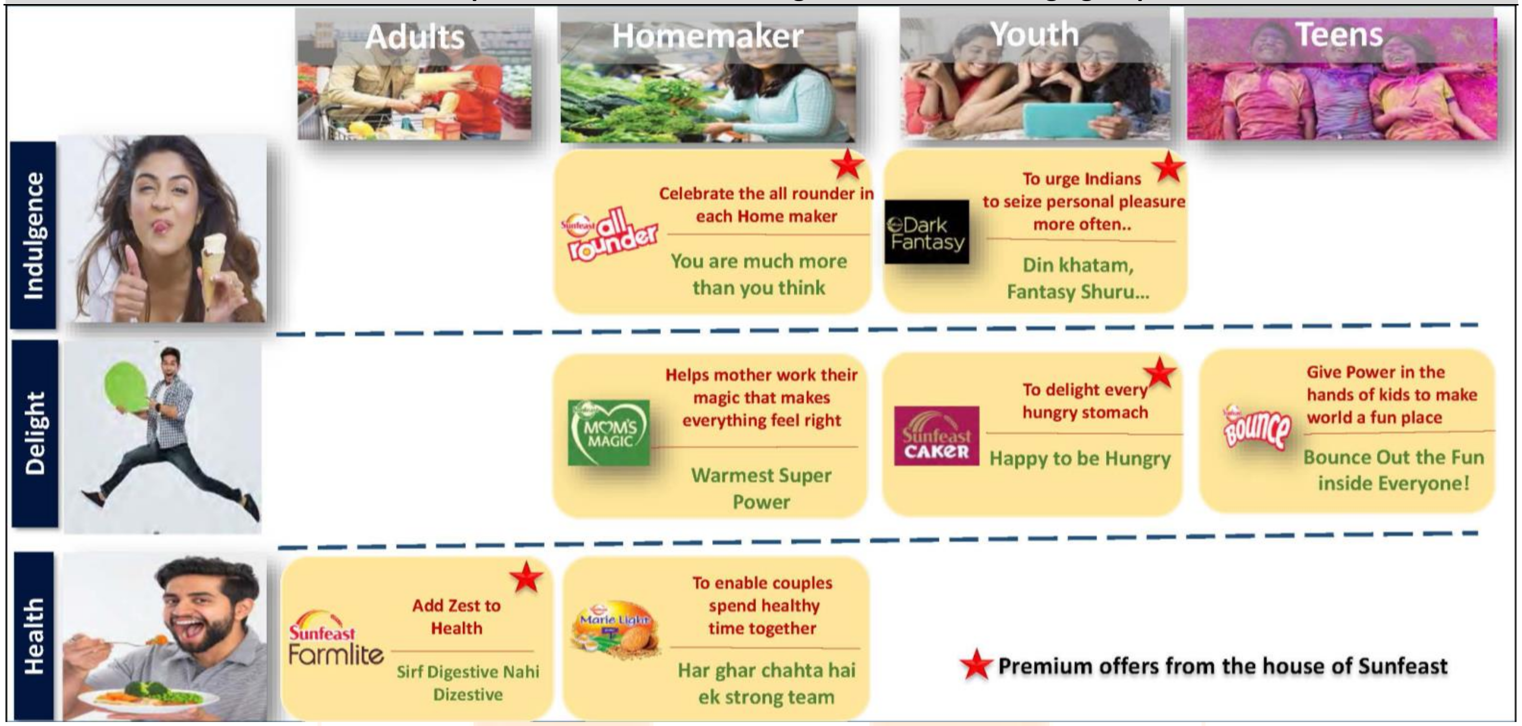
South – Aimed at increased occasions of use

Business Need: To increase Consumption of the Category
Action: Communicating "Versatility of Atta" by educating consumers with Atta recipes

Source: Company Reports & Ventura Research

The company is focusing on developing products for various segments of different age groups so that it can strengthen its position further.

Sunfeast products for different categories with various age groups



Source: Company Reports & Ventura Research

ITC's strategy is to first enter the category with a basic product offering, then the company extends the product offering to strengthen its position.

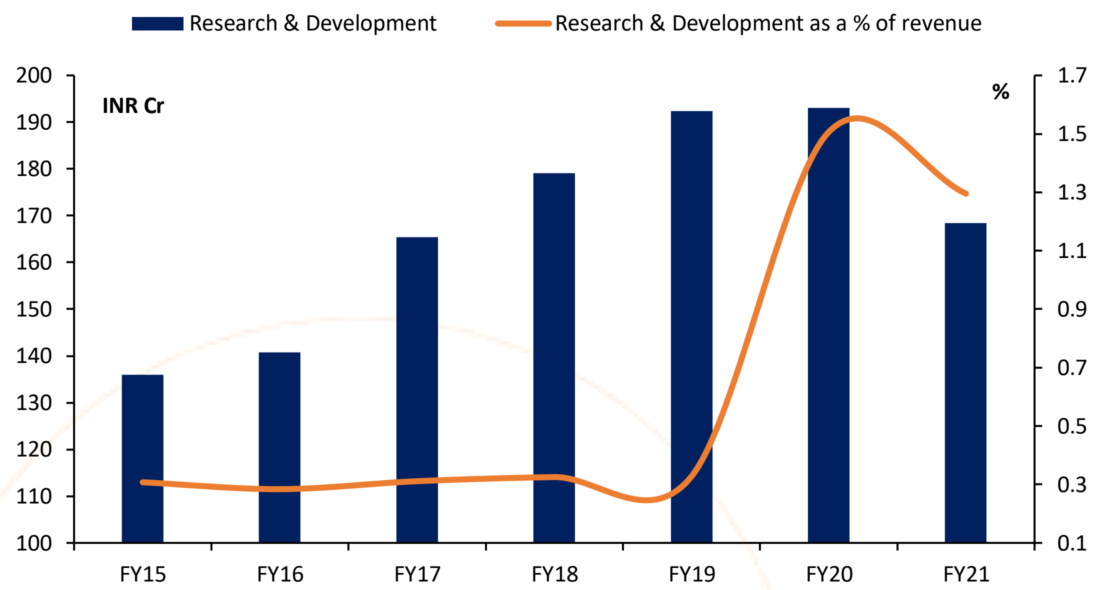
Product extension among categories

Source: Company Reports & Ventura Research

 For any further query, please email us on research@ventura1.com

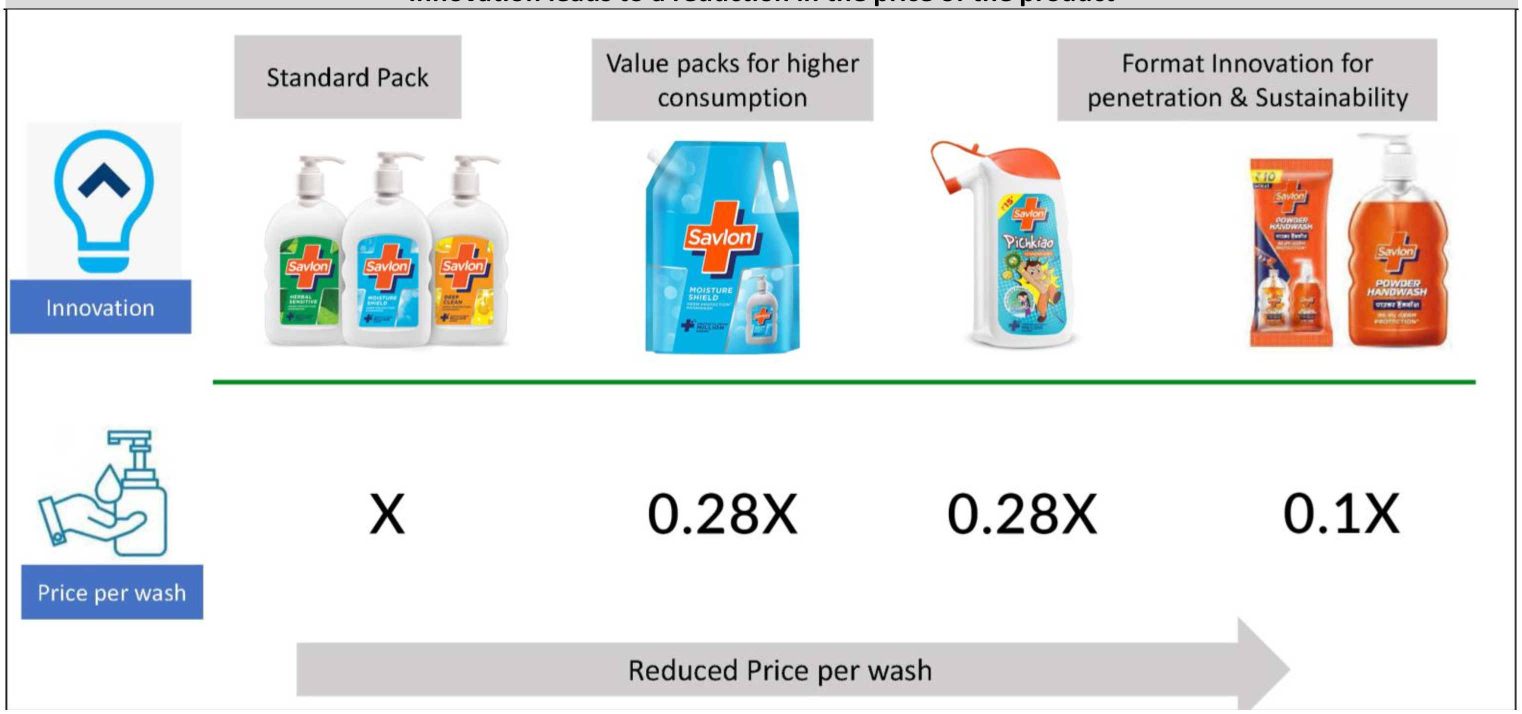
ITC is emphasizing on innovation to improve product pricing and gaining market share at a rapid pace.

ITC's Research & Development spend



Source: Company Reports & Ventura Research

Innovation leads to a reduction in the price of the product



Source: Company Reports & Ventura Research

 For any further query, please email us on research@ventura1.com

The rapid pace of innovation

Source: Company Reports & Ventura Research

PLI for the food processing industry will open-up market

The Cabinet approved the INR 10,900 cr PLI scheme for the Food Processing Industry to propagate the Indian branded food products in the international markets.

The first component relates to incentivizing the manufacturing of four major food product segments viz. Ready to Cook/ Ready to Eat (RTC/ RTE) foods including

- Millets-based products,
- Processed Fruits & Vegetables,
- Marine Products, and
- Mozzarella Cheese

Innovative/ organic products of SMEs including free-range eggs, poultry meat, egg products in these segments are also covered under the above component.

Implementing the scheme would facilitate the expansion of processing capacity to generate processed food output of Rs 33,494 cr and; create employment for nearly 2.5 lakh persons by FY27.

PLI scheme statistics

Key Outcomes: Estimated Outgo, Sales, Investment, Employment & Exports	
Outgo on Incentive (INR Cr)	10,790
Increase in Sales- 6 Years (INR Cr)	1,20,267
Incremental Sales in 6th Year (INR Cr)	33,494
Cumulative additional Investment (INR Cr)	6,057
Increase in Export Sales- 6 Years (INR Cr)	27,816
Increase in Employment end of Year-5 (Nos)	2,47,730

Source: MOFPI, Company Reports & Ventura Research

Companies including HUL, Amul, and ITC have secured approvals under multiple categories.

List of companies selected under the PLI scheme			
Millets-based products	**Fruits & Vegetables**	**Marine**	**Mozzarella Cheese**
Britannia	Parle Agro	Falcon Marine Exports	Parag Milk Foods
Haldiram	Synthite Industries	Asvini Fisheries	Amul
Amul	Asandas And Sons	Devi Sea Foods	Sunfresh Agro Industries
Parle Biscuits	Plant Lipids	Sandhya Aqua Devi Fisheries	Indapur Dairy and Milk
Bikaji Foods	Kancor Ingredients	Sandhya Marines	
ITC	Everest Food Products	Avanti Frozen Foods	
Balaji Wafers	MTR Foods	Gadre Marine Export	
Anmol Industries	McCain Foods India	Choice Trading Corp.	
HUL	Tasty Bite Eatables	ITC	
Prataap Snacks	ITC	Nekkanti Sea Food	
	HUL		
	Exotic Fruits		
	Foods and Inns		
	Iscon Balaji Foods		
	Aachi Masala Foods		
	Pravin Masalewale		
	Varun Beverages		
	Keventer Agro		
	Capital Foods		
	Nestle India		
	Vidya Herbs		
	DS Spiceco		
	Dabur India		
	Tata Consumer Products		
	Om Oil & Flour Mills		
	Fieldfresh Foods		
	Nilons Enterprises		
	Suruchi Spices		
	Amul		
	Sahyadri Farmers Producer		
	Moon Beverages		
	Emami Agrotech		
	Ghodawat Consumer		

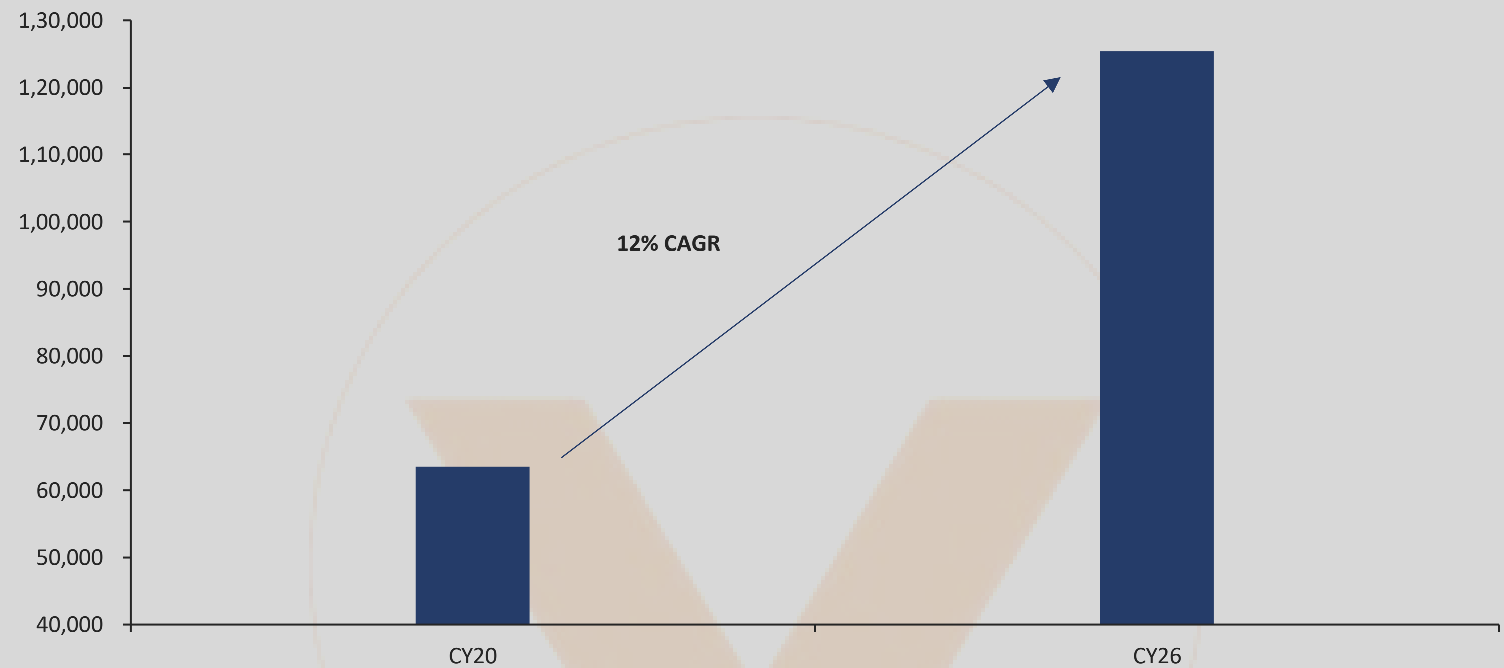
Source: MOFPI, Bloomberg, Company Reports & Ventura Research

Agri-Business

Agriculture is crucial to economic growth. In CY20, it accounted for 4.3% of global GDP and in some least developing countries, it accounted for over 25% of GDP. But agriculture driven growth, poverty reduction, and food security are at risk because of multiple disruptions in recent years from COVID-19, extreme weather, pests, and conflicts, which are affecting food systems, resulting in higher food prices and growing hunger.

The INR 63,506 bn (CY20) Indian agricultural industry is expected to grow at 12% CAGR to reach INR 1,25,350 bn in CY26.

Indian agricultural industry (INR bn)



Source: Imarc, Company Reports & Ventura Research

This growth is supported by

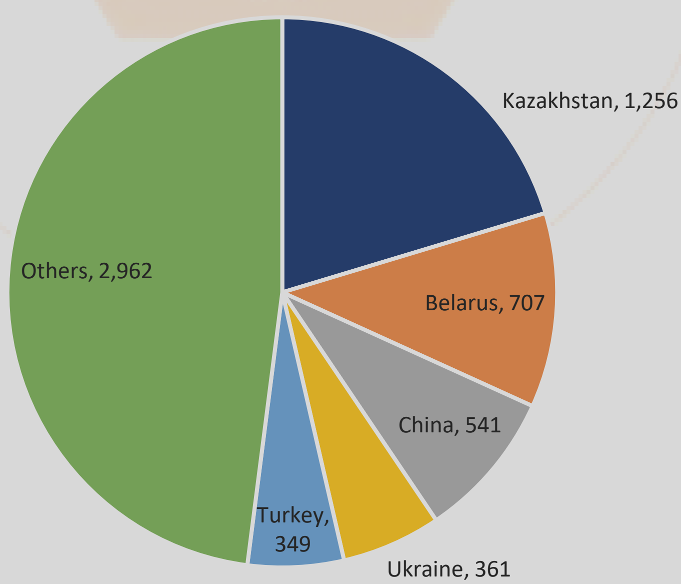
- India is the second most populated country accounting for 18% of the world population. With an increase in the population, the need for various agricultural products has increased significantly.
- Over the past few years, India's GDP has been growing at a steady pace which has resulted in a rise in the disposable incomes of the consumers. This rise has driven the agriculture market both in terms of the producer and consumer.
- The country encompasses various types of climatic conditions and soil types suitable for cultivating a large number of cereals, fruits, vegetables, flowers, cash crops, etc.
- The modern retail chain helps in the elimination of middlemen from the distribution chain, thereby providing better payment to the farmers. Organized retail enables the farmers to sell their produce to modern organized retail networks, thereby helping them to get a better price as compared to small-scale local vegetable markets.
- The transformation of agriculture from subsistence to commercialization requires investment in the farm along with the use of modern inputs. With the availability of credit, the constraint on certain inputs like seed, fertilizer, pesticides, hired labor, etc. has been reduced.
- With an investment of USD 272 bn in agri-tech and allied segments by 2030, India is expected to generate USD 813 bn in revenue and create 152 mn jobs, making it the largest private sector industry in the country.

- Government support plays a vital role in the growth of the Indian agriculture sector
    - Contract farming reduces the load on the central and state-level procurement system by increasing the private sector investments in agriculture.
    - Finance Minister announced INR 1,00,000 cr worth of agri infrastructure fund for farm-gate infrastructure for farmers. A financing facility of INR 1,00,000 cr will be provided for funding agriculture infrastructure projects at farm-gate & aggregation points
    - Pradhan Mantri Matsya Sampada Yojana - focused and sustainable development of the fisheries sector in the country with an estimated investment of INR 20,050 cr for its implementation during 5 years from FY21 to FY25.
    - Pradhan Mantri Kisan Samman Nidhi Yojana - 120 mn small and marginal farmers of India with less than two hectares of landholding will get up to INR 6,000 per year as minimum income support.
    - Pradhan Mantri Fasal Bima Yojana - the farmer has to pay a maximum premium of 2% for Kharif, 1.5% for Rabi food & oilseed crops, and 5% for annual commercial or horticultural crops, and the remaining part of the actuarial or bidded premium is equally shared by the Central & State Government.
    - INR 10,000 cr scheme for Formalisation of Micro Food Enterprises (MFE)

Impact of Russia-Ukraine War on Global food chain

- Russia-Ukraine are net exporters of agricultural products. In 2021, both were ranked among the top 3 exporters of wheat, maize, rapeseed, sunflower seeds, and sunflower oil.
- Russia and Ukraine account for 30% of global exports of wheat.
- Amid the war, Ukraine is unable to export major food staples including wheat. It is also expected to produce less in the coming winter season as the conflict may prevent farmers from attending their fields.
- Russia is using its chemical resources in war rather than in making fertilizers. It is the largest exporter of fertilizer and so the industry is facing a major supply crunch.

Top countries where Russia exported food products (USD mn) (2019)

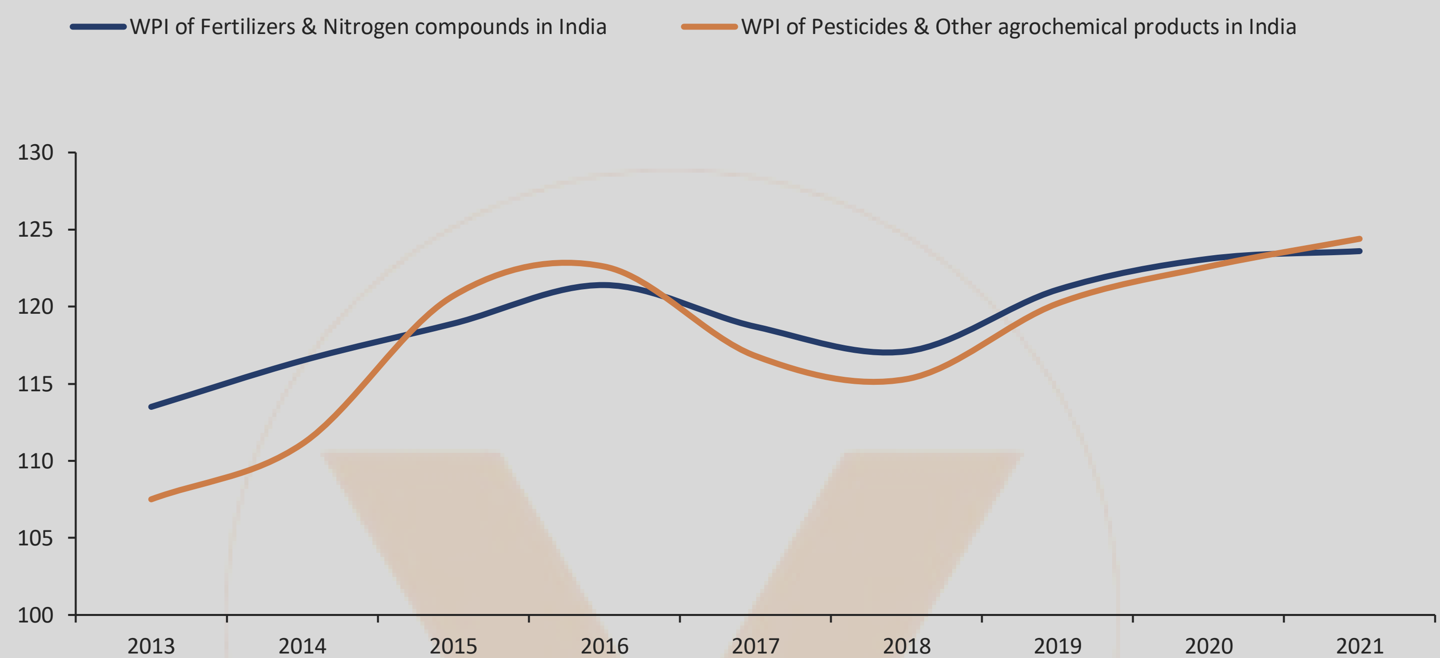


Source: Company Reports & Ventura Research

Impact of shortage of fertilizers on global food industry

- Fertilizer shortage has led to an increase in fertilizer prices, which squeezed margins for farmers across the globe.
- Many fertilizer vendors have rationed their available supply because they can't meet demand. This practice can make it even more difficult for farmers to find the fertilizer they need at a reasonable price.
- Fertilizer helps to improve crop growth. The lack of fertilizer has led to a reduction in crop yield across many farms.

Inflation in fertilizer



Source: Company Reports & Ventura Research

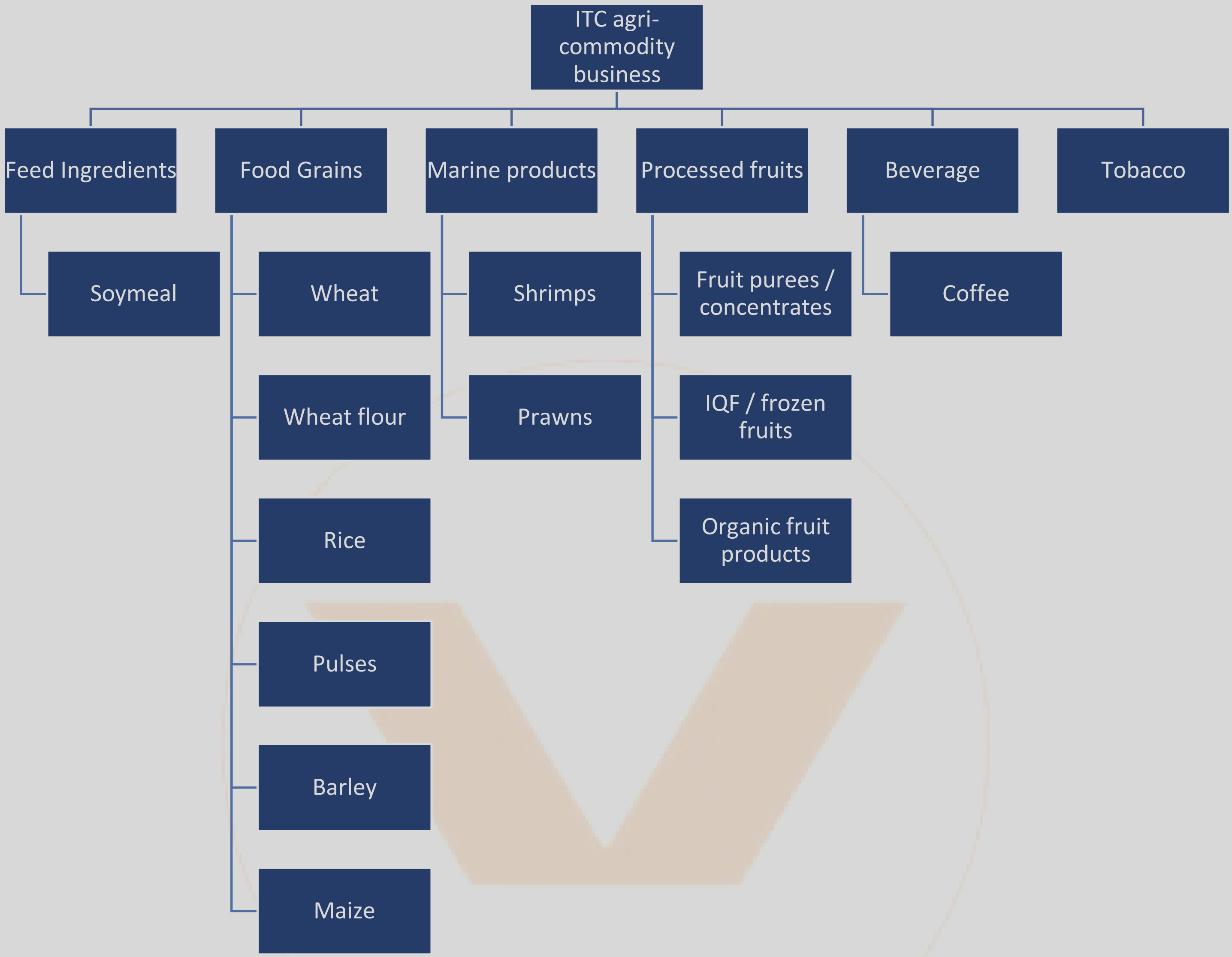
Indian Fertilizer Industry and Impact of Russia-Ukraine War

- Around 11% of India's total fertilizer imports come from Russia and Ukraine. Russia alone supplies over 17% of India's potash imports and 60% of its imports of NPK (Nitrogen, Phosphorous, Potassium)—key components in fertilizers.
- Out of its total fertilizer import of USD 1,412 mn in 2020, India Imported US$610 mn worth of fertilizer from Russia, which accounted for 43% in the total imports.
- Seeing disruptions of shipment caused by Russia's involvement in war, India is trying to secure its position by boosting imports from Canada and Israel.
- It is also in talks with Russia for a multi-year fertilizer import deal. India is aiming to lock in 1 mn tonnes a year each of di-ammonium phosphate (DAP) and potash; and about 800,000 tonnes a year of a mix of nitrogen, phosphorus, and potassium (NPK).

Indian Agri Industry and Impact of the Russia-Ukraine War

India imports 90% of its sunflower oil from Russia and Ukraine. India is the largest market for Ukraine's sunflower oil, which in 2021 exported $1.9 bn to India (out of its total sunflower oil export of $5.7 bn).

ITC Agri-Commodity Segments



Source: Company Reports

ITC is one of India's largest procurers and exporters of agri-commodities, sourcing over 3 mn tons from 20 crop value chain clusters across 22 States. It is India's second-largest procurer of wheat after the government's Food Corporation of India. ITC e-Choupal empowered 4 mn farmers in India. E-Choupal 4.0 is creating phygital ecosystem for farmers aiming to multiply farmers' incomes.

Backward Linkages

ITC is one of the leading domestic players and exporters of many agricultural commodities. It works with farmers to improve the productivity and quality of various crops and sources the finest of grains, oilseeds, pulses, and a range of value-added agri-products such as processed fruits, coffee, and shrimps across many geographies in India. Backed by decades of expertise, the company deploys customized infrastructure and technology to supply these products to its customers in India and over 60 markets worldwide.

ITC's unique strength is the extensive backward linkages established with the farmers. eChoupal is the largest internet-based intervention in rural India by a corporate entity which delivers large-scale societal value by co-creating markets with rural communities.

The initiative has won numerous awards, including

- the United Nations Development Program World Business award,
- the Stockholm Challenge award, and
- the Development Gateway award.

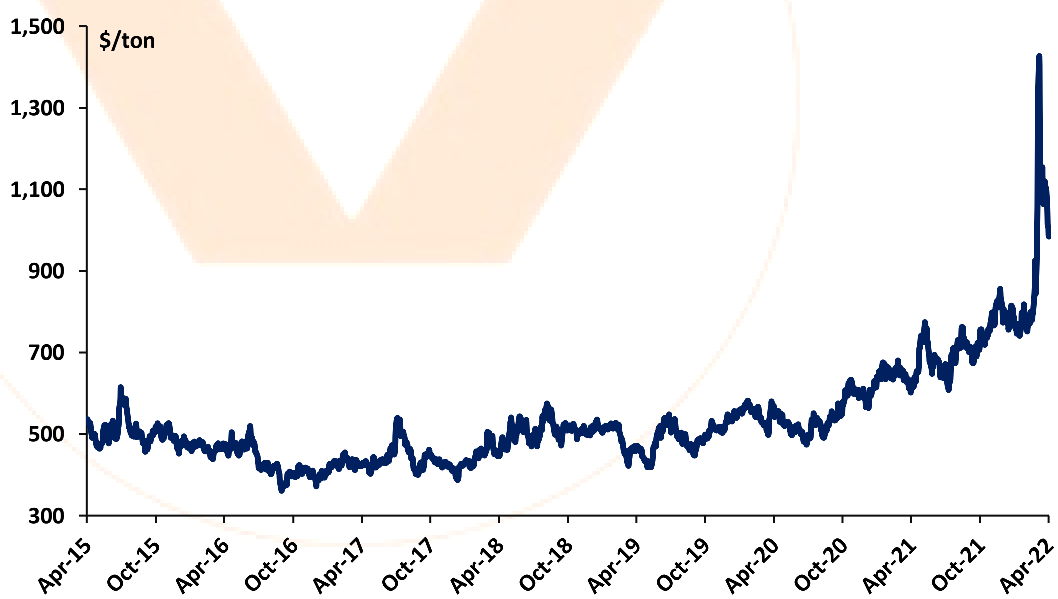
Wheat

ITC has a significant presence across key wheat-producing geographies through

- crop development,
- procurement,
- customized infrastructure, and
- a network of suppliers and customers.

Wheat supplies through the extensive supply chain network and direct farmer engagement through the e-Choupals have contributed significantly towards the success of ITC's 'Aashirvaad' Atta. The company has been importing wheat in India from Australia, Ukraine and Bulgaria.

Wheat price



Source: Company Reports & Ventura Research

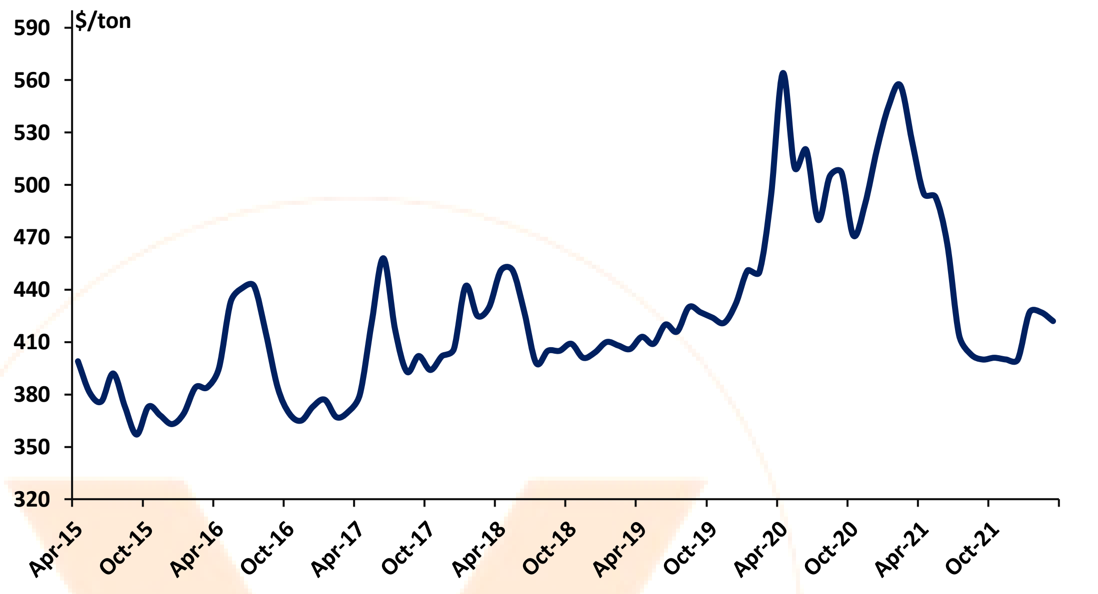
Advantages:

- Present in all wheat producing states in India
- Sourcing and storage facilities for over 20 identity-preserved varieties
- Customised wheat crop development
- Understanding end-market requirements – and delivering customized product and service solutions
- Knowledge and experience of servicing major domestic and export customers

Rice

ITC is an important player in the export of rice from India with a significant presence in all key sourcing geographies (Africa and the Middle East) of Basmati and non-Basmati rice. A strong network with millers, brand owners, and traders on both the buying and selling sides makes ITC a significant player in the rice trade.

Rice price



Source: Company Reports & Ventura Research

Advantages:

- Pan-India sourcing - Basmati and non-Basmati
- Experienced team for sourcing and logistics management
- Network of traders, brand owners, and millers – access to large volume and capacity

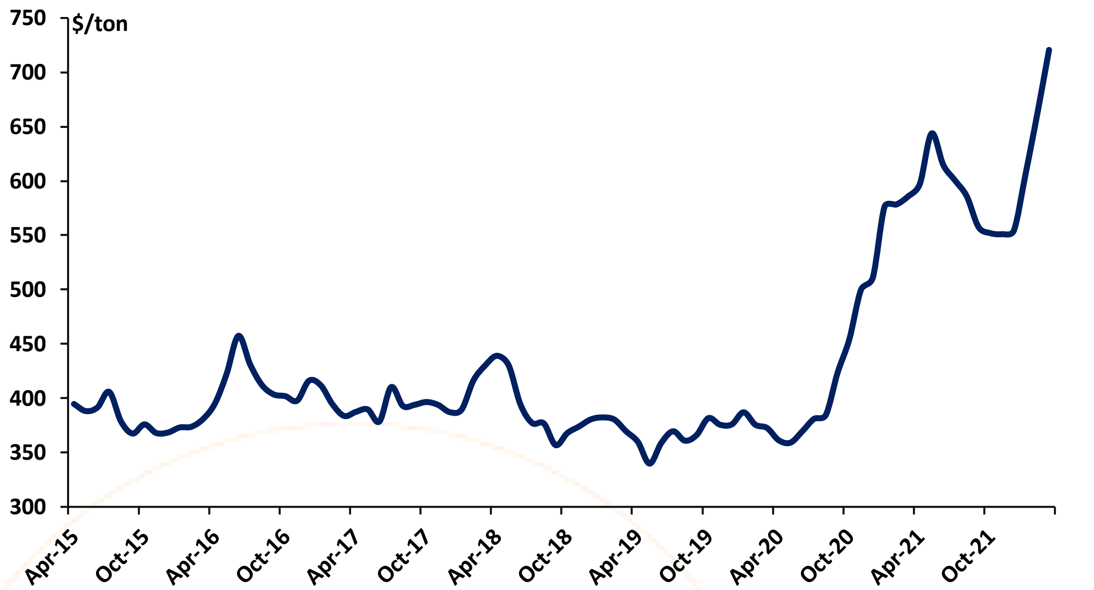
Soya

ITC operates in all the major soya producing zones in

- Madhya Pradesh,
- Rajasthan, and
- Maharashtra

Leveraging the e-Choupal network, the company sources soybeans for most of the major crushers in the country and is a dominant player in the spot bean market. Also, it is a preferred soymeal supplier in both the domestic as well as export markets. The company has also entered the attribute-focused soya market like organic soya exports, with support from its R&D team and a dedicated field team in identified geographies.

Soybean price



Source: Company Reports & Ventura Research

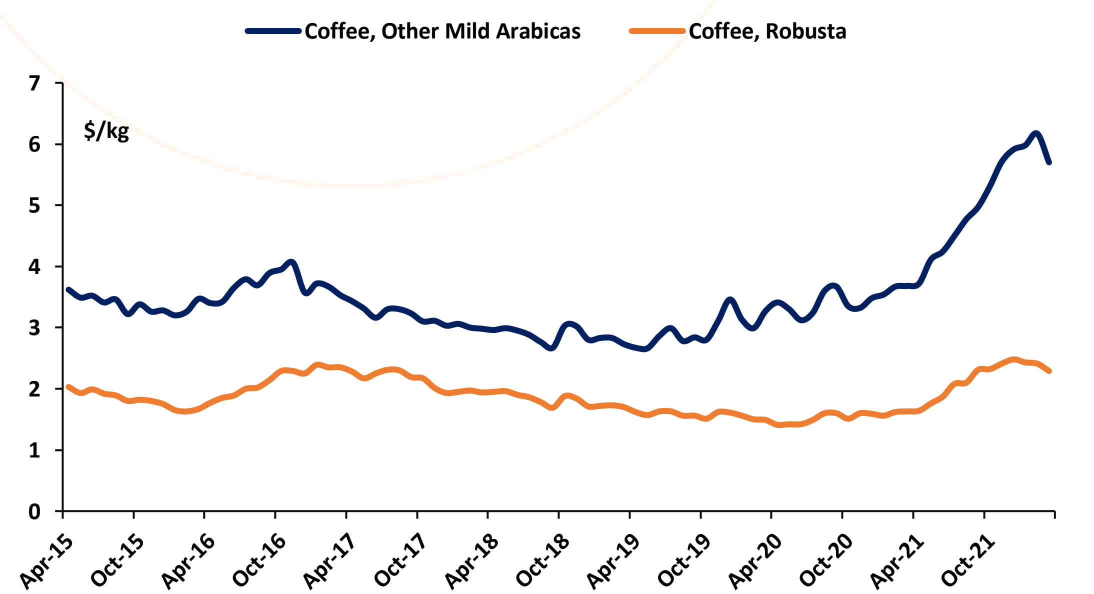
Advantages:

- Geographical spread
- Consistent quality
- Capacity to deliver in bulk and in-time delivery
- Access to processing capacity

Coffee

Being in the coffee business trade for over 20 years, ITC is one of the top exporters of coffee from the country. With deep linkages into plantations and long-standing relationships with growers, traders, and curers, it is a respected name in the Indian coffee trade.

Soybean price



Source: Company Reports & Ventura Research

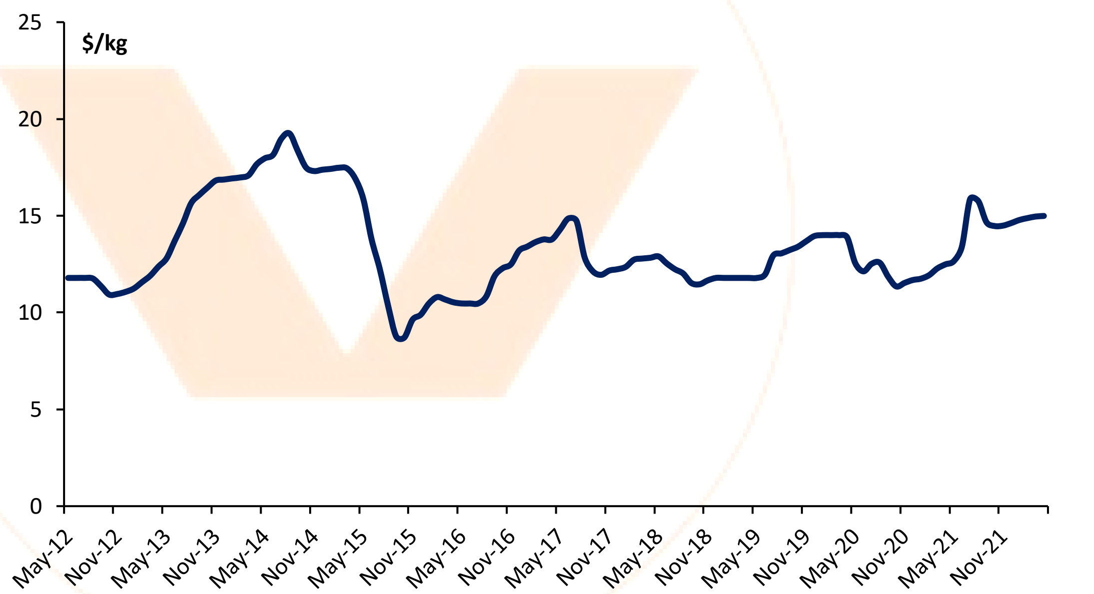
Advantages:

- Deep understanding of customer preferences
- Excellence in delivery of superior quality in compliance with ICB Standards
- Assurance of cup-guaranteed coffee as per ICB Standards
- Customised services like different packing types (21 MT bulk type to 10Kg Mooda type), different shipment options (Prompt to String Contracts)
- Specialty coffee - Monsooned Malabar Coffee, Robusta Kapi Royale, Mysore Nuggets Extra Bold
- Certified coffee

Shrimp

ITC is one of the largest exporters of shrimp, supplying over 200 customers worldwide with a significant market presence in Europe, Japan, the Middle East, Russia, the USA, Vietnam etc. It has processing units located in Andhra Pradesh and West Bengal, which are also major catchment areas. The units follow all EIA-approved practices and are equipped with adequate cold storage and in-house staffing facilities.

Shrimp price



Source: Company Reports & Ventura Research

Advantages:

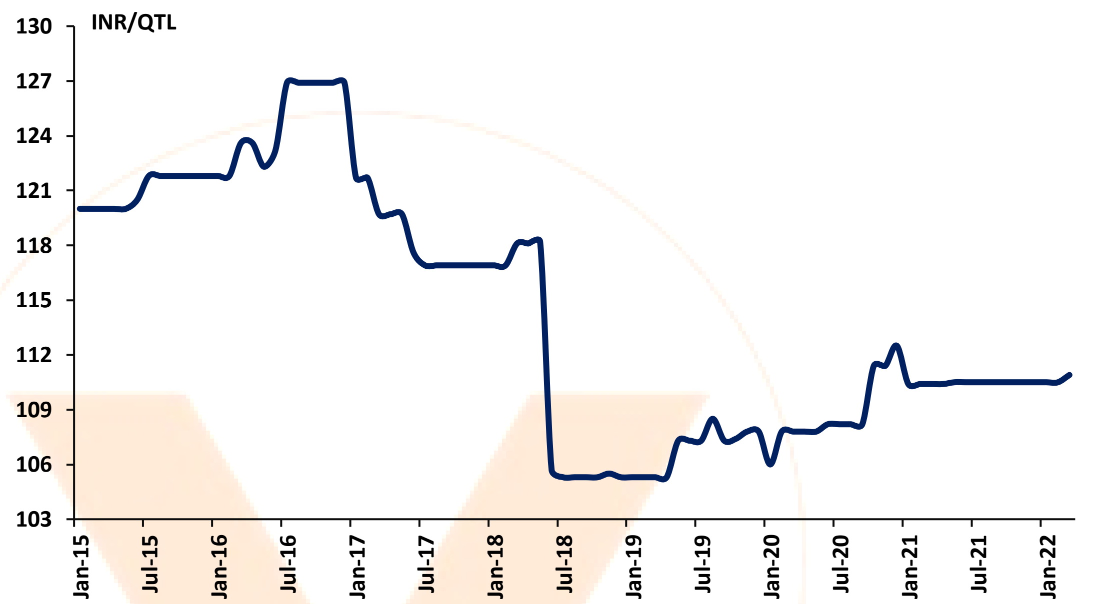
- Capacity to provide Black Tiger and Vannamei shrimps of any size/count and quantity round the year.
- Hygienic conditions, EIA, and other international approvals along with strict in-house quality control norms
- Traceability from pond to fork

Processed Fruits

ITC is the largest exporter of certified mango pulp from India, with its certified project base spanning 1,762 hectares of orchards covering 3,411 farmers across Maharashtra, Gujarat, Andhra Pradesh and Tamil Nadu. ITC has established a strong customer base in organic and fairtrade certified segment in Europe, USA, South East Asia, and the Middle East markets. The other offerings in the value-added fruits segment include mango concentrate, mango dices, guava pulp, papaya pulp, pomegranate arils, etc.

The processing facilities are strategically located in the heart of fruit growing belts with processing infrastructure adhering to stringent international standards, garnering value across 'orchard to factory' chain.

Fruit pulp price



Source: Company Reports & Ventura Research

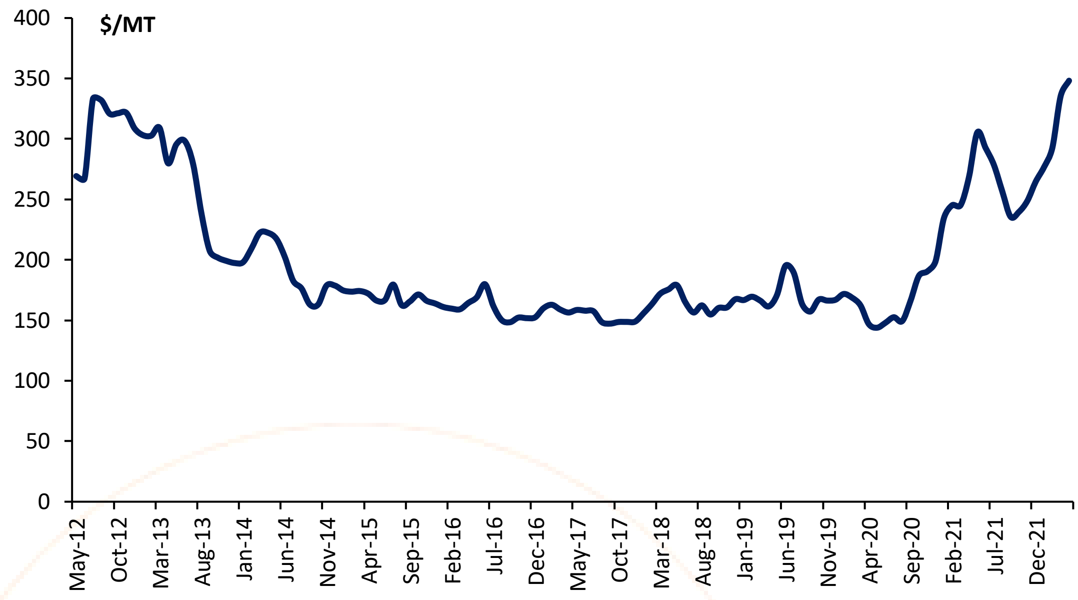
Advantages:

- Strong back-end linkages as farmer group development, - traceability,
- Sound understanding of customer needs- across various segments,
- Pioneer in Fair-trade & Certified mango pulp exports from India, and
- Good agricultural practices, precise documentation, strong systems, and processes

Maize, Barley and Pulses

ITC has a nationwide network that allows it to source quality crops from locations across the country. This network helps the company to buy high-quality maize, barley, and chickpeas directly from the farmers and meet the specific requirements of poultry, starch, and animal feed customers. It can handle high volumes while meeting the specific quality requirements of customers across various industries.

Maize price



Source: Company Reports & Ventura Research

Advantages:

- Nationwide sourcing and logistics presence
- Capacity to buy directly from farmers using the e-Choupal model
- Understanding industry-specific requirements - adherence to quality norms

Maida

Leveraging its presence in key wheat-producing states and the scale and scope of purchases, ITC has forayed into milling special grade flours and semolina for specialized industries like bakery, pizzas, pasta, noodles, and biscuits. Apart from being the supplier of choice for many top domestic brands and large food service organizations, it also exports wheat flour to customers in the Middle East, Africa, and Southeast Asia.

Opportunity for ITC agro-commodity business in war like crisis

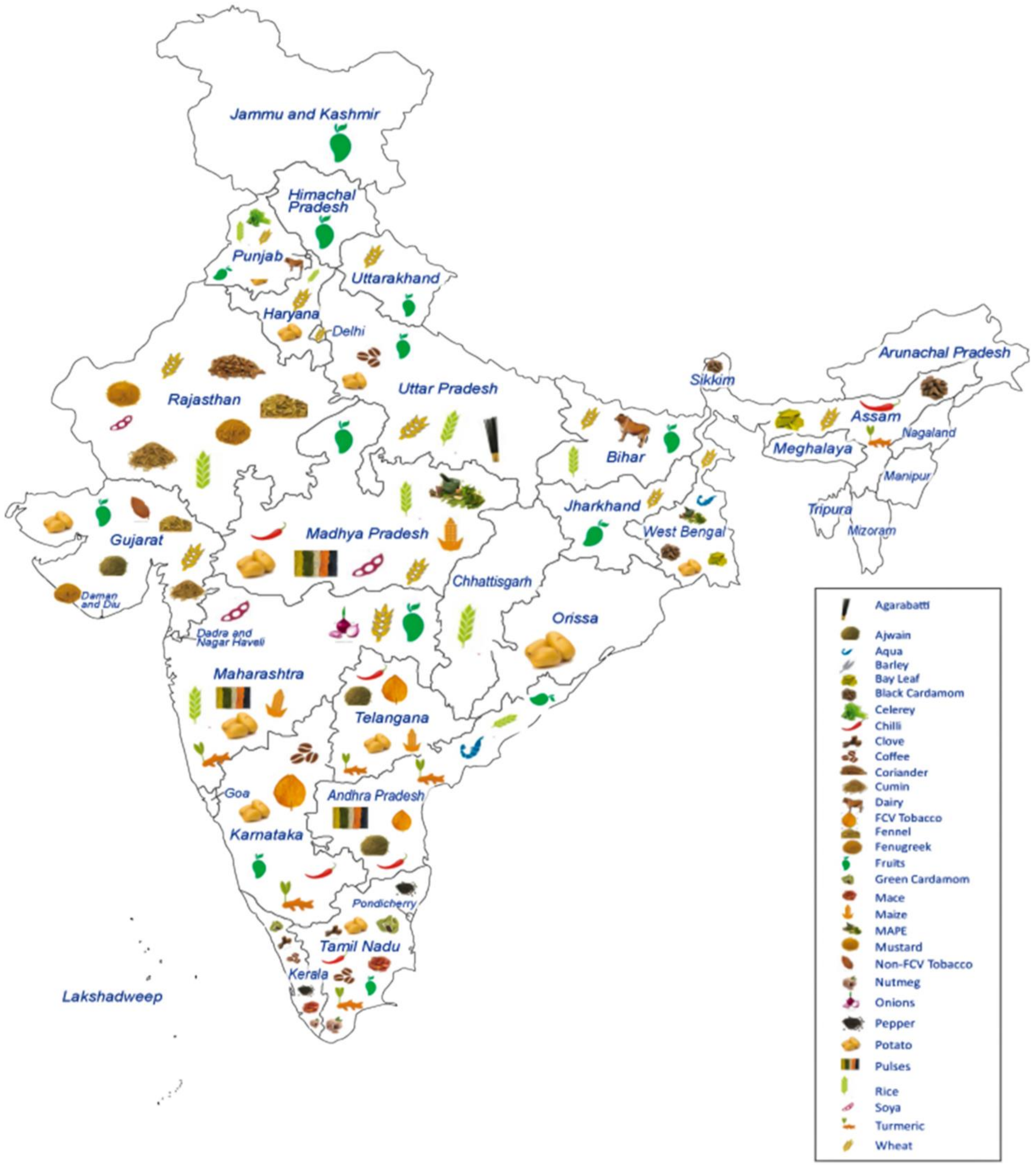
ITC saw a sharp growth in agri-business revenue, up 29% YoY, driven by wheat, rice, spices, and leaf tobacco in Q4FY22. In FY22, ITC exported a significant amount of wheat due to poor production in Russia and Ukraine (which account for 30% of global wheat exports).

India is looking at exporting nearly 10 mn tonnes of wheat in FY23 to bridge the supply gaps arising from the Russia-Ukraine conflict. India has so far exported 6.6 mn tonnes of wheat in FY22, which is triple the 2.15 mn tonnes exported in FY21. Now, the Indian government has banned wheat exports from private exporters but opened export on a specific request for grain from foreign governments.

It is reasonable to expect that ITC would be one of the major contributors. Out of 7.25 mn tonnes of wheat exported in FY22, ITC contributed 50% of it.

Global wheat prices are currently at a 14-year high. As a result of which, ITC could also potentially benefit in other grain exports like rice, if globally consumers start consuming more rice due to higher wheat prices.

ITC's agri business span across pan-India



Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

ITC well positioned to reap benefits of growth in agro commodity segment

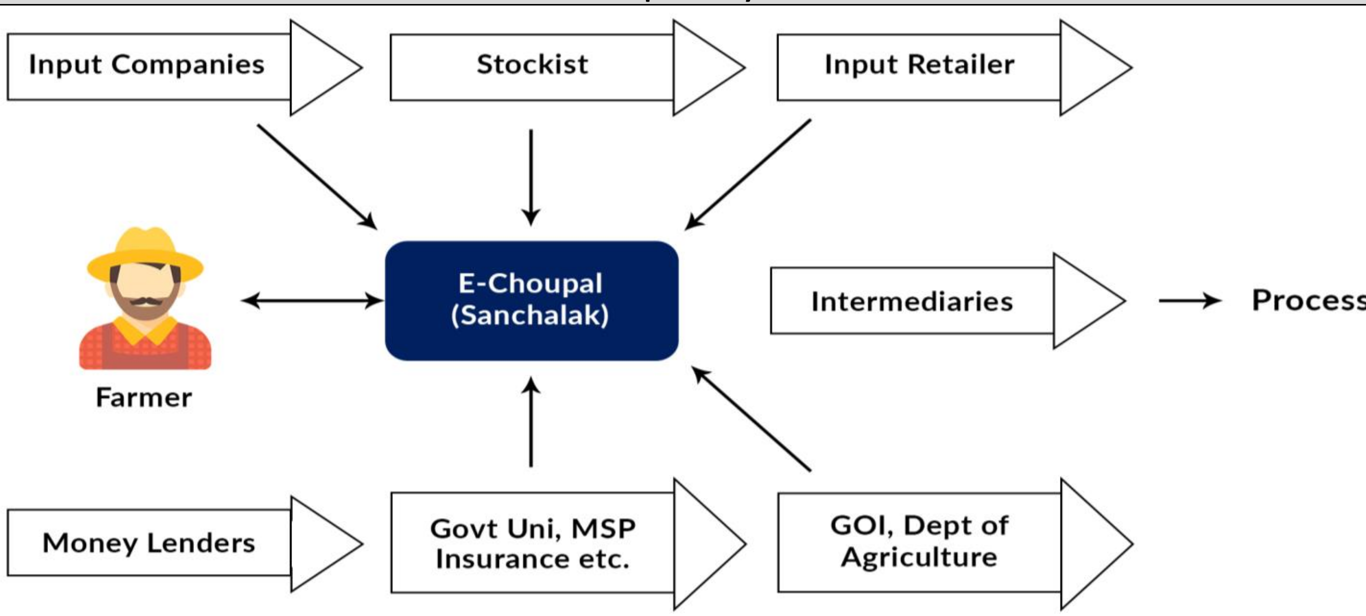
ITC procures wheat through their e-Choupal initiative. Launched in June 2000, it has provided computer and Internet by e-Choupal kiosks access to the rural regions across multiple agricultural regions in the country. Through e-Choupals, farmers can negotiate with the representatives of ITC, eliminating the need for a third party. They also help farmers place orders for basic agricultural needs like seeds and fertilizers, which enhances their productivity.

ITC is launching a super app, called ITC-MAARS (Metamarket for Advanced Agriculture and Rural Services). ITC is scaling up e-Choupal 4.0 - a crop-agnostic 'phygital' integrated agri-solutions platform. This digitally powered platform seeks to empower the farming community by delivering customized solutions by synergistically integrating NextGen agri-technologies.

E-Choupal initiative

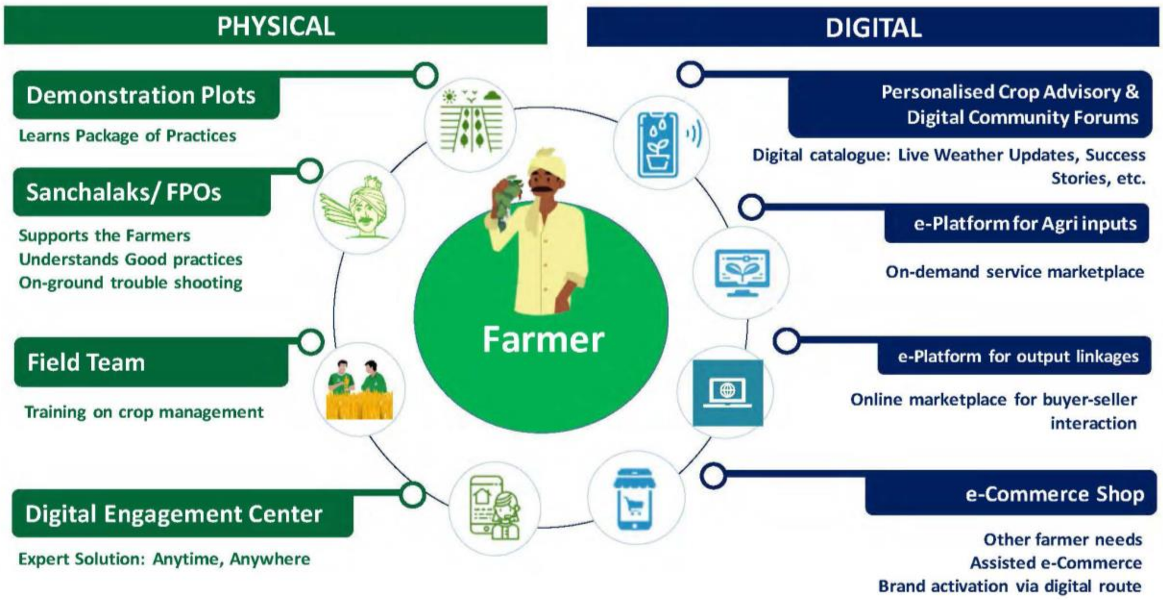
Source: Company Reports & Ventura Research

E-Choupal Ecosystem



Source: Company Reports & Ventura Research

ITC – MAARS



Source: Company Reports & Ventura Research

E-choupal is an ITC platform for carrying out trade in multiple locations. In this, ITC sets up a back-up physical service support at the village level, called choupal, through sanchalak: a lead farmer, who acts as the interface between computer and the farmer.

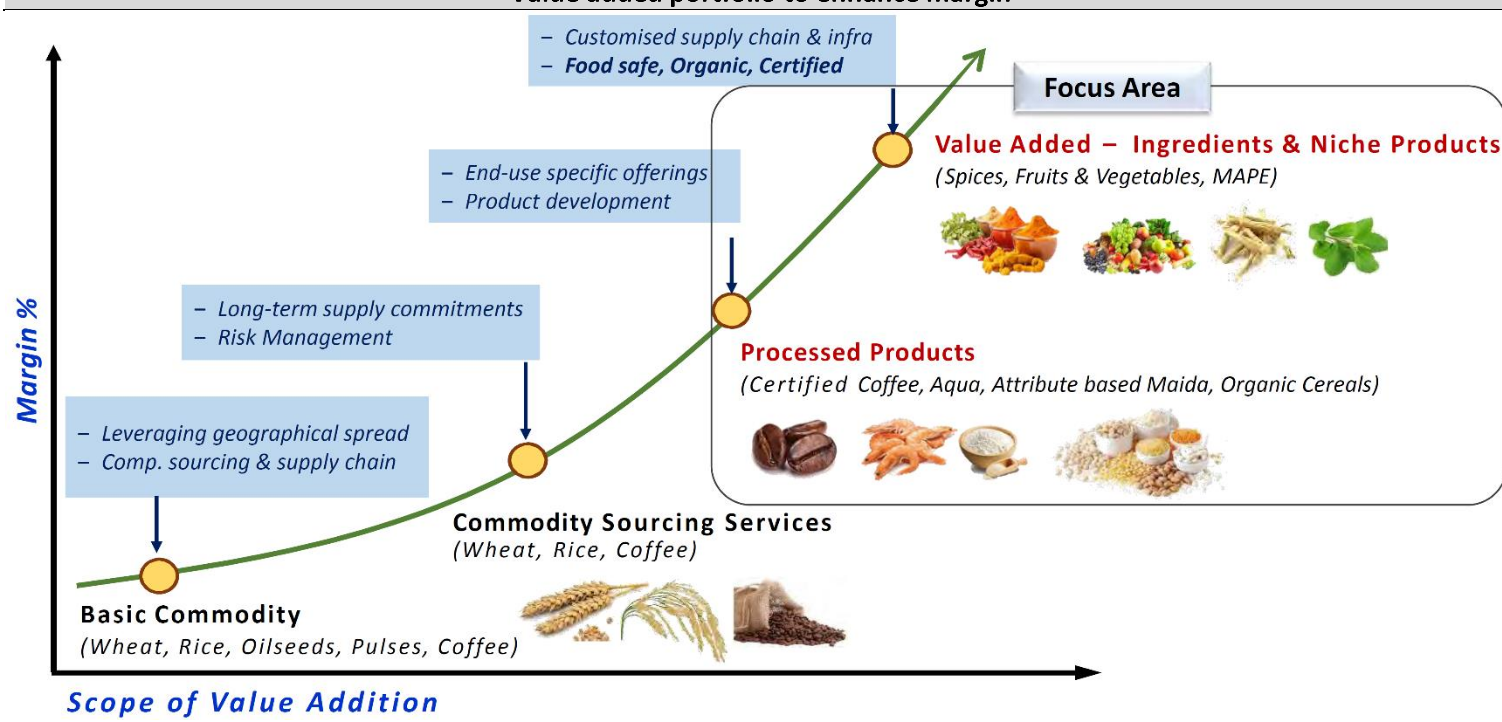
ITC accumulates information regarding weather, modern farming practices, and market prices from sources like Meteorological Department, agri-universities, mandis (regional market) etc., and upload all information on to e-Choupal web site. All information is customized according to local farmer's needs and provided into the local language through a computer setup established by ITC in sanchalak's house.

Sanchalak assesses this information facilitates its dissemination to farmers which is generated through the information gathered from Dept. of Agriculture, universities, Indian Meteorological Department (IMD), input firms, stockists, retailers, and many more. Information regarding weather and scientific farming helps farmers to select the right crop and improve the productivity of their farms. Availability of market information helps farmers to become market-oriented. They know what price ITC is quoting and the price prevalent in the local market (mandi), helping better price realization for farmers.

Facilities for value added portfolio

Source: Company Reports & Ventura Research

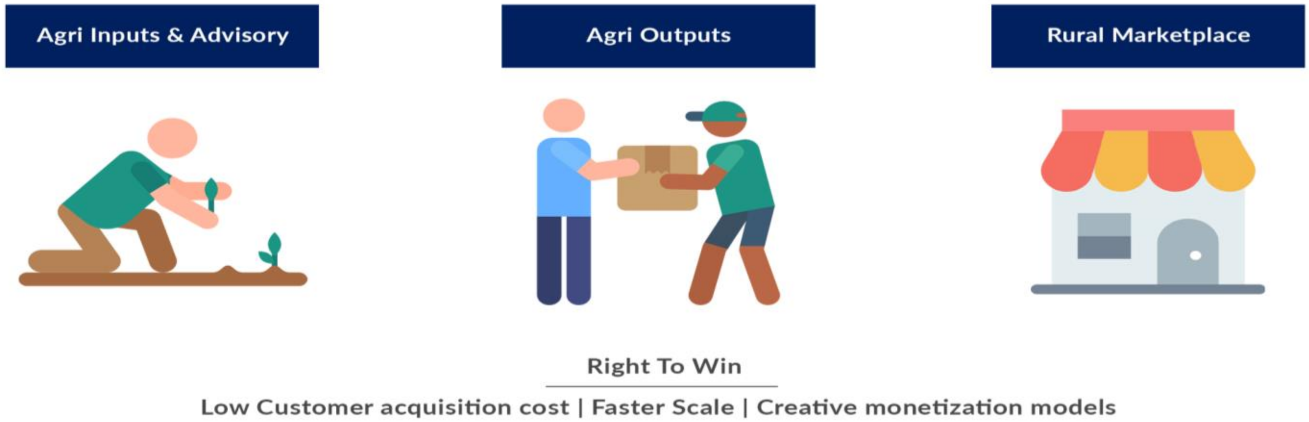
Value added portfolio to enhance margin



Source: Company Reports & Ventura Research

ITC's support to farmers starting from agri-inputs and advisory to the marketplace has led ITC on it's way of becoming a dominant player in the market.

Right to win



Source: Company Reports & Ventura Research

Agri business placed well to capture showering opportunity

During FY18-21, the overall agri-business reported a 21% revenue CAGR to INR 8,002 cr,

- unmanufactured tobacco reported de-growth of 5% in revenue CAGR to INR 1,314 cr,
- other agri-products and commodities (wheat, soya, spices, coffee, aqua, etc.) reported a growth of 32% in revenue CAGR to INR 6,688 cr,

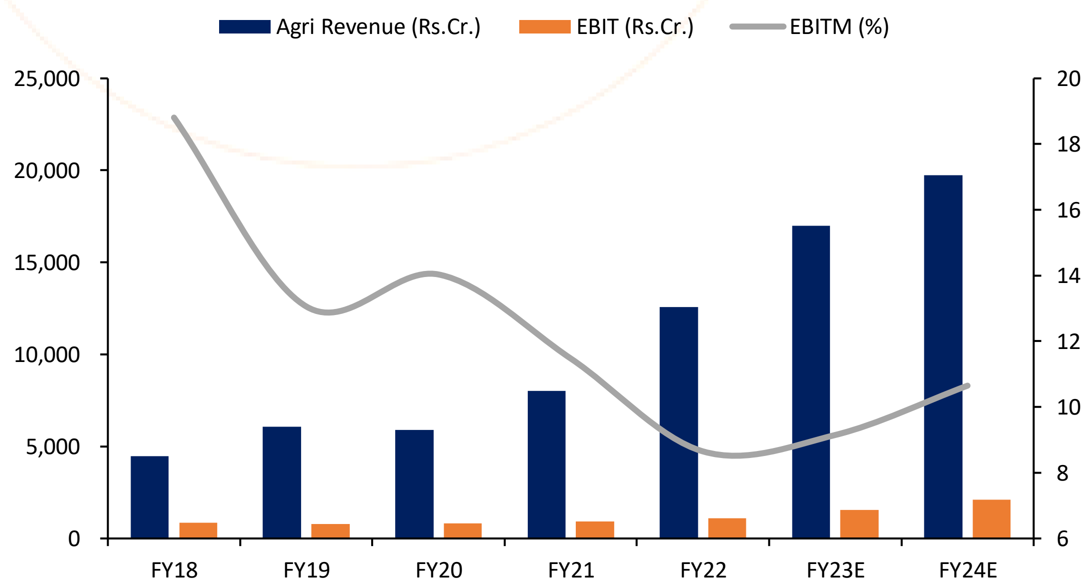
EBIT grew at 3% CAGR to INR 918 cr. EBIT margins have declined by 733 bps to 11.5% in FY21.

During FY21-24E, we expect the agri business revenue to grow at 35% CAGR to INR 19,722 cr,

- unmanufactured tobacco revenue is expected to grow at 6% CAGR to INR 1,544 cr,
- other agri products and commodities are expected to grow at 40% CAGR to INR 18,178 cr

EBIT is expected to grow at 32% CAGR to INR 2,100 cr. EBIT margins are expected to contract to 10.6% (-83 bps).

Agri business capturing opportunity

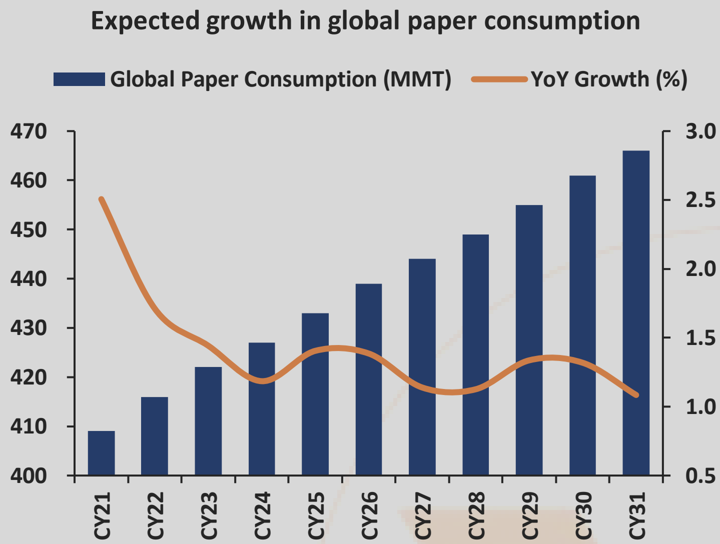


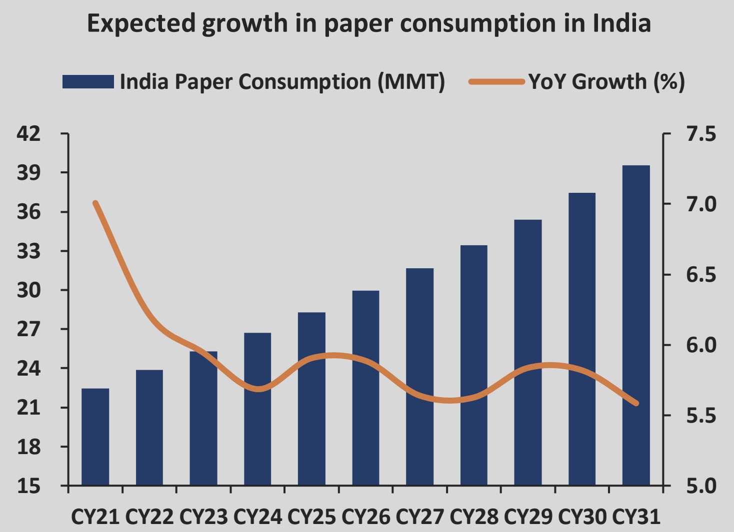
Source: Statista and World Bank

Paper Industry

The 409 MMT (CY21) global paper & paper products market is expected to grow at a CAGR of 1.3% to 466 MMT by CY31. In India, the paper consumption is expected to grow at a CAGR of 5.8% from 22 MMT in CY21 to 40 MMT in CY30.

Paper Consumption growth



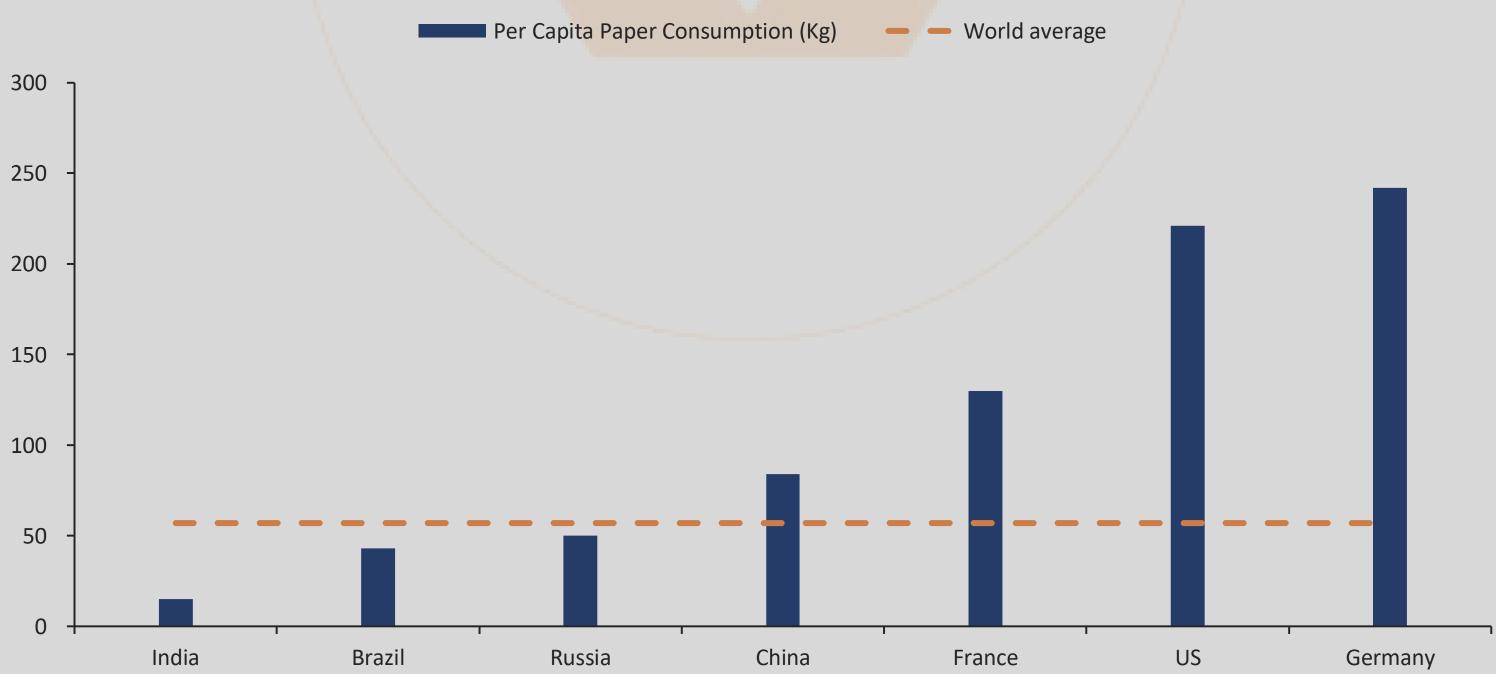


Source: Statista and World Bank

In the coming years, paper consumption in India is estimated to outpace global growth rate due to:

- Low per capita paper consumption of 15 kg in India, is way behind the global average of 57 kg,

Per Capita Paper Consumption (Kg)

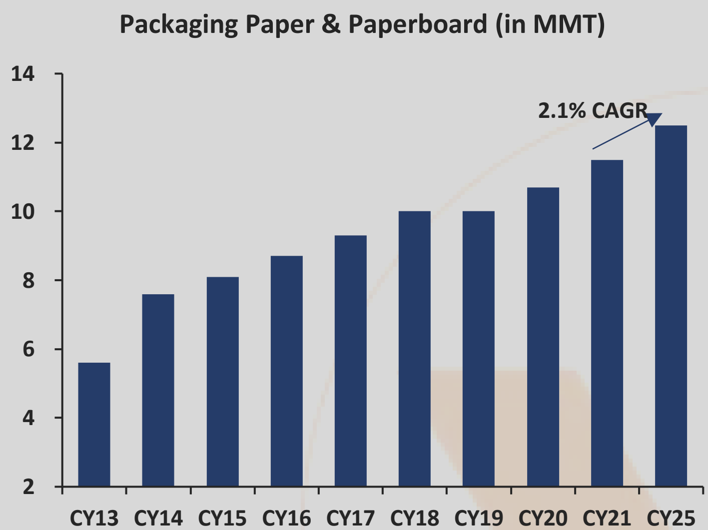


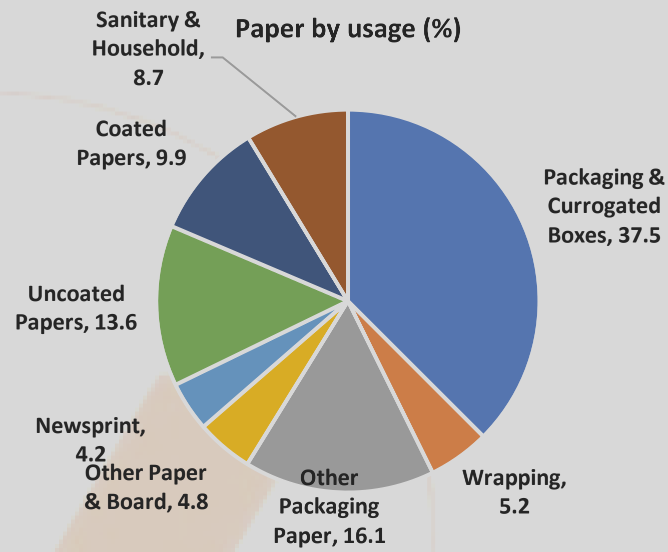
Source: CEPI

For any further query, please email us on research@ventura1.com

- Growing manufacturing sector due to the Make-in-India initiative and the development of new industrial corridors, which is expected to enhance demand for industrial usage of packaging and wrapping paper.
- Requirement of better-quality packaging materials for FMCG and consumer durable products, especially marketed through organized retail and e-commerce platforms. The pandemic has accelerated online shopping and home deliveries, which has resulted in the increased usage of packaging grade papers. In CY20, paperboard demand registered a decline of 3.9% due to muted demand from consumer durables sectors. We expect growth to sustain at 5-6% CAGR in the next five years and the volumes are estimated to reach at 12.5 MMT by CY25.

Category-wise paper production and Packaging Paper & Paperboard (in MMT) in India

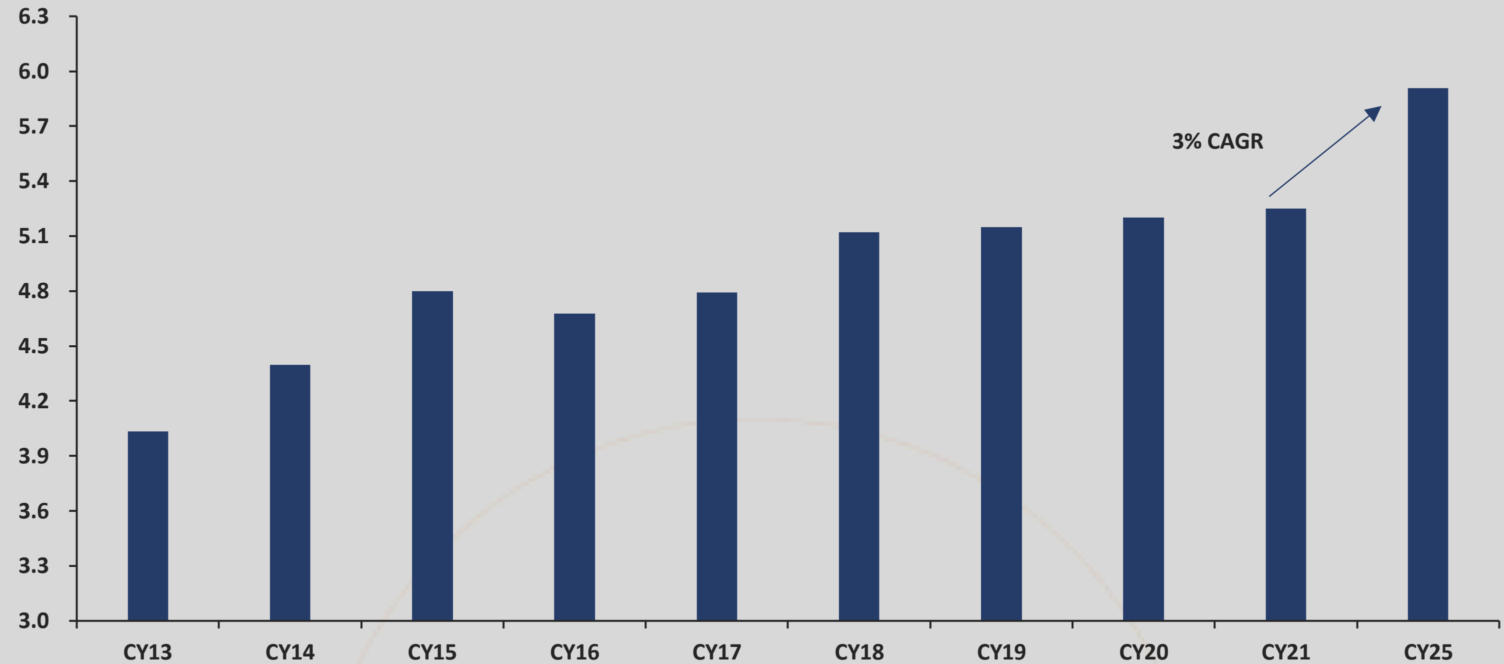




Source: Forestry Production & Trade

- The rise in demand for the upstream market of paper products, such as tissue paper, filter paper, tea bags, lightweight online coated paper, and medical-grade coated paper are the future growth drivers,
- Increase in literacy rate in towns and rural areas, which are expected to improve demand for newspapers, magazines, notebooks, and writing papers. Demand for printing & writing paper is expected to grow at a muted 1-3% CAGR and reach 5.5 MMT by CY25. Enrolment of students is expected to increase at a relatively faster pace of 0.5 - 1% CAGR over the next 3 years, compared with a de-growth of 0.4% CAGR during the past 3 years,
- Reopening of offices post-Covid will result in a rise in paper demand. Demand for copier paper (~20% of printing & writing segment) is expected to increase at 3-4% CAGR through FY25, primarily on account of the reopening of offices and rise in demand for new office spaces.

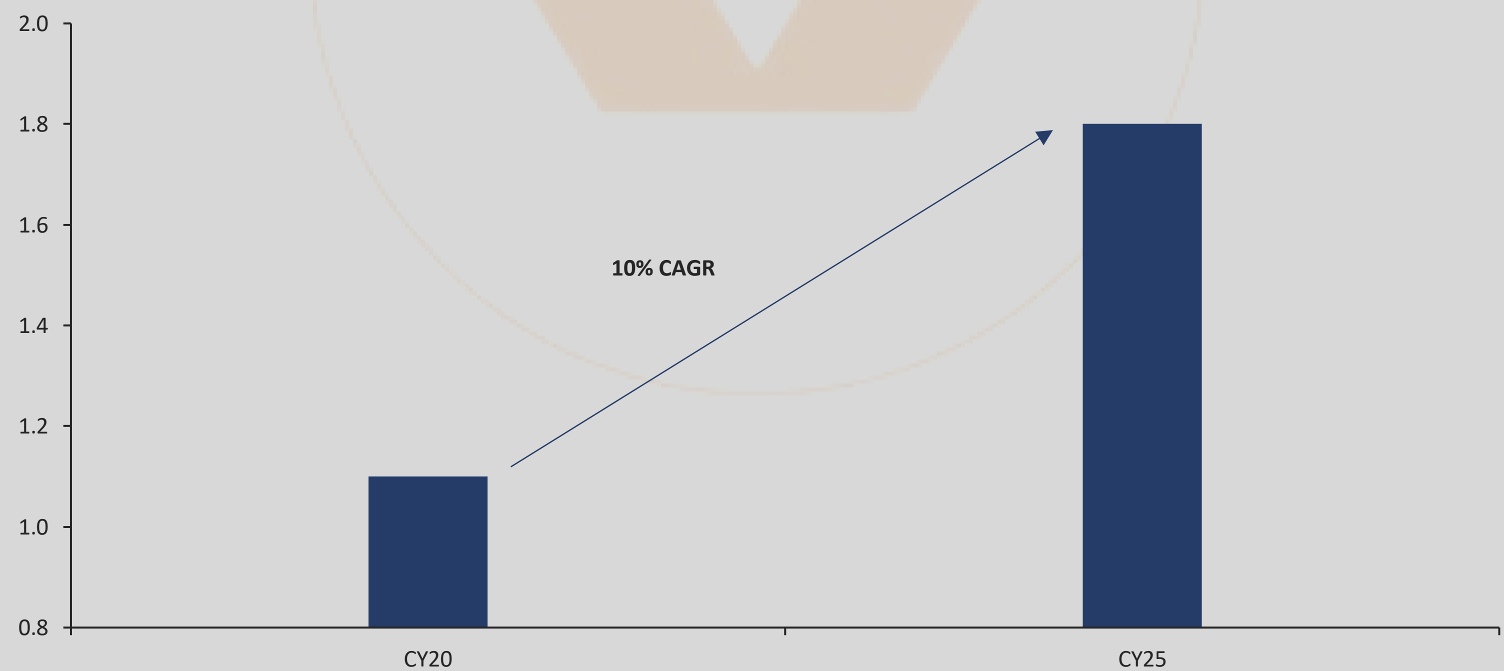
Printing & Writing Paper (in MMT) is set to grow



Source: Forestry Production & Trade

- Over the next five years, we expect specialty papers (especially tissue paper) to grow at a robust 10-12% CAGR to 1.8 MMT by CY25 from 1.1 MMT in CY20. The main varieties of specialty paper are: tissue, decor. thermal fine printing. cigarette, and business card paper.

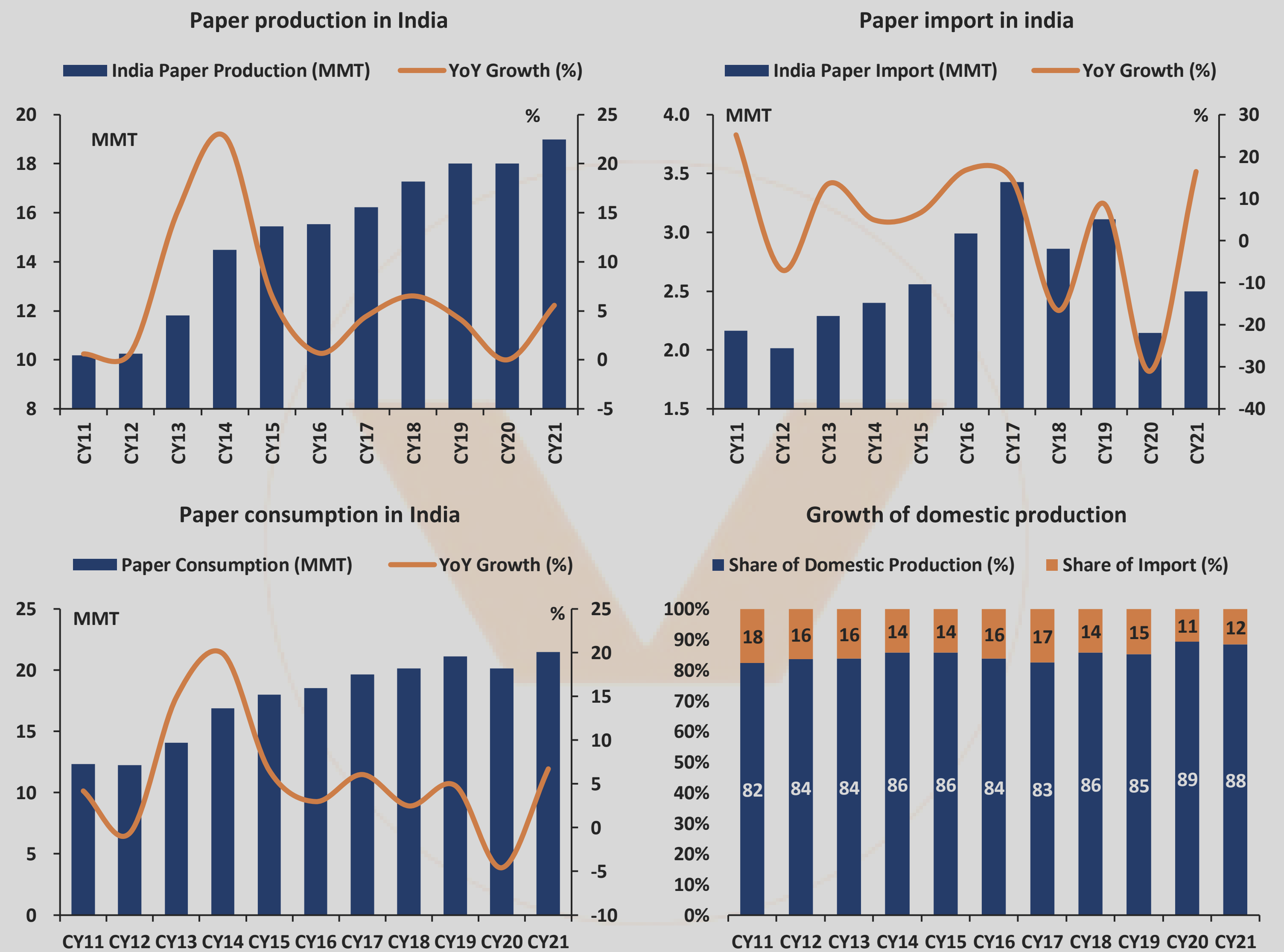
Specialty papers (MMT) production is set to grow



Source: Forestry Production & Trade

- In the recent union budget, the Ministry of Finance stated that pertinent policies for the promotion of agroforestry and private forestry will be brought in, with financial support from the government. This announcement, in addition to increasing the green cover in the country is anticipated to improve raw material availability for pulp & paper industry.
- The domestic production rate has been insufficient in meeting the demand, which has created a gap and it has been fulfilled by the import.

India Paper Production and Import



Source: Forestry Production & Trade

For any further query, please email us on research@ventura1.com

Paper Industry Capacity and Product Offerings

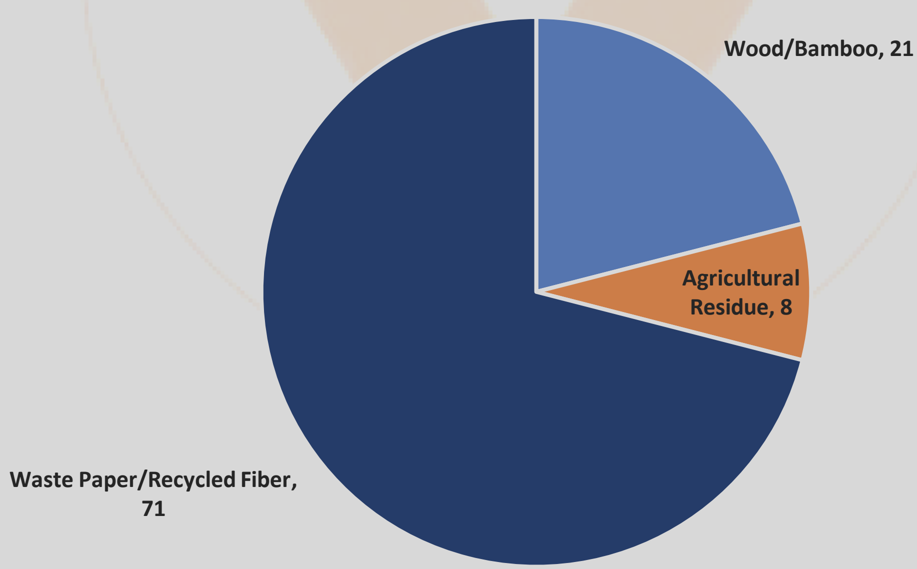
Products	Production Capacities (MTPA)	Printing & Writing	Newsprint	Packaging Paper	Coated Paper	Specialty Paper	Currogated Box	Kraft paper
ITC	3,00,000	✓		✓	✓	✓		
Satia Industries	1,00,000	✓			✓	✓	✓	
Yash Pakka	39,100			✓			✓	✓
Star Paper	75,000				✓	✓	✓	✓
Pudumjee Paper	72,000	✓		✓	✓	✓		
Andhra Paper	2,40,000	✓		✓	✓	✓	✓	
TN Newsprint	2,45,000	✓	✓	✓				
JK Paper	4,55,000	✓	✓	✓	✓	✓		
West Coast Paper	3,20,000	✓			✓	✓	✓	
Emami Paper	3,35,000	✓	✓	✓	✓			✓
Kuantam Paper	1,00,000	✓		✓	✓	✓		
Seshasaye Paper	1,30,000	✓		✓	✓			

Source: Company Reports

Key Challenges of the Indian Paper Industry

Shortage of Raw Materials: Waste paper and wood pulp are the key raw materials in paper manufacturing.

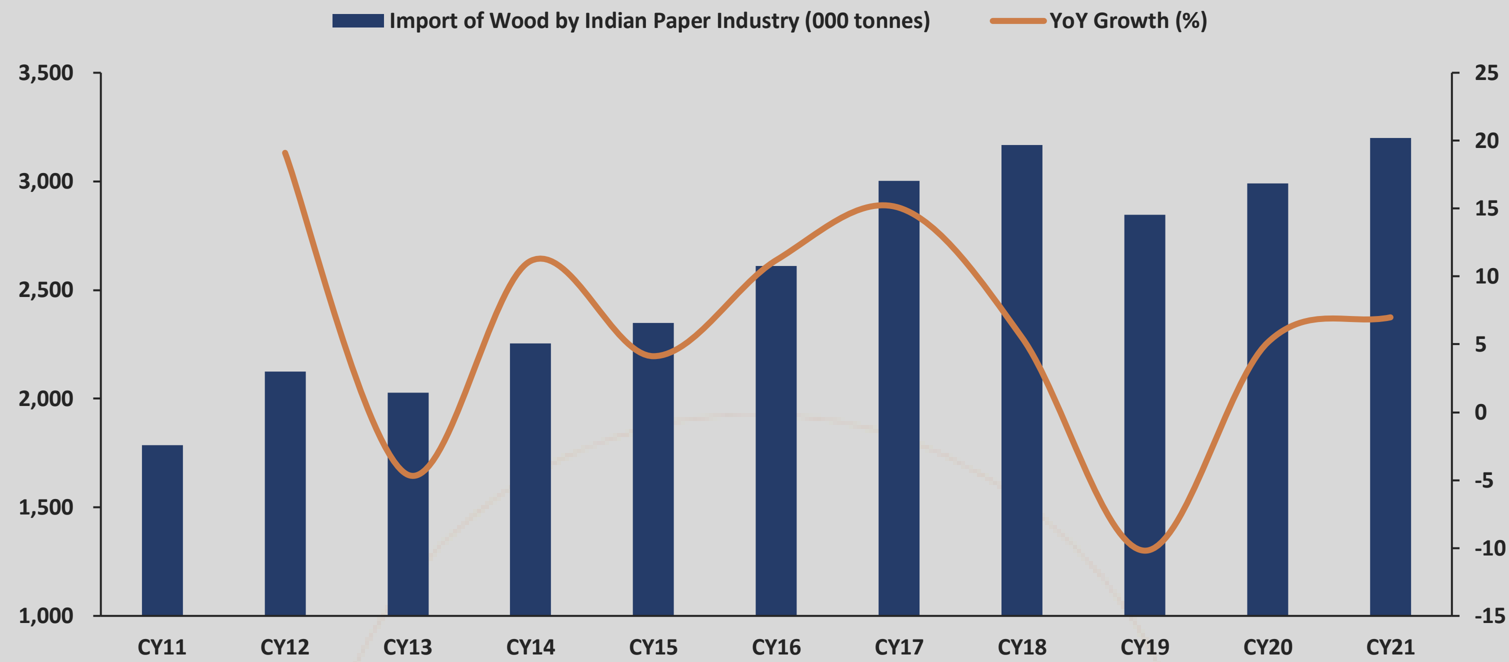
Raw Material Composition in Paper Industry



Source: IPMA

In the last 4 years, the forest cover of India has increased from 7.08 lakh sq.km. in 2017 to 7.14 lakh sq km in 2021. However, India is still a wood-deficit country. The availability of wood in India is very less compared to the US and Europe.

Import of Wood by Indian Paper Industry



Source: IPMA

Poor Waste Paper Collection Mechanism: Waste paper is the most used raw material required to produce paper because it consumes less energy and time to produce new paper. However, there is no set process for collecting, sorting, and grading waste paper in India. The recycling rate of paper in India is only ~30%, which is way lower than the global average of ~80%. This is why India has to import recycled paper from the US and European countries to fulfill its raw material requirements.

China is also a big importer of waste paper and its recent economic recovery has inflated the price of waste paper in the global market. The unavailability of an adequate quantity of waste paper in India and dependency on imports leads to an increase in the cost of raw materials and final paper. This issue can be eliminated if India set a standard operating procedure for waste paper collection.

Government Initiatives

The Union Ministry of Environment, Forests and Climate Change (MoEF&CC) notified the new Solid Waste Management Rules (SWM), 2016. These will replace the Municipal Solid Wastes (Management and Handling) Rules, 2000, which have been in place for the past 16 years.

The new rules are now applicable beyond municipal areas and have included urban agglomerations, census towns, notified industrial townships, areas under the control of Indian Railways, airports, special economic zones, places of pilgrimage, religious and historical importance, and State and Central Government organizations in their ambit.

Instead of municipal corporations, the urban local bodies will be responsible for the SWM and it's recycling, which is expected to improve the availability of waste paper for paper producers and reduce their dependency on imports.

Outdated Mills and Technologies: There are around 800-850 paper mills in India and their combined production capacity is over 19 MMT. Most of these small-scale mills use very high energy, water and other resources. This increases the overall cost of producing paper, making them uncompetitive.

Upgrading this technology is both expensive and time-consuming. This is why Indian paper mills are yet to achieve their full potential in producing paper.

In addition, demonetization, GST, COVID-19, input cost volatility and rise in demand for quality papers have significantly impacted the unorganized and small-scale paper producers. This is expected to shift the business towards organized and bigger players like ITC, JK Paper, etc.

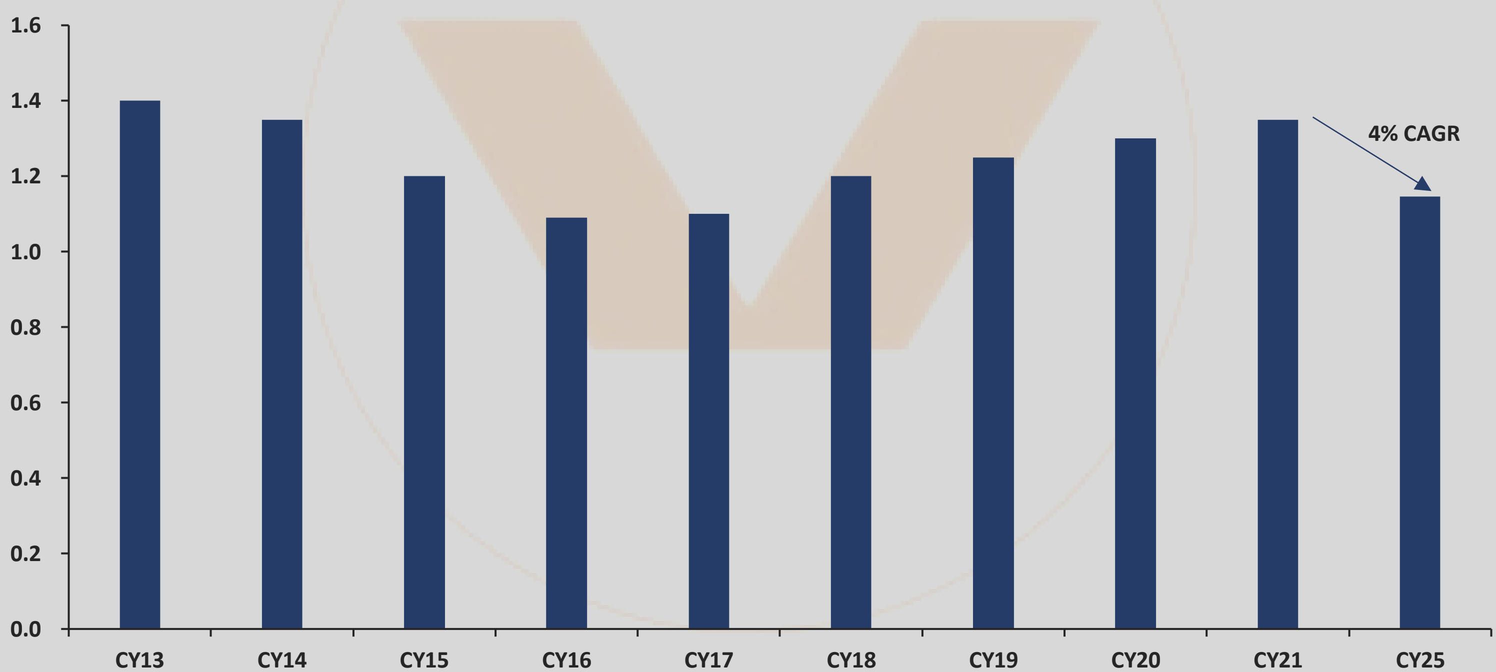
Logistics and Global Commodity Prices: Then there is the issue of availability of container and shipping liners to import recycled paper. Since waste paper is a low-priced item, only four to five liners operate in the paper industry. This leads to a delay in procuring raw materials. So, the demand-supply gap widens.

The Indian paper industry is currently being affected by the non-availability of waste paper, high prices for pulp, fibres & newsprint, container shortage (including rising freight rates) and increasing coal, chemicals & other inputs rates (because of Russian invasion of Ukraine). Hence the Indian paper market is facing a difficult situation because of an extreme under-supply of raw materials and high input costs.

Newsprint paper consumption to contract

In CY22, demand for newsprint is expected to de-grow on account of the severe contraction of newspaper circulation and reduction in the number of pages. Demand for newsprint is expected to de-grow at 4-5% CAGR between FY20 and FY25 on account of a decrease in circulation of both vernacular as well as English newspapers due to increased smartphone and internet penetration and shift in preference towards e-newspaper.

Newsprint (MMT) domestic demand to post degrowth



Source: Forestry Production & Trade

ITC Paper Business

ITC started the paper business as a strategic move for backward integration of its cigarette and FMCG businesses. Earlier, 70-80% of ITC's paper production was used to be consumed internally by its cigarette and FMCG businesses, however, in the past couple of years, the company has significantly diversified its paper portfolio and focusing more on bio-degradable and recyclable papers and packaging materials.

ITC Paper Segments

Category	Range in gsm (grams per sq mt)	Uses
Packaging Boards		
Coated Virgin Boards	200-400 gsm, 200-240 gsm, 200-450 gsm, 230-450 gsm, 200-300 gsm, 190-350 gsm, 200-350 gsm, 180-300 gsm	Substitute for art boards, Cigarette Hinge-Lid Packs (HLPs) & outers and inner frames, food, pharmaceutical and premium packaging, offset and flexo printing, direct contact food packaging, high-end packaging, offset printing, folder-gluers and filling line operations, book covers, simple text printing, consumer electronics
Recycles Boards	230-400 gsm	FMCG and Industrial Packaging, Match Shell, Top Liners for corrugated boxes, Cereal boxes, Toys and Games, Appliances, Hosiery & Garments, Publication covers, Stationery & general merchandizin, Inner frames, Promotional material.
Specialty & Graphic Boards		
Poly coated	185-345 gsm, 215- 465 gsm, 200-330 gsm	Papercups & Paper Plates, Ice cream Packaging, Food & Beverage, FMCG, Pharma, Liquor, Fast food serving, Take-away food packaging
Graphic	200-400 gsm, 190-350 gsm, 180-300 gsm, 200-300 gsm	Greeting cards, Post Cards, Invitations, Menu Cards Publication & Book covers, Directories, Promotional Folders & Catalogs, Posters & Danglers (POP), Brochures, Tags & Inserts, Folders, Flyers & Mailers, visiting cards, tags, Smart cards, scratch cards (where a code number is printed on the reverse and covered with foil or scratch off ink), digital printing, Cultural/Cards,
Biodegradable Barrier	"200-360 gsm, 230-380 gsm, 240-355 gsm"	Food & Beverage, Take away food packaging
Oil & Grease Resistant Boards	200-350 GSM, 200-320 GSM	Take away food packaging & delivery, Plates, Trays & Liners, Food serving applications, Food liners, Beverage Cups

Source: Company Reports

ITC Paper Segments

Specialty Papers

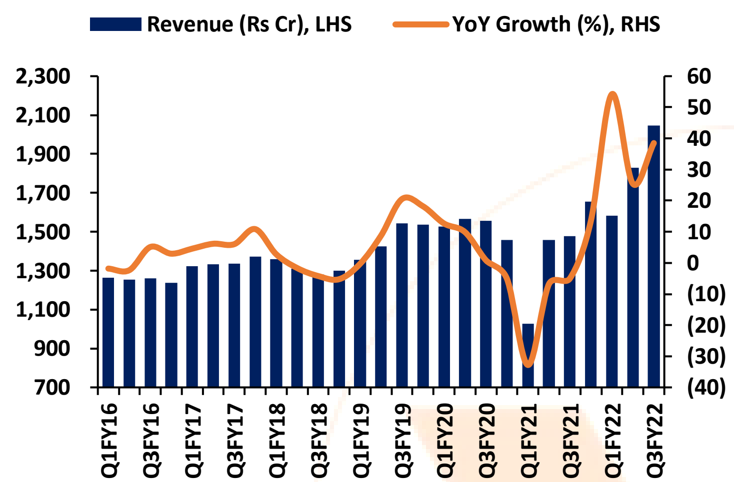
Category	Range in gsm (grams per sq mt)	Uses
Cigarette Tissues & Components		
- Cigarette Tissue	25 – 26 GSM	For Fire Safe Application, high whiteness, clear verge marks and greater tensile-strength leading to superior runnability on high-speed machines
- Plug Wrap Tissue	32, 26 GSM	Binds the cigarette seamlessly
- Cork Tipping Tissue	26-30 GSM	Superior printability and aesthetics
Communication	28 - 30 GSM, 28 - 35 GSM, 58 – 120 GSM, 58 – 130 GSM, 64 – 130 GSM, 70 – 120 gsm	Voluminous publications, Religious Books, Dictionaries, Directories, Encyclopaedias, Publishing, Annual Reports, Leaflets, Flyers, Forms, Brochures, Envelopes, Notepads, Letterheads,
Packaging	32 GSM and above, 60 gsm, 27 – 55 GSM, 18 – 21 gsm,	Baking, QSR Wrapping, Food Packaging , Used for blister wrap for syringes and sterilized medical equipment, Blade Wrapping, shoe wrapping
Decor		
- Barrier Paper	50 - 75 GSM	Paper between the decor paper and the core layer.
- Overlay Paper	18 GSM	Transparent paper that protects the laminate and preserves the printed image.
- Surfacing/Printing Paper	60 - 105 GSM, 50 - 80 GSM	-----
- Overlay (liner) Paper	60 - 65 GSM,	-----
Niche Products		
- Overlay Tissue	40 – 45 GSM	Used to the protect the surface of melamine crockery from scratches and stains
- Insulating Paper	40, 50, 64, 76 micron	"Double Paper Covering (DPC) Interlayer for transformer insulation "
- Match Tissue	------	developed for wax vestas
- Fire Fuse Tissue	17 – 21 gsm	Tissues used in fire-crackers
- Carbonizing Tissue	21 gsm	This base is often used as stationary in various institutions like banks, firms etc.
- NP Paper	35 - 48 GSM	Magazine, Publications
- Flameproof Paper	37 - 50 GSM	"Butter Packaging Agarbatti Packaging"

Source: Company Reports

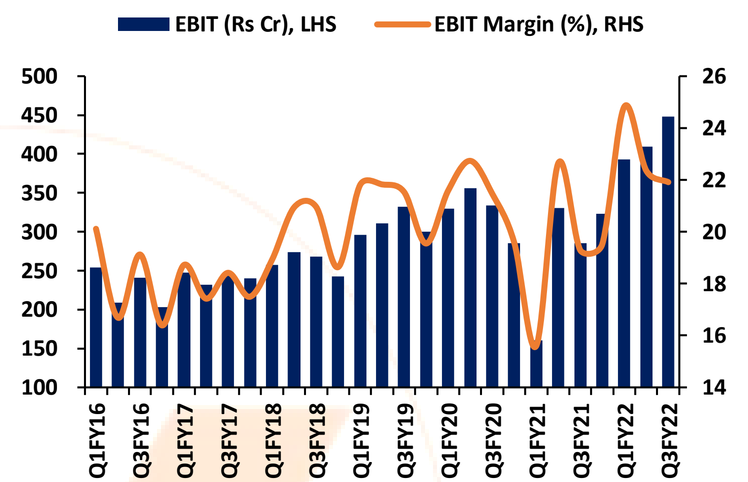
During FY15-21, the paper & packaging revenue and EBIT grew at a CAGR of 2.3% to INR 5,618 cr and 3.9% to INR 1,099 cr respectively, while EBIT margins improved by 147bps to 24.1%. The pandemic adversely affected ITC's paper business in FY21; however, a strong recovery in the global paper prices in FY22 (due to higher input cost) improved the segment's overall revenue and margins to pre-COVID levels.

ITC Paper Segment Quarterly Performance

Paper - Revenue & Growth



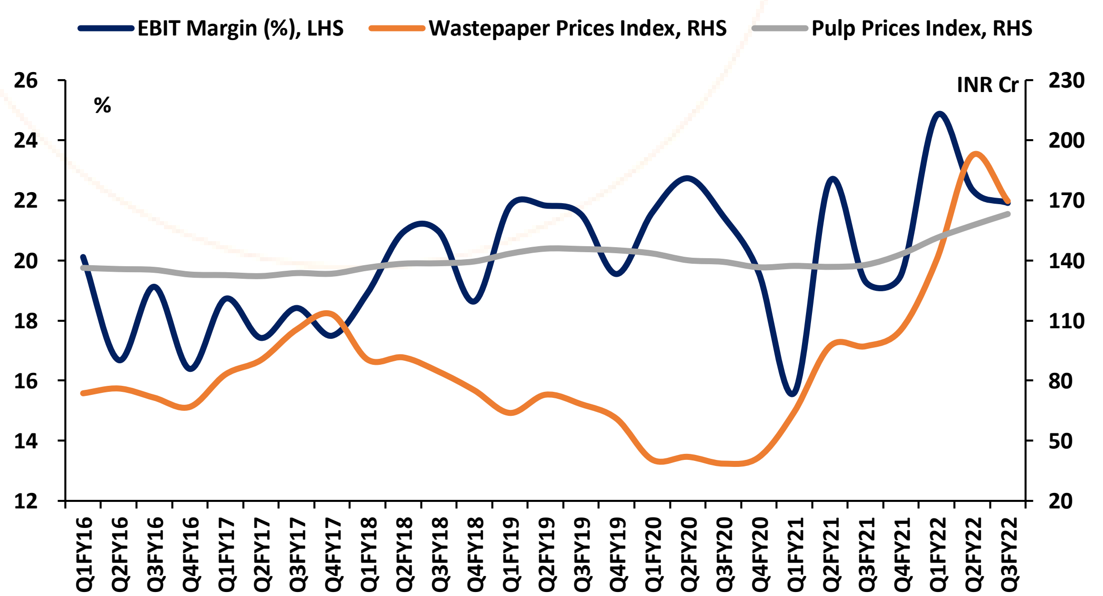
Paper - Profit & Margin



Source: Company Reports

The volumes are at an all-time high level due to a revival in demand in most end-user segments and exports, while better price realization has further sped up the financial performance of the segment.

ITC paper business profitability vs Wastepaper and Pulp price index



Source: Company Reports & Bloomberg

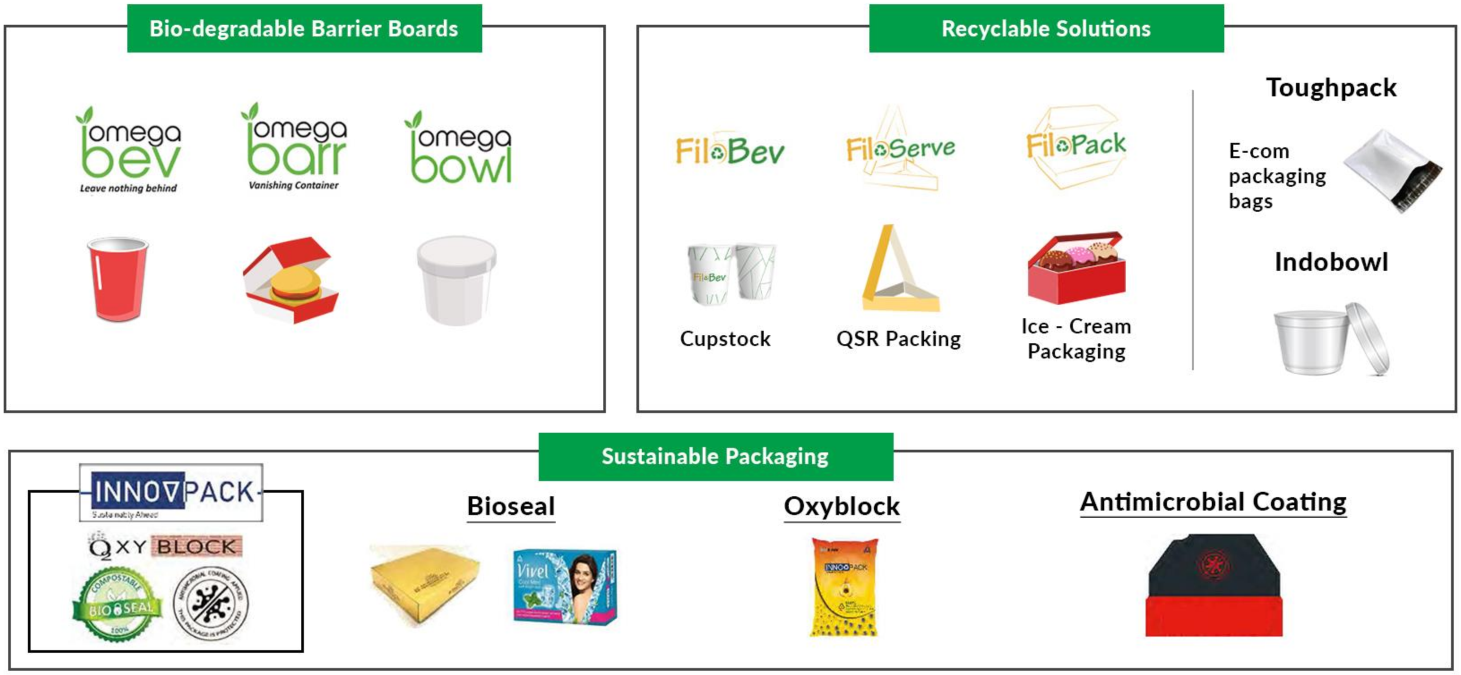
In the recent years, ITC took major decisions to improve the performance of its paper segment:

- The company increased its contribution from value-added products such as wrappers for liquor and pharmaceuticals to de-risk its business and improve profitability,
- Sourcing pulp from its agribusiness to avoid market volatility in the pulp prices
- Strengthening the fibre chain for securing cost competitive wood supplies
- Engaged in developing suitable paper & paperboards and barrier coated substrates that can replace single-use plastics.
- Adopted IoT and digital infrastructure to improve production efficiency and reduce wastage, which has further enhanced profitability

ITC's six strategy pillars for its paper segment

Source: Company Reports

ITC's sustainable solutions in paper segment

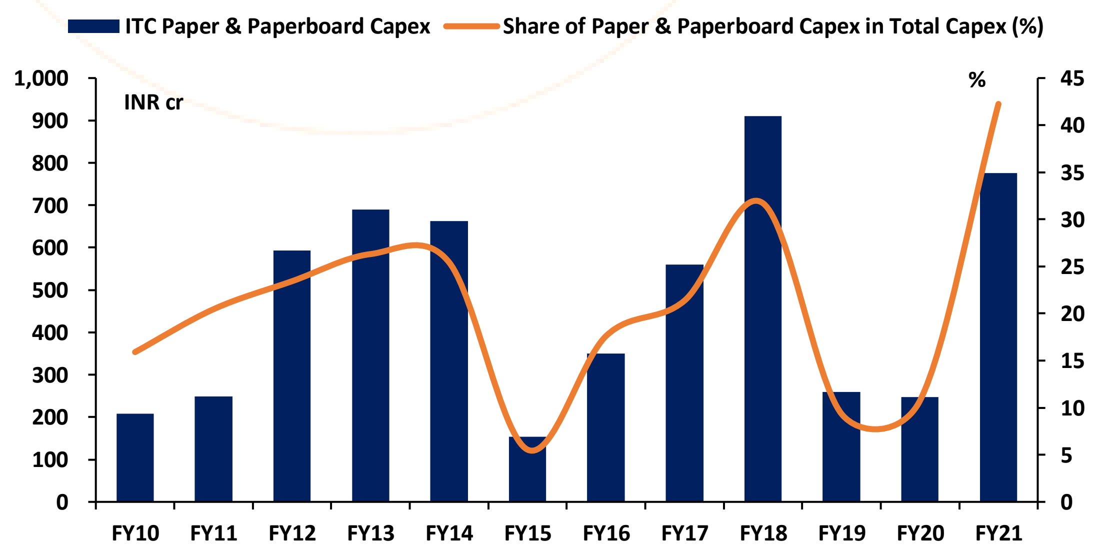


Source: Company Reports

ITC has a capacity of 9 lakh MTPA for paper/paper board and 4.5 lakh MTPA for pulp. The company is making significant investments in value-added segments, with a focus on sustainable packaging. The investments/CAPEX have been made in

- Pulp import substitution at its Bhadrachalam unit,
    - expanding the pulp mill capacity to 4.75 lakh tpa from 3.5 lakh tpa,
    - production capacity of board machines from 1 lakh tpa to 1.5 lakh tpa,
- The development of a cost-competitive fibre chain, and
- A sharper focus on operational efficiency through data analytics.

Capex share of ITC Paper & Paperboard segment in total capex has improved



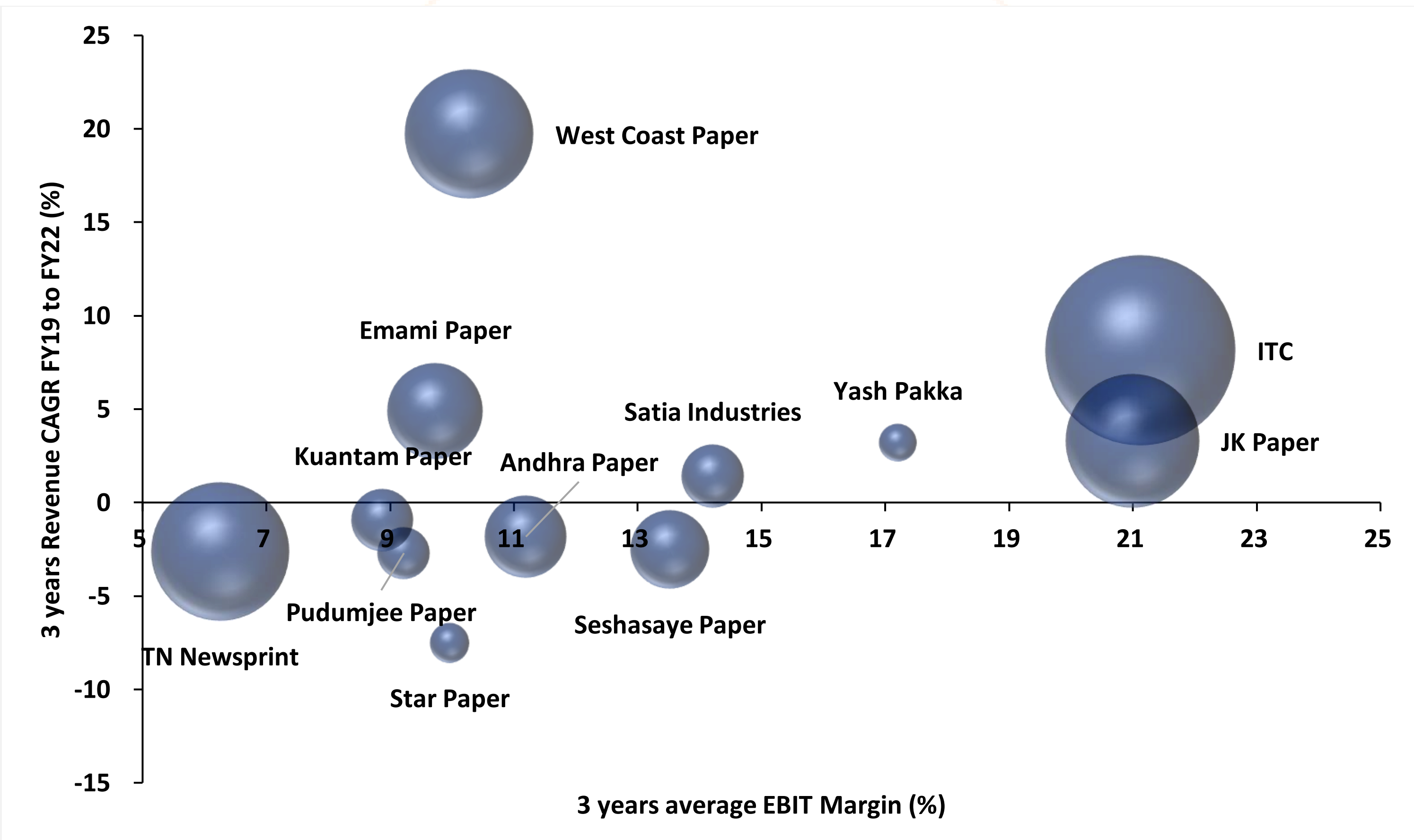
Source: Company Reports

The company is making concerted efforts to reduce plastic consumption across industries, including its in-house personal care, food, and hotel businesses. ITC's packaging division has developed an 'IndoBowl' which is used by Aashirvaad brand to pack its Aashirvaad Instant Meals in place of used-plastic packaging.

The ITC life sciences and Technology Centre working on developing hybrid solutions which strengthen fibre paper value chain.

- Filo - recyclable barrier paperboards which is used in QSR and exports,
- Omega - biodegradable paperboards,
- Bioseal - compostable packaging solution,
- Oxyblock - recyclable packaging solution for foods, edible oils, and
- Antimicrobial coating - solution for germ-free packaging surface

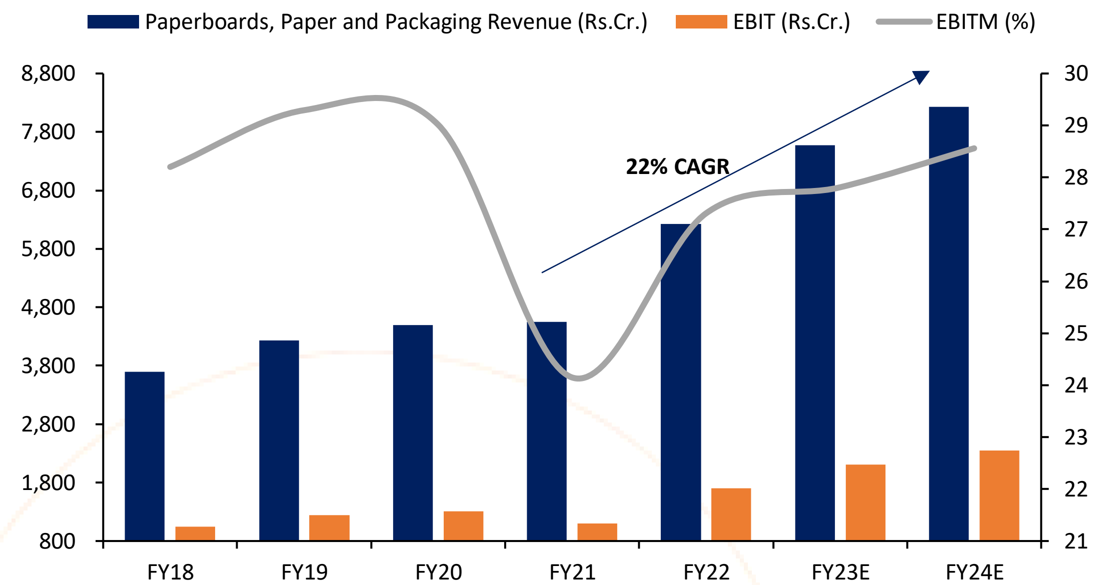
ITC Paperboard is the largest and the most profitable company in Indian Paper & Packaging space



Source: ACE Equity

Paper division performance to remain stronger

Paper division performance



Source: Company Reports & Ventura research

During FY18-21, the overall paperboards, paper, and packaging business reported a 7% revenue CAGR to INR 4,550 cr,

- paperboards and paper reported a growth of 8% in revenue CAGR to INR 4,011 cr,
- printed materials reported a growth of 4% in revenue CAGR to INR 539 cr,

EBIT grew at 2% CAGR to INR 1,099 cr. EBIT margins have declined by 405 bps to 24.1% in FY21.

During FY21-24E, we expect the paperboards, paper, and packaging business revenue to grow at 22% CAGR to INR 8,225 cr.

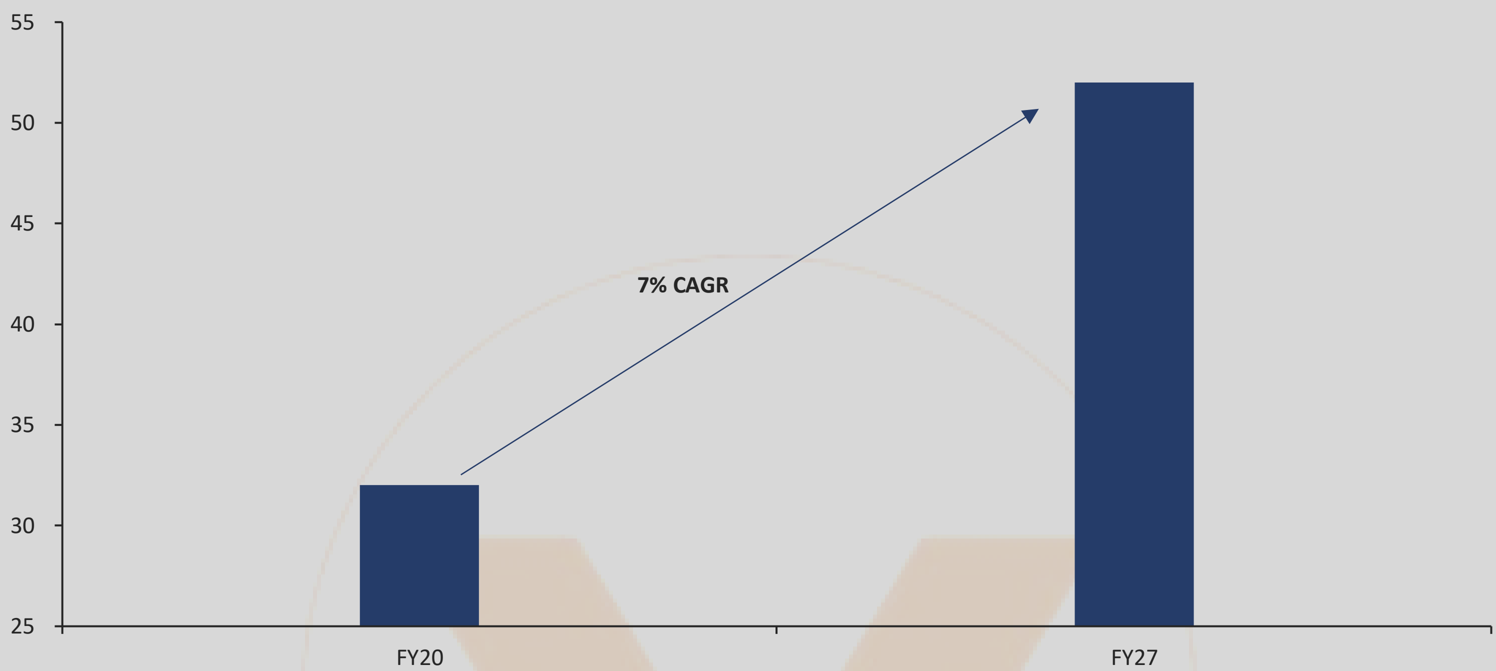
- paperboards and paper revenue is expected to grow at 23% CAGR to INR 7,421 cr,
- printed materials are expected to grow at 14% CAGR to INR 804 cr

EBIT is expected to grow at 29% CAGR to INR 2,349 cr. EBIT margins are expected to expand to 28.6% (+441 bps).

Hotel business

The USD 32 bn (FY20) Indian hotel market (including domestic, inbound, and outbound) is expected to reach ~USD 52 bn by FY27.

Indian hotel market (USD bn)



Source: Company Reports & Ventura research

This growth is driven by –

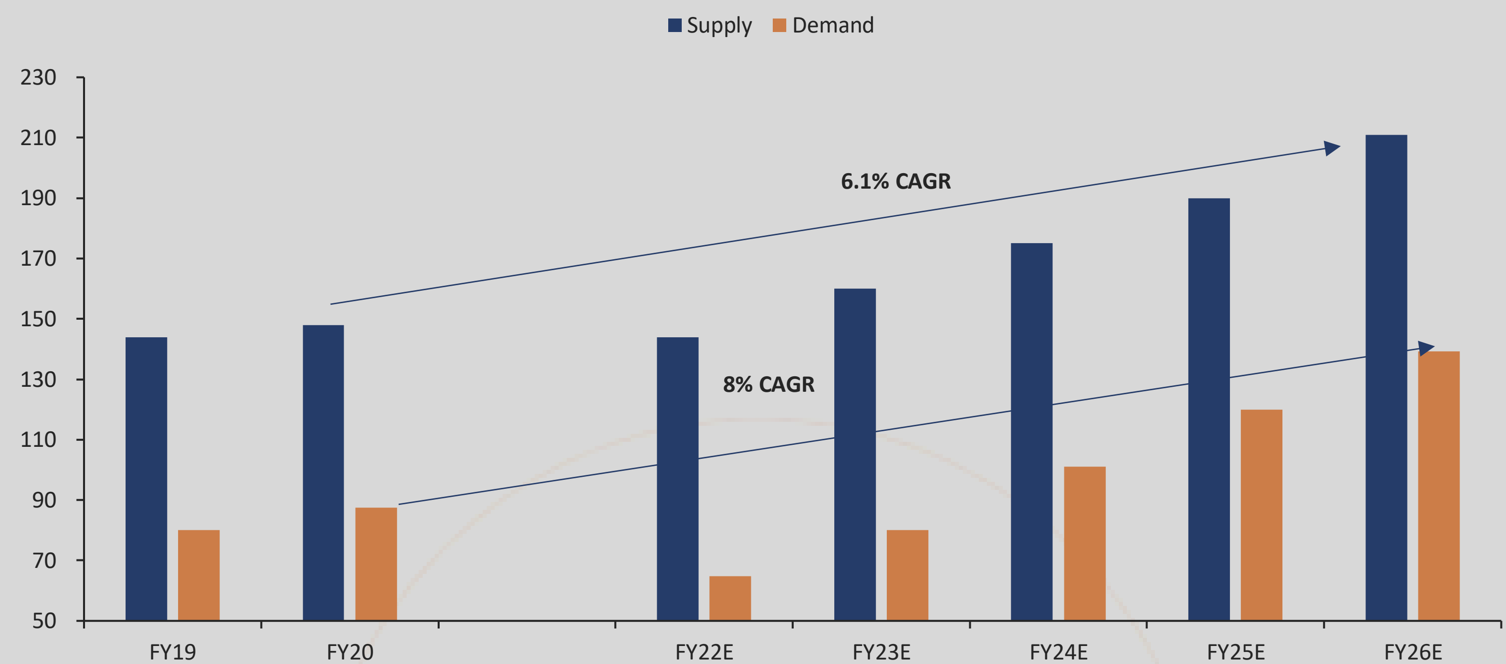
- Supply of rooms (5% CAGR to 1,80,646 rooms by FY26) to lag demand growth (7% CAGR)

Room inventory with supply

Category (Inventory in 000)	FY01	FY08	FY15	FY21	Dec'21	FY26	Dec-21- FY26 CAGR (%)
Luxury	6	10	17	25	26	32	4.7
Upper Upscale	7	10	25	30	31	37	4.8
Upscale	5	8	22	31	33	44	7.1
Upper Midscale	4	7	20	28	29	40	7.5
Midscale Economy	2	5	24	41	41	58	8.5
Total	**24**	**40**	**108**	**155**	**160**	**211**	**6.7**
% Of total							
Luxury	27	25.4	16.1	16.1	16.3	15.0	
Upper Upscale	28.8	25.8	23.4	19.4	19.2	17.7	
Upscale	21.5	18.6	20.1	20.3	20.5	20.8	
Upper Midscale	15.5	17.4	18.5	17.8	18.3	18.8	
Midscale Economy	7.2	12.9	21.9	26.4	25.8	27.6	

Source: IHCL RHP, Company, Ventura research

All India – Rooms Supply vs Demand (in '000s)



Source: Company Reports & Ventura research

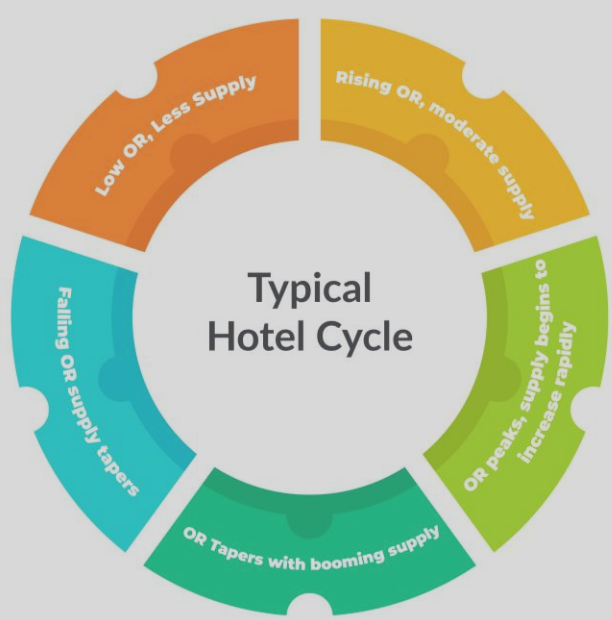
The cyclical trend of the Indian hotel industry

FY18-22

Supply is expected to consolidate at a CAGR of 6.9% occupancy rates are expected to grow at a CAGR of 2.6% ARRs were expected to experience an uptick by growing at a CAGR of 3% Thus, Industry revenue in expected to increased by ~12%

FY03-08

Supply grew at a CAGR of 7.6% Occupancy rates grew at a CAGR of ~5% ARR grew robustly at a CAGR of ~15% Industry revenue increased by ~21%



FY13-17

Oversupply persist by growing at a CAGR of ~9% Occupancy rates turned around & grew at a CAGR of 3% ARRs remained flat a a CAGR of -0.5% Thus, Industry revenue was muted at a CAGR of ~2.5%

FY09-13

Supply grew at a CAGR of 19.4% (Oversupply) Occupancy rates were muted at a CAGR of -1% ARRs were under pressure due to oversupply resulting in degrowth at a CAGR of -7% Thus, Industry revenue fell by ~8%

Source: Company, Ventura research

However, going forward, demand is expected to outpace supply by a huge margin which can help in an uptick in RevPAR.

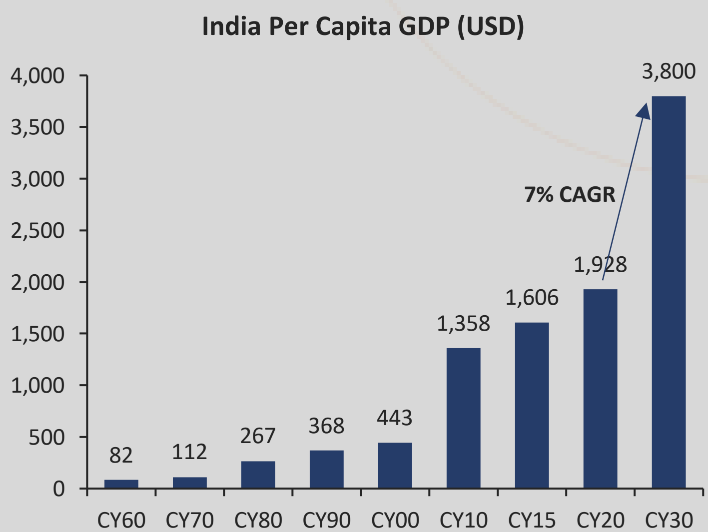
Favorable demand-supply gap

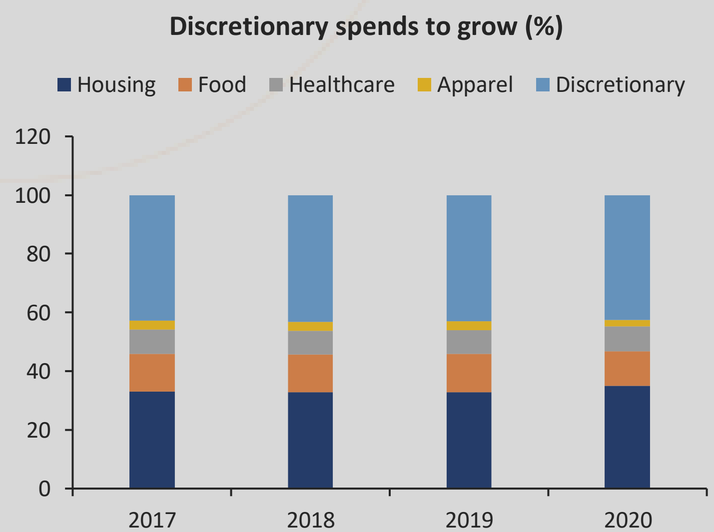
5-year supply growth City	Proposed supply CAGR FY21-FY26E	Room demand growth (FY13-19) FY13-19	Dominant demand contributors
Agra	6.3%	10.9%	Pure Leisure
Ahmedabad	4.7%	6.3%	Corporate travel and some MICE
Bengaluru	7.7%	12.1%	OMR: IT/ITES business travel, ECR – leisure, staycation, long stay
Chennai	1.1%	9.1%	Diplomatic travel, MICE
New Delhi	1%	7.3%	Business travel, MICE, weddings and social events
Gurugram	7.2%	7.3%	
Noida	18.4%	14.2%	Pure leisure, casinos drive
Goa	7.8%	8.3%	Same as Bengaluru
Hyderabad	2.1%	10.7%	
Jaipur	8.9%	9.1%	Wedding, social, inbound leisure
Jaipur	8.9%	9.1%	Wedding, social, inbound leisure
Mumbai	8.0%	4.2%	Corporate Travel
Pune	2.4%	6.5%	
Others	10.9%		
Overall	**7.2%**	**9.7%**	

Source: MoT, Company, Ventura research

- Domestic expenditure on tourism will expand given
  - the increasing penchant to travel
  - Improving Per capita income and
  - discretionary spending

Growth in per capita GDP to invites growth in discretionary spends

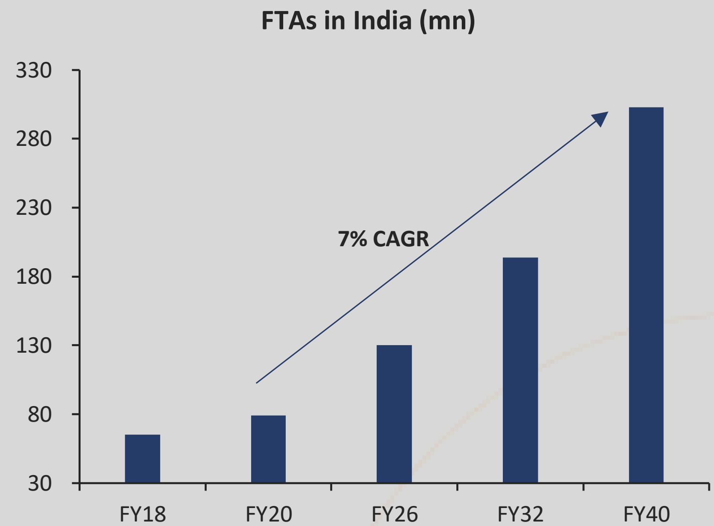


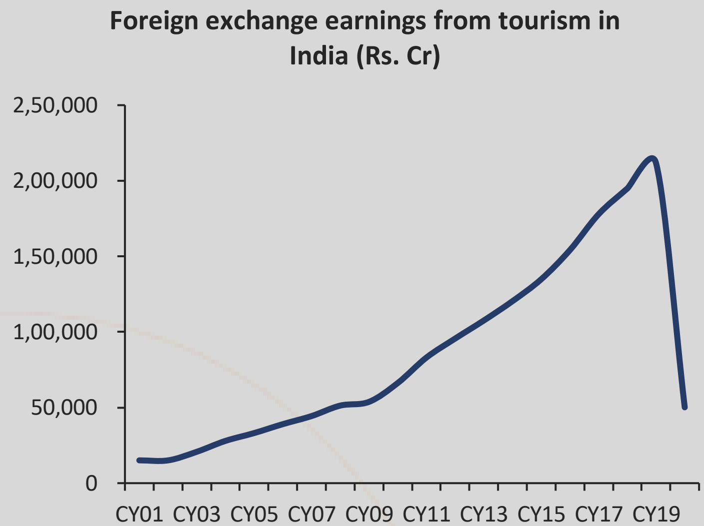


Source: Bureau of Immigration, Govt. of India, Vision 2040 FICCI, IBEF, Company Reports

- Foreign Tourist Arrivals (FTAs) to see a marked increase due to the increasing importance of India as a business hub. China+1, PLI initiative and Aatmanirbhar Bharat to propel India's business ranking

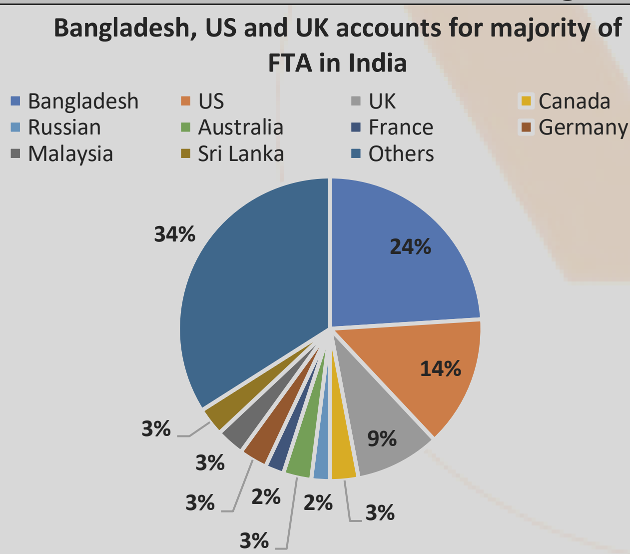
FTAs growing on a strong economy

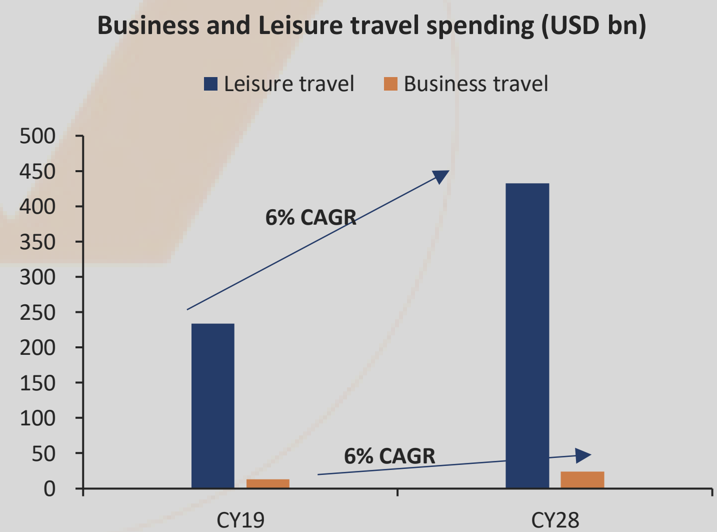




Source: Bureau of Immigration, Govt. of India, Vision 2040 FICCI, IBEF, Company Reports

FTAs growing on a strong economy





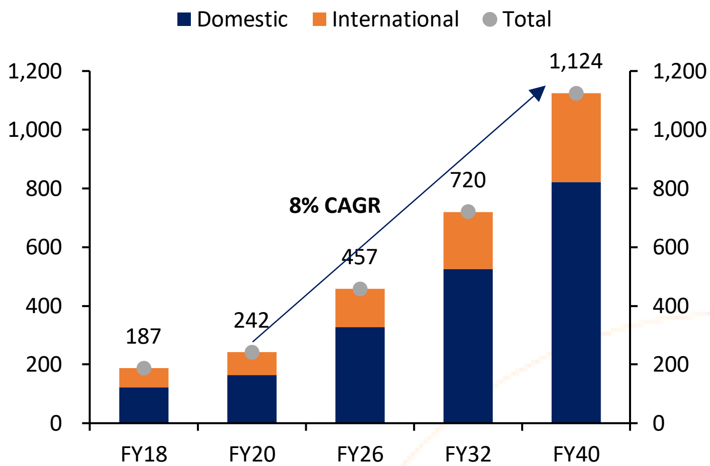
Source: Bureau of Immigration, Govt. of India, Vision 2040 FICCI, IBEF, Company Reports

For any further query, please email us on research@ventura1.com

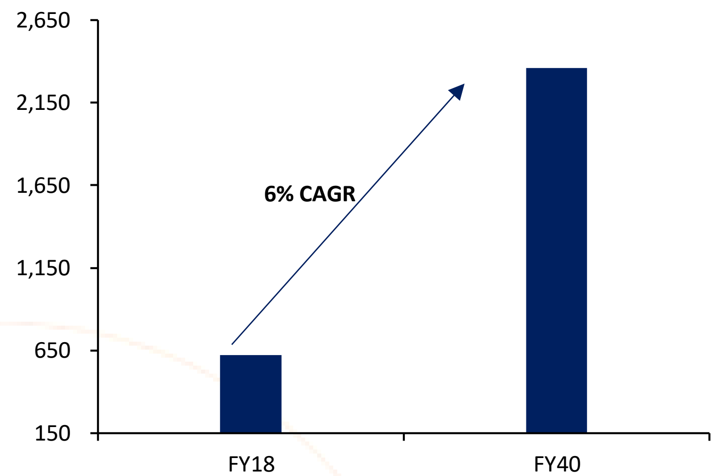
- Improving rail, road, and air connectivity to boost travel convenience in India

Rail, road, and air connectivity

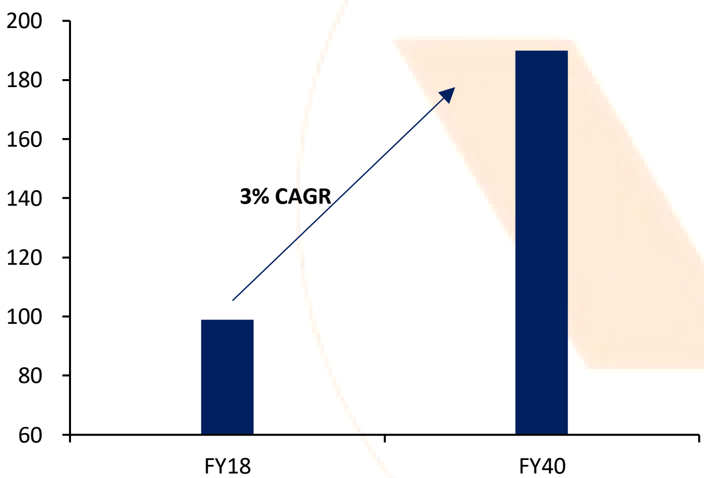
Total passengers to, from and within India (mn)



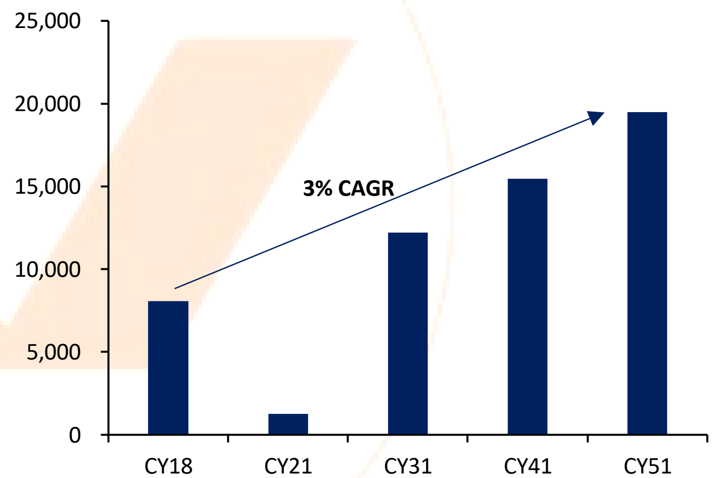
Scheduled airline fleet



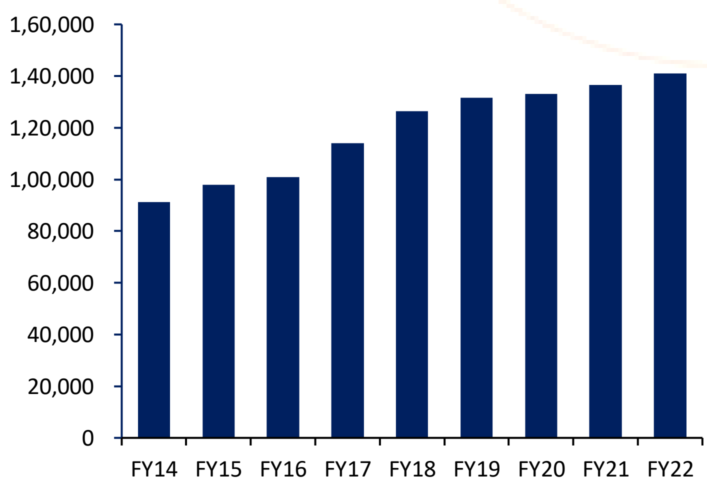
Number of operational airports



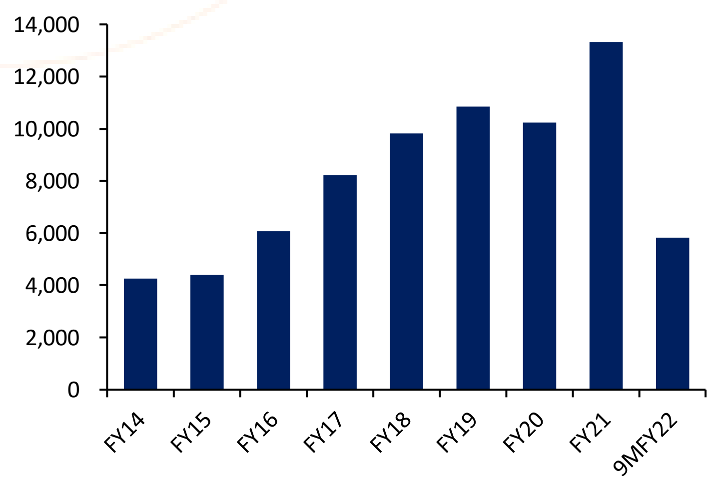
Indian railway annual passengers (in mn)



National Highways (km)



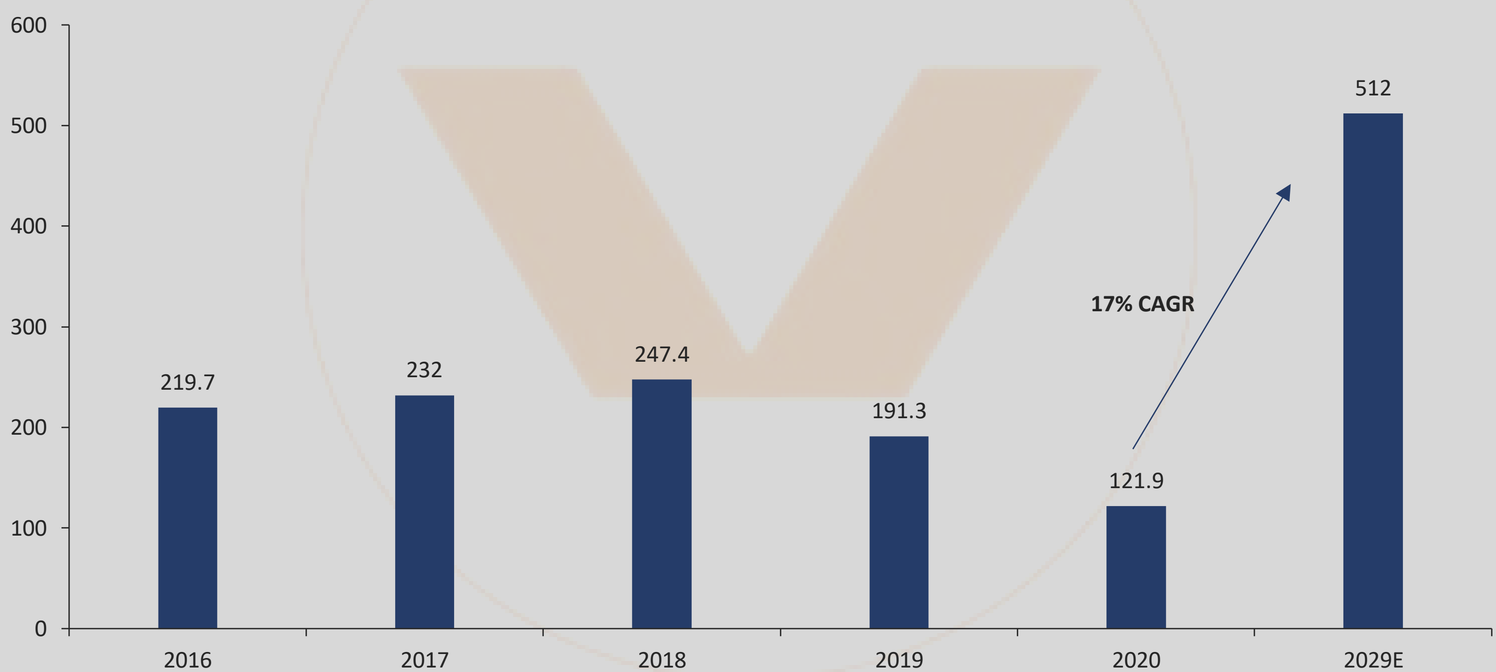
Roads and bridges constructed (km)



Source: Morth, Vision 2040 FICCI, IBEF, Company Reports

- Government initiatives
  - one-month free tourist visas to 5 lakh tourists until March 31, 2022,
  - Draft tourism policy to be unveiled soon which should help boost India as a tourist destination,
  - The government also launched a portal System for Assessment, Awareness, and Training for Hospitality Industry (SAATHI) to promote safety & hygiene in the hotel industry,
  - In November 2021, the Ministry of Tourism signed an MoU with IRCTC to strengthen the hospitality and tourism industry. The ministry has also signed an MoU with Ease My Trip, Cleartrip, Yatra.com, Make My Trip, and Goibibo,
  - Swadesh Darshan (Integrated Development of Tourist Circuits around specific themes),
    - Krishna Circuit,
    - Buddhist Circuit,
    - Himalayan Circuit,
    - North East Circuit, and
    - Coastal Circuit
  - Vision 2040 to encourage domestic tourism

Tourism sector contribution to GDP (USD bn)



Source: Vision 2040 FICCI, IBEF, Company Reports

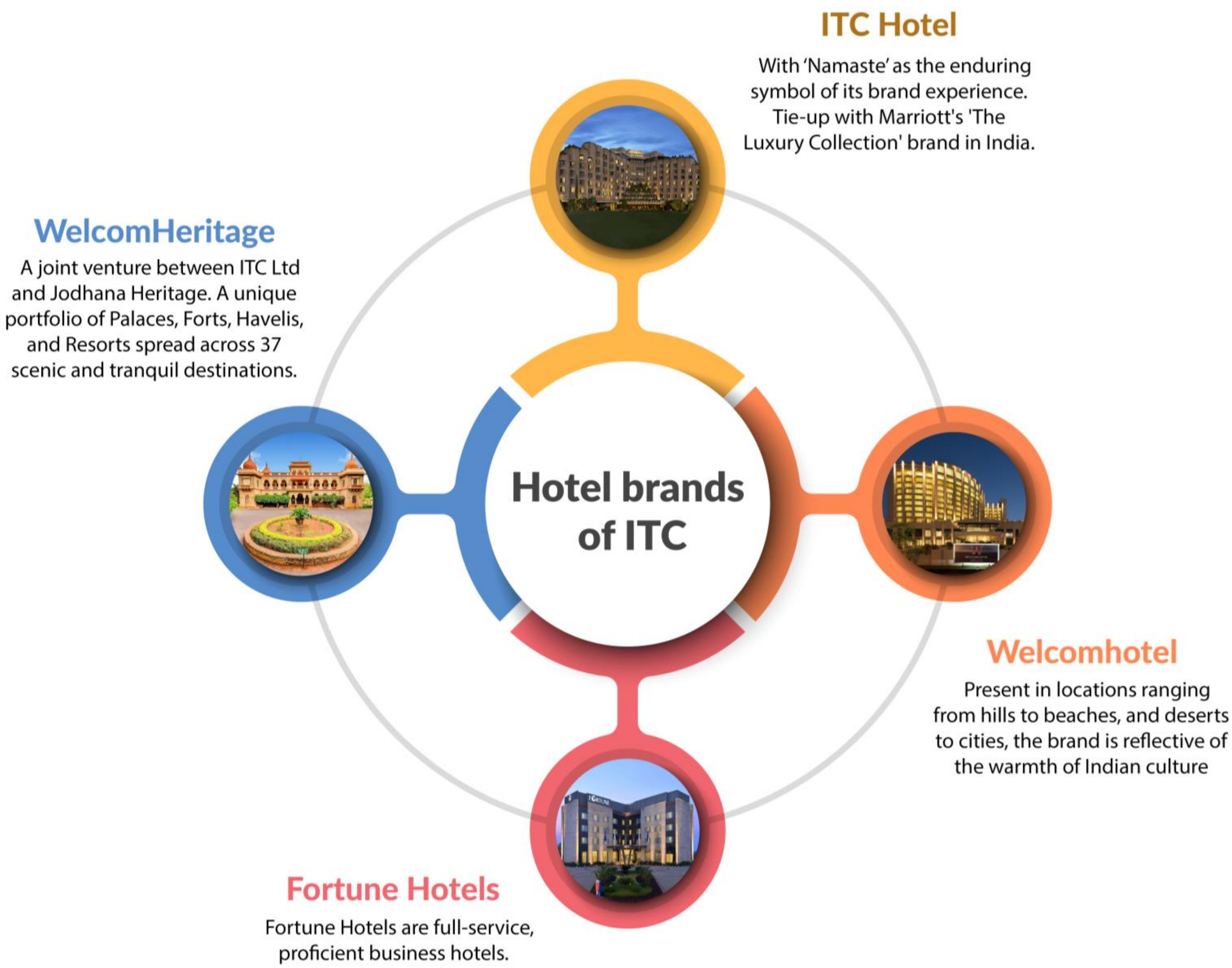
- **Rising FDI:** The hotel & tourism sector received a cumulative FDI inflow of US$ 15.89 billion between April 2000 and June 2021. Carlson group currently has 94 operating hotels and is planning to add about 30 more hotels by end of 2023,

- **Infrastructure:** More than half of the Ministry of Tourism's budget is channelized for funding the development of destinations, circuits, mega projects as well as rural tourism infrastructure projects, and

- Medical tourism and eco-tourism - International experts have already predicted a 110% growth in the medical tourism sector, from USD 5-6 billion in 2019 to USD 13billion in 2022. In terms of footfall, by 2030 alone, the country is expected to treat over 3 million international patients, four times the footfall currently manage.

ITC launched the hotel business in 1975. The hotel division has various hotel brands under its umbrella.

Hotel brands of ITC



Source: Company Reports

Hotel portfolio of ITC

Brand	Name of Hotels	Locations	Rooms & Suites/ Studio Apartments	Area sq. m
ITC Hotels	ITC Maurya	New Delhi	437	
	ITC Grand Bharat Retreat	Gurugram	104	1214056
	ITC Grand Goa Resort & Spa	Goa	252	182108
	ITC Grand Chola	Chennai	600	
	ITC Maratha	Mumbai	380	
	ITC Grand Central	Mumbai	242	
	ITC Gardenia	Bengaluru	292	
	ITC Windsor	Bengaluru	240	
	ITC Kohenur	Hyderabad	274	
	ITC Kakatiya	Hyderabad	188	
	ITC Royal Bengal	Kolkata	456	
	ITC Sonar	Kolkata	237	
	TC Mughal Resort & Spa	Agra	233	93077
	ITC Rajputana	Jaipur	218	
	Sheraton	New Delhi	220	
	Total		**4373**	
Welcomhotel	Welcomhotel By ITC Hotels	Ahmedabad	129	
	Welcomhotel By ITC Hotels	Amritsar	101	
	Welcomhotel By ITC Hotels	Aurangabad	136	
	Welcomhotel By ITC Hotels	Amritsar	101	32374
	Welcomhotel By ITC Hotels	Aurangabad	136	52609
	Welcomhotel By ITC Hotels	Bengaluru	115	
	Welcomhotel By ITC Hotels	Bhubaneswar	107	
	Welcomhotel By ITC Hotels	Chail, Shimla	65	
	Welcomhotel By ITC Hotels	Chennai	171	
	Welcomhotel By ITC Hotels	Chennai	90	
	Welcomhotel By ITC Hotels	Coimbatore	103	
	Welcomhotel By ITC Hotels	Guntur	104	
	Welcomhotel By ITC Hotels	Jodhpur	98	40468
	Welcomhotel By ITC Hotels	Katra	83	
	Welcomhotel By ITC Hotels	Khimsar	89	60703
	Kences Palm Beach	Mamallapuram-Chennai	94	36421
	The Savoy	Mussoorie	70	
	Welcomhotel By ITC Hotels	Dwarka, New Delhi	392	
	Pine N Peak	Pahalgam	66	
	Bella Vista	Chandigarh	49	
	Welcomhotel By ITC Hotels	Bay Island, Port Blair	46	
	Welcomhotel By ITC Hotels	Shimla	47	
	Welcomhotel By ITC Hotels	Alkapuri,Vadodra	133	
	Welcomhotel By ITC Hotels	Visakhapatnam	104	
	Total		**2629**	

Source: Company Reports & Ventura research

Hotel portfolio of ITC

Brand	Name of Hotels	Locations	Rooms & Suites/ Studio Apartments	Area sq. m
Fortune Hotels	Fortune Inn Haveli	Gandhinagar	84	
	Fortune Murali Park	Vijayawada	107	
	Fortune Resort Heevan	Srinagar	39	
	Fortune Park Airport Road	Hubballi	90	
	Fortune Park Panchwati	Kolkata	67	
	Fortune Inn Grazia	Noida	42	
	Fortune Select SG Highway	Ahmedabad	90	
	Fortune Park Sishmo	Bhubaneswar	72	
	Fortune Landmark	Ahmedabad	95	
	Fortune Park Galaxy	Vapi	97	
	Fortune Inn Promenade	Vadodara	86	
	Fortune Park	Ahmedabad	77	
	Fortune Select Trinity	Bengaluru	142	
	Fortune Pandiyan Hotel	Madurai	57	
	Fortune Select Exotica	Navi Mumbai	85	
	Fortune Park BBD	Lucknow	63	
	Fortune Miramar	Goa	45	
	Fortune Select Global	Gurugram	107	
	Fortune Resort	Benaulim Goa	96	
	Fortune Park Lake City	Thane	34	
	Fortune Inn Valley View	Manipal	68	
	Fortune Park	Haridwar	48	
	Fortune Park Pushpanjali	Durgapur	89	
	Fortune Park	Dalhousie	57	
	Total		**1837**	

Grand Total : 8839

Source: Company Reports & Ventura research

Upcoming hotels of ITC

Brand	Name of Hotels	Locations	Rooms & Suites/ Studio Apartments	Estimated Openings
ITC Hotels	ITC Narmada	Ahmedabad	291	2022
	ITC Ratnadipa	Colombo, Sri Lanka	352	2023
	Mementos	Udaipur	122	soon
Welcomhotel	Hukam's Lalit Mahal	Raipur	143	soon
	Welcom by ITC Hotels	Jim Corbett	62	Soon
Fortune Hotels	Fortune Park	Hoshiarpur	58	June'22
	Fortune Park	Tiruppur	63	Soon

Source: Company Reports & Ventura research

ITC's Hotel segment is poised to benefit from favorable industry tailwind

ITC's among the top 5 hotel chain in India and presence across all major travel location in India.

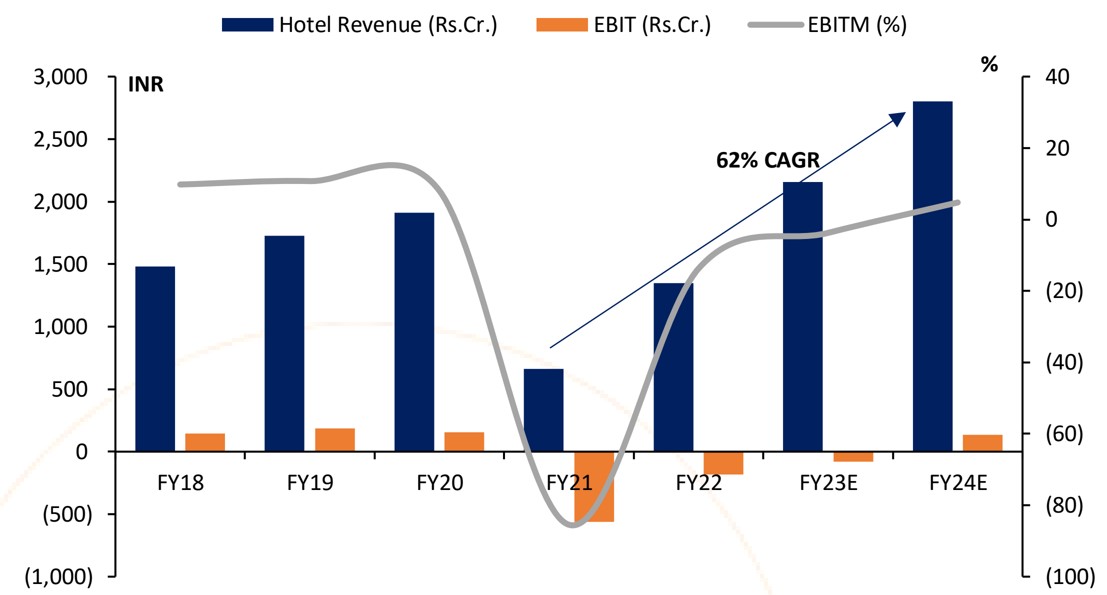
ITC has a presence across a major number of destinations

	All India (All Segment)			All India (Luxury - Upper Scale)		
	Hotels	Rooms (in 000's)	Destinations	Hotels	Rooms (in 000's)	Destinations
Total	**631**	**45.8**	**130**	**129**	**13.7**	**52**
Marriott	27	3.9	13	14	2.3	8
IHCL	61	5.1	39	39	3.6	28
Radisson	38	3.9	23	11	1	11
ITC	54	3	39	3	0.7	3
Accor	13	2	7	2	0.3	2

Source: MoT, Company, Ventura research

ITC's hotel business to witness strong resurgence in operating performance given the tailwinds

Hotel segment performance



Source: IBEF, Company Reports & Ventura research

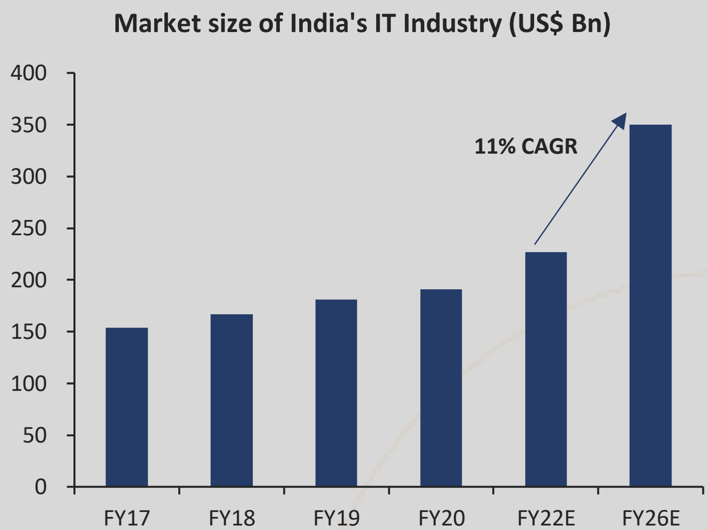
During FY18-21, the hotel business reported a de-growth of 24% in revenue CAGR to INR 660 cr, while EBIT turned to a loss of INR 564 cr in FY21 compared to a profit of INR 145 cr in FY18. This loss is mainly due to the Covid-19 pandemic & restrictions.

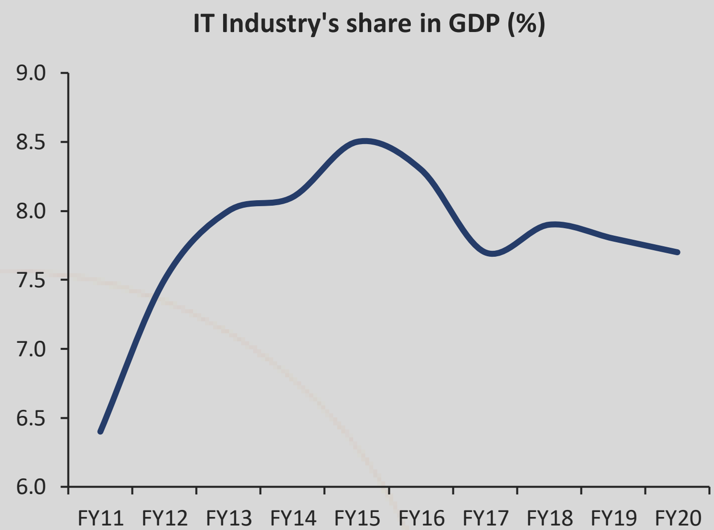
During FY21-24E, we expect the hotel business revenue to grow at a 62% CAGR to INR 2,803 cr. EBIT is expected to turn profitable to INR 133 cr in FY24 compared to a loss of INR 564 cr in FY21. EBIT margins are expected to expand to 4.8% (+9022 bps).

IT Industry

The USD 227 bn (FY22) Indian IT sector revenue is estimated to grow at 11% CAGR to USD 350 bn by FY26, the sector contributed 9% to the national GDP, and accounted for 51% of services exports.

IT Industry



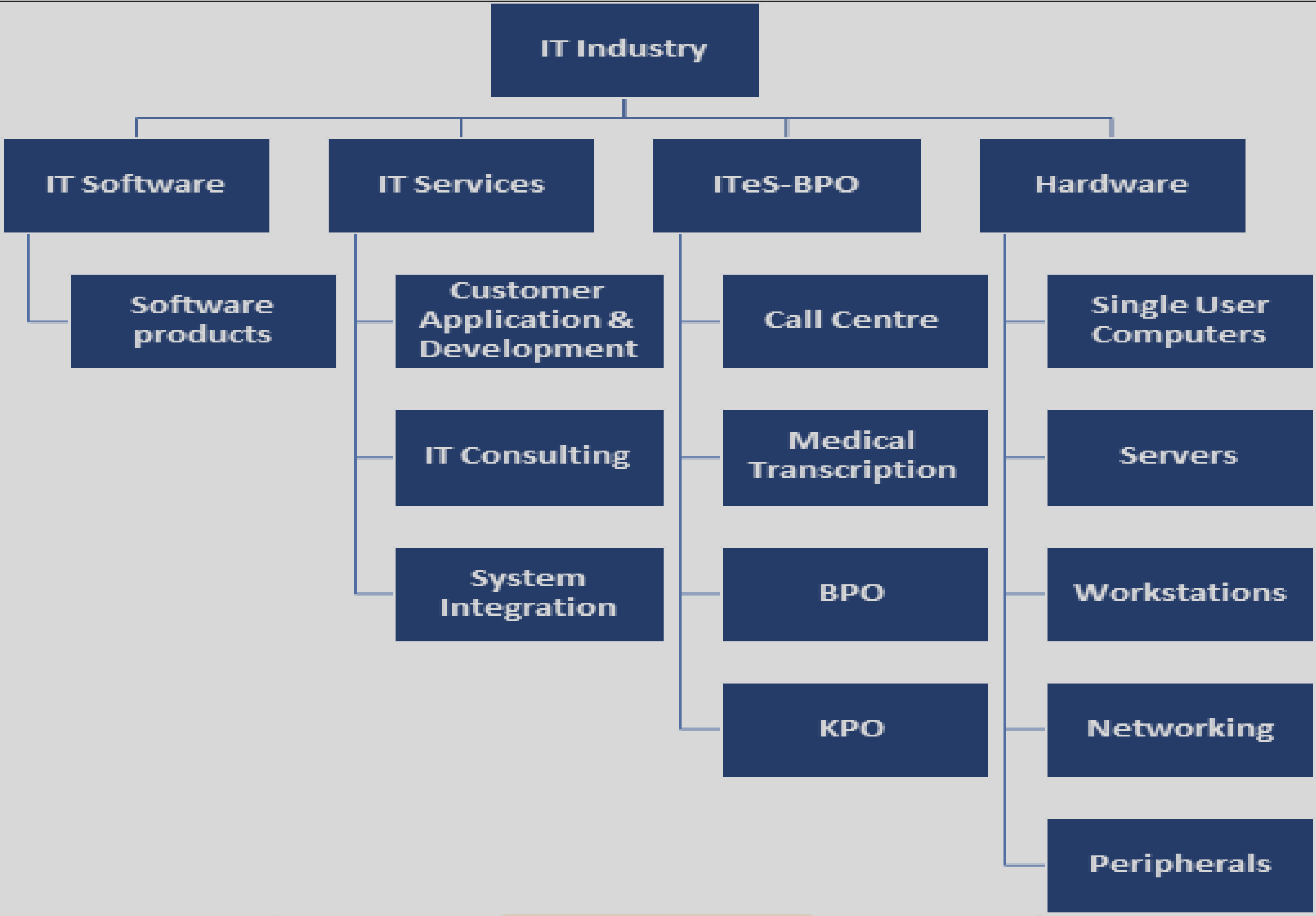


Source: IBEF, Company Reports & Ventura research

This growth is driven by

- India has a comparative advantage in the global IT sector at least in terms of cost.
- With a large pool of workers having software and language skills, it can move toward producing higher value-added goods and services. The availability of a large number of workers with a combination of engineering and managerial skills will definitely be helpful to move toward higher value-added goods and services.
- New IT-based technologies such as telemedicine, remote monitoring, etc. are expanding and boosting the demand in the digital economy. India is expected to have a digital economy of USD 1 tn by CY25.
- The rollout of 5G communication technology, growing adoption of artificial intelligence, Big Data analytics, cloud computing and the Internet of Things (IoT) will further, expand the size of the IT industry in India.
- As the manufacturing sector looks to grow its contribution from 15% to 25% of the country's GDP, the next decade will focus on it adopting cognitive solutions. The industry already witnessing the increased pace of digitalization, along with technology adoption including AI and Internet-of-Things.
- Government initiatives
    - increased digitization and technological advancements in the banking space
    - driving the insurance sector to accelerate the pace of digital transformation
    - Government established SEZs
    - In Union Budget 2022-23, the allocation for IT and telecom sectors stood at INR 88,568 cr (US$ 11.6 bn).
    - The government introduced the STP Scheme, which is a 100% export-oriented scheme for the development and export of computer software, including export of professional services using communication links or physical media.

IT Industry structure

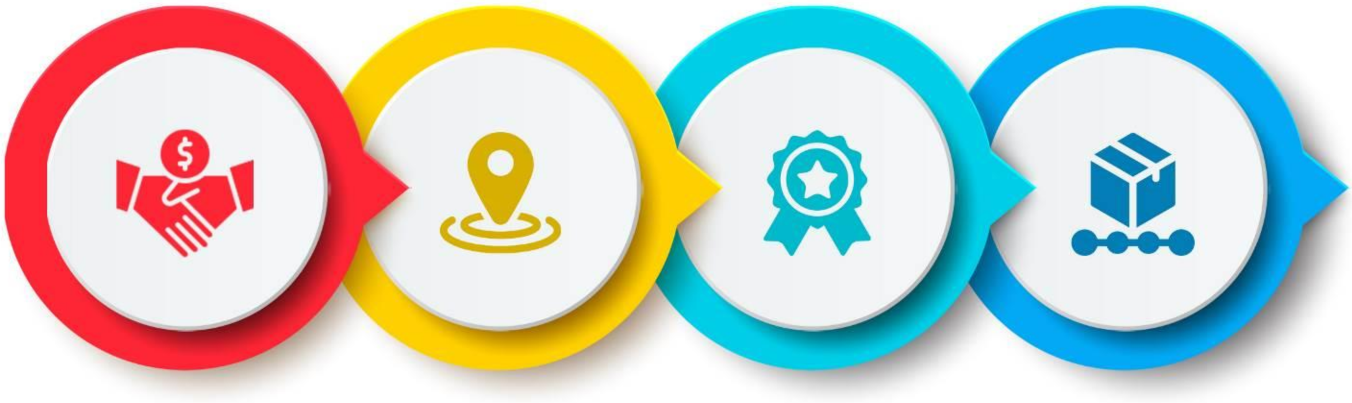


Source: IBEF, Company Reports & Ventura research

IT Business of ITC

ITC Infotech, incorporated in October 2000, is a wholly-owned subsidiary of ITC Ltd. It is an SEI CMM Level 5 and BS7799-certified company, and provides end-to-end IT solutions and services. ITC Infotech is one of the leading global technology services and solutions providers, led by business and technology consulting. The company provides technology solutions and services to enterprises across industries such as BFSI, healthcare, manufacturing, consumer goods, travel and hospitality, through a combination of traditional and newer business models.

Journey of ITC's IT business



2001-2003

First ODC for UK based bank. Stretegic partnership with PTC.

2004-2006

Technology backbone for ITC's e-Choupal. Launches operations in Norway and opened

2007-2009

Become the first Indian IT company to be SA 8000:2008 certified. Microsoft

2010-2012

New office in Singapore and Australia. Names SAP's executive partner for Supply Chain Performance. Manage-ment in UK & Ireland

2013-2015

iTech-ITC Infotech's annual event success-fully launches. Won the 2014 European Outstanding Award EOA for our engagement with Danske Bank.

2016-2018

Expanded PLM offering to Retail & Apparel. Enhanced Integrated Cloud Offering

2019

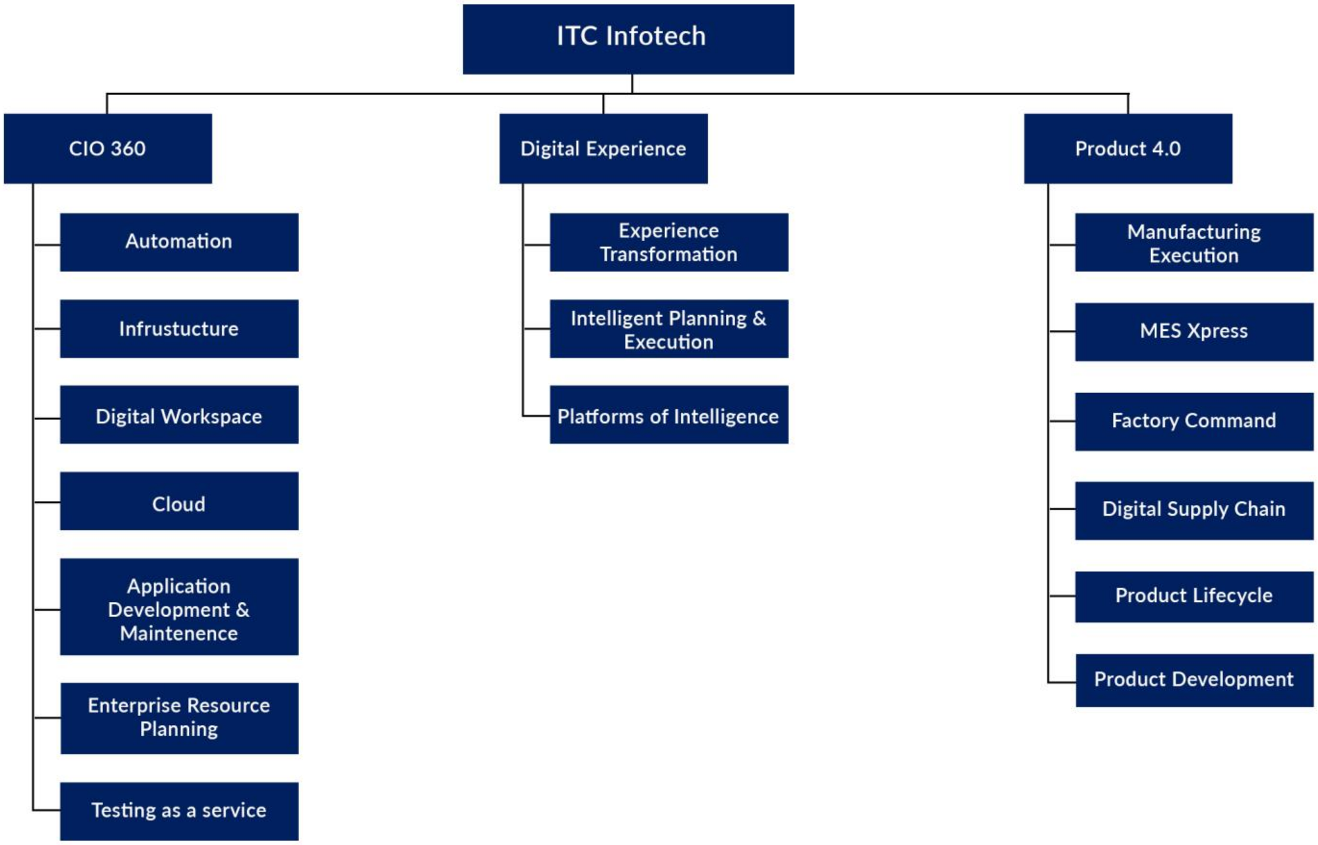
Recongnized in the Leaders category in the 2019 Global Outsourcing 100 by IAOP and featured as 'Super Star of the Global Outsourcing 100' for Sustained Excellence

2020-2021

Won 12 global awards acoss capabilities and support functions. Won 3 awards in the 19th Asia Pacific HRM Congress awards 2021.

Source: Company Reports

ITC's IT business at a glace



Source: Company Reports

ITC Infotech's solutions

1. CIO 360

a. Automation

ITC Infotech presents a significantly differentiated automation offering in order to make processes leaner without changing them. Through RPA it is helping organizations to create automation as an organizational capability, simplifying the work for individuals, and enhancing the speed of operations.

b. Infrastructure

ITC Infotech with a team of experts provides customers with simplified digital ready IT Infrastructure services around a wide spectrum of elements that help them achieve their business goals. The localized delivery centers specialize in delivering infrastructure management services, workplace solutions, and cloud and security services to customers that include Fortune 1000 businesses.

c. Digital Workplace

ITC Infotech offers some of the features that make it unique in digital workspace is redefining SLAs to measure Experience Level Agreement (eXLA), secure and govern leveraging the industry best platform provided "as a Service" model, End-to-end service ownership and delivery, Team of skilled and certified professionals, beyond just IT – End user Experience extended to other enterprise functions for greater adoption.

d. Cloud

ITC Infotech differentiates itself with features like redefining SLAs to measure Experience Level Agreement (eXLA), Secure and govern leveraging the industry best platform provided “as a Service” model, End-to-end service ownership and delivery, Team of skilled and certified professionals etc.

e. Application development & Maintenance

ITC Infotech delivers ADM solutions and services that transform customer businesses into a lean organization through vision backed by experience, unmatched implementation expertise and dependable run operations.

f. Enterprise Resources planning

ITC Infotech has a proven track record of delivering quality end-to-end ERP solutions & services to highly demanding Manufacturing and Consumer Packaged Goods (CPG) customers. With a strategic partnership with Oracle and SAP, follows a domain-centric, consultative approach to design and deliver solutions.

g. Testing as a services

ITC Infotech’s testing services assure the best-in-class testing process and methodologies and Intelligent solutions and accelerators to deliver functional, digital, performance, and security assurance services.

2. Digital Experience

a. Experience Transformation

ITC infotech is helping enterprises across the globe to deliver connected experiences through a design-led and persona-centric approach. It builds intelligent CX ecosystems that help design experts deliver the highest level of omnichannel customer engagement.

b. Intelligent Planning & Execution

To help businesses, ITC Infotech has partnered with Anaplan, a connected planning solution provider. Together with the platform and strong domain consulting, integration, and analytics expertise across industries, it is helping business leaders and end-users with reliable and real-time insights to enable planning with precision.

c. Platforms of Intelligence

ITC Infotech differentiates itself with features like the outcome-linked proposition with a long-term OPEX model, pre-built functional assets especially in B2C industries to accelerate problem/ scope discovery, data ingestion, and analytics and strategic partnerships for plug and play to accelerate the analytics journey.

3. **Product 4.0**

a. **Manufacturing Execution Systems**

ITC Infotech has extensive experience in delivering MES solutions backed by ITC group's strong manufacturing presence. Product certified consultants and domain experts have delivered MES services worldwide, using their deep understanding of shop floor processes to unlock the full potential of MES platforms for customers.

b. **MES Xpress**

MES Xpress by ITC Infotech, offers manufacturing companies unique alternative solutions that can be swiftly implemented and can improve time-to value while concurrently providing essential coverage of the core manufacturing processes.

c. **Factory command**

ITC Infotech's factory command & control center provides manufacturers a centralized performance management platform with enterprise-wide visualization of KPIs through real-time dashboards.

d. **Digital Supply Chain**

ITC Infotech's supply chain practice knits digital technologies, mobility, industrial IoT, cloud and operations research frameworks with the latest supply chain solutions and platforms into an agile, intelligent, and intuitive fabric for high and reliable performance.

e. **Product Lifecycle**

ITC Infotech is helping customers across industry verticals enable product innovation platforms to realize their vision to build smart connected solutions. The experts and architects understand the needs for each business.

f. **Product Development**

Global leaders in manufacturing leverage ITC's expertise for ideation, design, engineering, digital/virtual simulation, testing, manufacture, launch and aftermarket services.

'INSIGHT for Cognitive Manufacturing' is a PTC ThingWorx powered solution developed to help manufacturers traverse through the next phase of their Industry 4.0 journey.

Challenges in Manufacturing Industry

Source: Company Reports

ITC Infotech's 'INSIGHT for Cognitive Manufacturing' solution helps to address these challenges and spearheads the manufacturers to the next phase of Industry 4.0.

Offices of ITC Infotech Across Different Continents

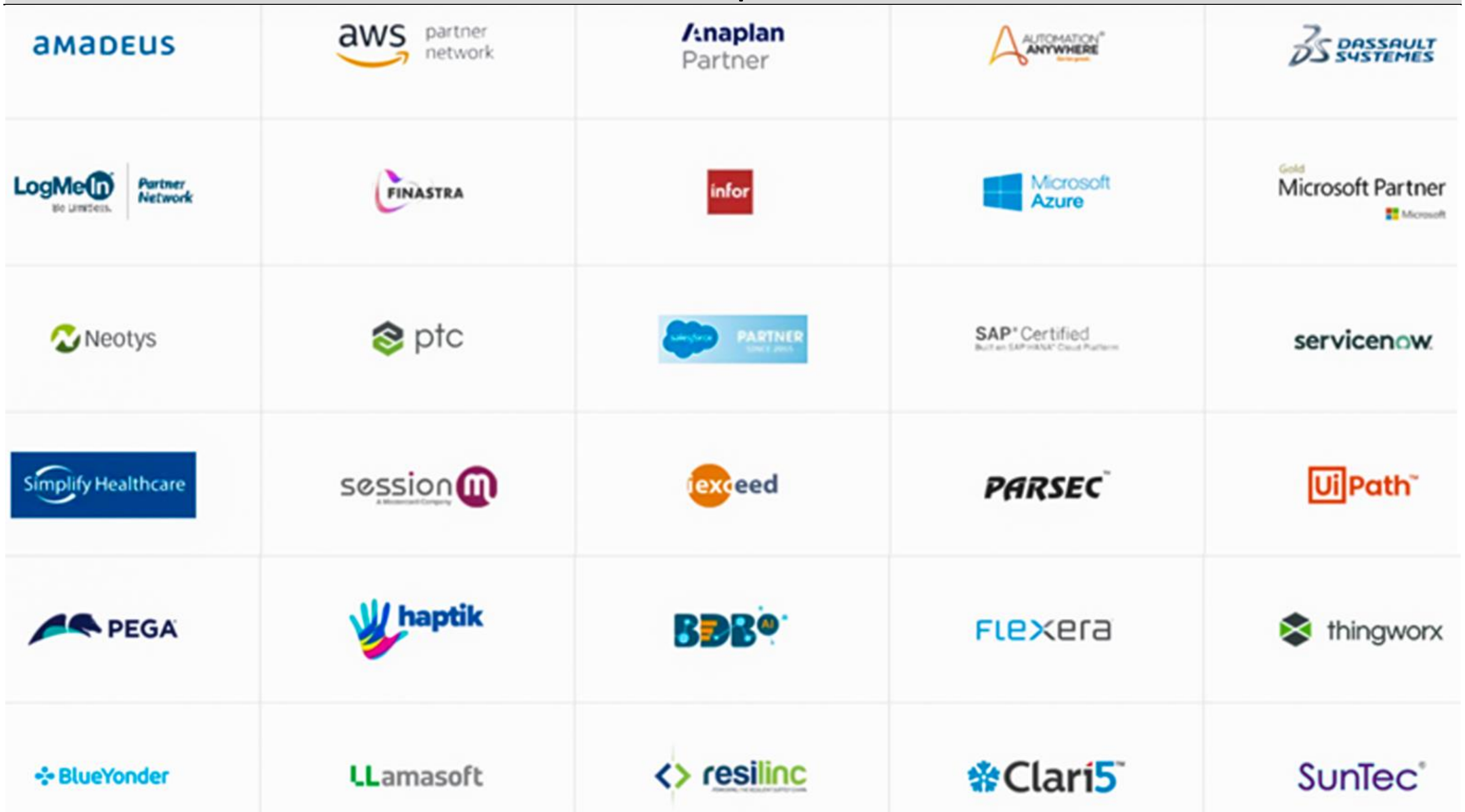
North America	Europe	Asia
USA	UK, Denmark, Spain, Finland, Norway, Czech Republic	India, Malaysia

Source: Company Reports

Strengthening business relationship

ITC is focused on achieving growth through select industry verticals. Strengthening alliances with a select set of software vendors will continue to be an important focus area of the company in automation, digital manufacturing, and data analytics, while forming and nurturing new partnerships with emerging, future-ready software vendors.

Business partners



Source: Company Reports

Industry wide growth opportunity

The continuously increasing adoption of digital technologies to drive value creation and enhance operational efficiencies, enterprises are looking at IT service providers as partners who can deliver impactful business solutions leveraging such technologies.

IT service providers continue to enhance digital offerings by collaborating with relevant independent software vendors (ISVs) and start-ups. Re-skilling and up-skilling employees in digital technologies and acquiring targets with digital or domain-related capabilities have also become a defining trend in recent times.

Global recognition due to better service delivery

ITC Infotech's superior service delivery and technology capabilities continue to earn global recognition.

- During FY21, the company improved its positioning in Avasant'sIntelligent Automation RadarView report, and was rated amongst the top service providers globally in the 'Innovators' category (from being recognized in the 'Disruptors' category in FY20).
- The company was also featured as a 'Strong Performer' in the Forrester wave report on mid-sized Robotic Process Automation service providers during FY21.
- The company's capability in manufacturing execution systems (MES) was recognized and featured in a note on 'An innovative approach for accelerating MES

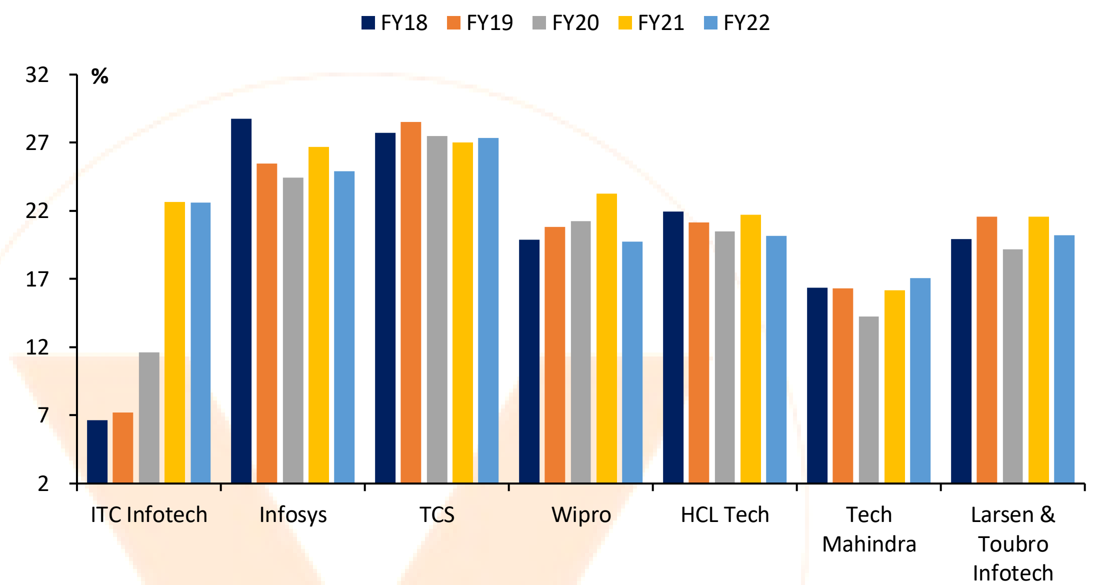
implementation' by Information Services Group, Inc. (ISG), a global technology research and advisory firm.

- The company was also awarded 'Best of The Global Outsourcing 100' service providers by International Association of Outsourcing Professionals (IAOP).

Catching up with IT peers

ITC Infotech has launched IT services during FY00. Currently, the company is posting strong profitability which is near to its peers.

Operating profitability reaching near to peers



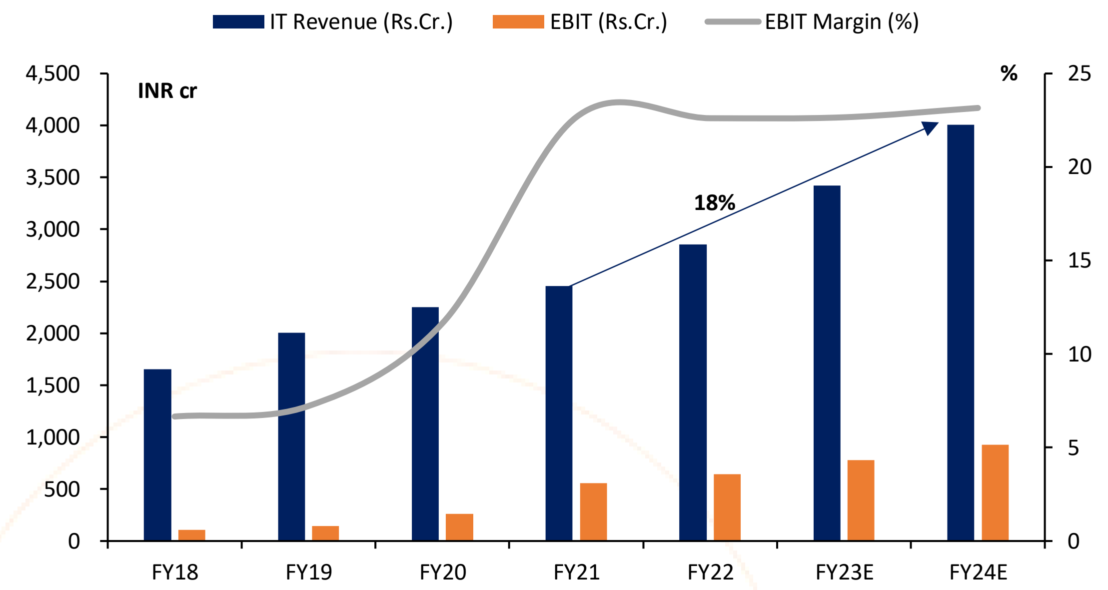
Source: Company Reports & Ventura research

Acquisition of PTC's American PLM business

ITC Infotech has acquired a decent portion of PTC's American product lifecycle management (PLM) consulting and professional services business for the consideration of USD 115 mn (USD 33 mn in cash at the time of closing of the transaction and the remaining amount comprising a mix of committed and contingent items deliverable over 5 years).

Strong growth visibility

Growth visibility



Source: Company Reports & Ventura research

During FY18-21, the IT business reported a 14% revenue CAGR to INR 2,454 cr, while EBIT grew at 72% CAGR to INR 556 cr. EBIT margins have expanded by 1,601 bps to 22.7% in FY21.

During FY21-24E, we expect the IT business revenue to grow at 18% CAGR to INR 4,006 cr, while EBIT is expected to grow at 19% CAGR to INR 928 cr. EBIT margins are expected to expand to 23.2% (+49 bps).

ITC has shown track record of improvement on ESG front

ITC's business model helps the company to sustain on an ESG front to improve its ESG rating (28.2 rating with 115th food product company out of 585 companies). During the FY21, the company sustained its 'AA' rating by MSCI-ESG which is the highest amongst global tobacco companies. And in addition, it has been included in the Dow Jones Sustainability Emerging Markets Index. This reduces ESG risk for the investors.

Highest Bloomberg ESG score among peers

In the last 8-9 years, ITC has worked on its ESG parameters and disclosures, which has improved its overall Bloomberg ESG score and it is now the highest among its peers in FMCG, liquor and tobacco space.

ITC aligned its ESG reporting standards with the Global Reporting Initiative (GRI), increased its public disclosures in the annual report, management systems, and business excellence initiatives, and remains committed to improving its ESG performance by further refining its policies and practices, as well as strengthening information disclosure procedures.

Maintained a strong ESG score among peers

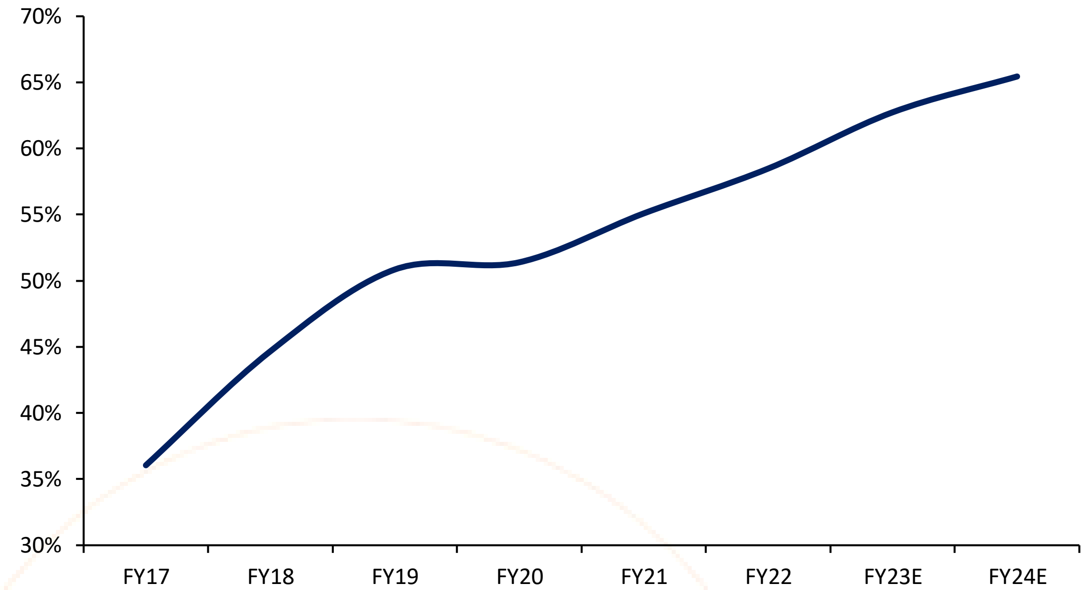
ESG Scores from Bloomberg	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
ITC Ltd	59.4	60.0	62.2	62.7	63.8	63.8	63.8	62.0	63.6	63.6
Marico Ltd	31.3	34.8	38.7	48.1	49.1	54.2	55.7	54.6	56.0	56.0
Britannia Industries Ltd	27.9	29.0	33.1	34.0	32.3	38.0	41.1	44.0	52.1	52.1
Dabur India Ltd	33.5	35.2	32.1	32.9	40.2	41.0	41.9	42.4	42.8	42.8
Hindustan Unilever Ltd	36.2	37.0	39.8	39.0	39.0	39.8	41.5	42.8	41.7	41.7
Nestle India Ltd	32.1	31.5	37.3	40.8	38.6	39.2	41.5	40.7	40.7	40.7
United Breweries Ltd	27.1	32.4	35.8	40.3	42.3	40.3	40.3	39.1	39.2	39.2
United Spirits Ltd	22.1	25.3	26.0	35.9	36.7	39.6	41.5	38.0	38.4	38.4
Godrej Consumer Prod Ltd	25.2	32.3	34.2	35.7	48.1	45.4	36.1	37.6	37.6	37.6
Godfrey Philips Ltd	20.7	21.0	24.8	24.6	31.8	32.0	36.2	36.2	36.5	36.5
Emami Ltd	22.1	22.1	25.4	25.4	25.4	33.4	34.3	35.4	35.6	35.6
VST Industriea Ltd	18.3	17.1	32.8	33.6	35.5	35.5	35.4	35.4	35.4	35.4

Mkt Cap to ESG Score (X)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
ITC Ltd	4,115	4,682	4,197	4,212	5,337	4,893	5,698	3,409	4,231	4,862
Marico Ltd	437	389	646	651	774	777	801	650	949	1,163
Britannia Industries Ltd	225	349	783	946	1,255	1,572	1,802	1,471	1,676	1,481
Dabur India Ltd	712	889	1,455	1,332	1,214	1,404	1,724	1,878	2,231	2,215
Hindustan Unilever Ltd	2,787	3,526	4,745	4,831	5,055	7,269	8,919	11,635	13,693	11,542
Nestle India Ltd	1,381	1,534	1,794	1,365	1,669	2,019	2,553	3,858	4,064	4,112
United Breweries Ltd	680	671	740	541	481	622	916	620	839	1,005
United Spirits Ltd	1,123	1,520	2,046	1,013	861	1,147	969	928	1,053	1,680
Godrej Consumer Prod Ltd	1,051	899	1,035	1,316	1,183	1,638	1,945	1,414	1,980	2,030
Godfrey Philips Ltd	138	158	89	252	185	133	167	136	130	144
Emami Ltd	411	447	897	831	942	726	529	217	610	556
VST Industriea Ltd	127	149	76	74	125	127	152	121	148	134

Source: Bloomberg and Ventura Research

The company has been working on reducing its revenue from the cigarette business by improving the revenue of a non-cigarette business. ITC has earned revenue from a non-cigarette business that was improved from 36% in FY17 to 55% in FY21 and is expected to improve to 65% in FY24E.

Growing revenue share of non-cigarette business (%)



Source: Company Reports & Ventura research

ITC is pursuing a low-carbon strategy among all its business verticals through extensive decarbonization programs.

- The Paper division - continuously improving on the energy and water usage front. Also, the only company in the Indian pulp and paper sector to have achieved the highest "Platinum plus" rating in the CII GreenCo rating system for its Bhadrachalam Unit.
- During the past 14 years, ITC has been consistently recycling over 98% of solid waste generated by its units and during FY21, the recycling level reached 99.8%.
- In FY21, under mission Sunehra Kal and 'Well Being Out of Waste (WOW)' - managed 78,000+ tonnes of dry waste and 31,000+ tonnes of post-consumer plastic waste,
- Reduction in specific energy consumption
    - Paper Business – 5.5%
    - Foods Business – 20%
    - Agri Business – 2.5%
    - Packaging & Printing – 6.6%
    - Tobacco – 0.5%

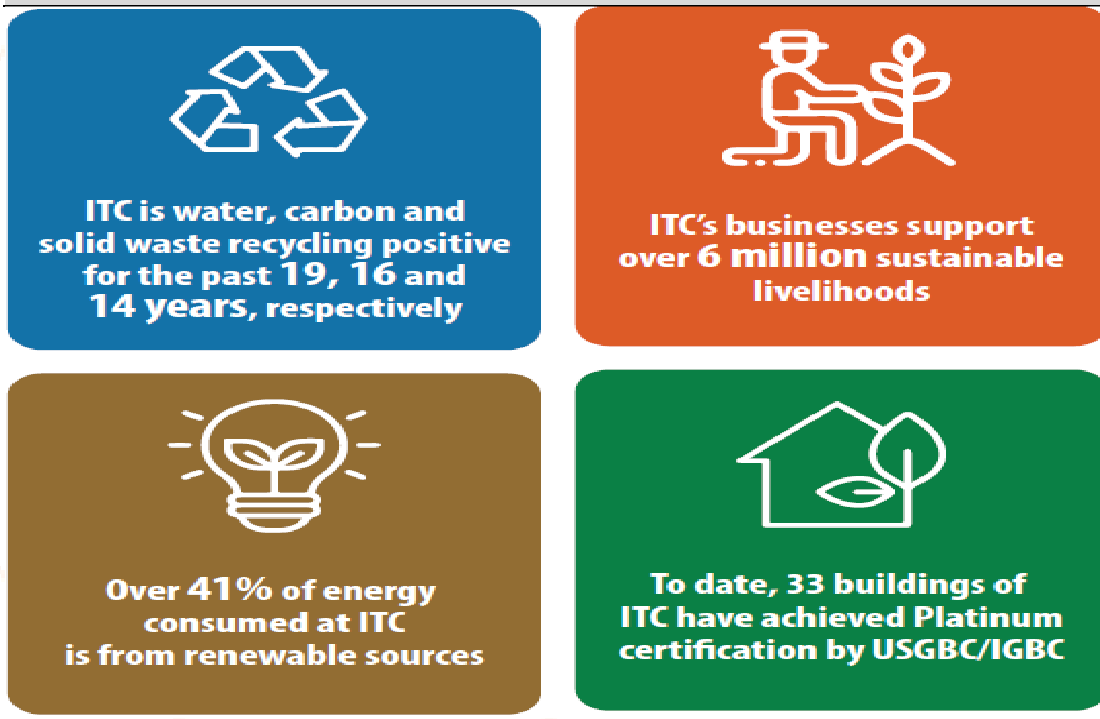
The strategy for 2030 includes –

- increasing the share of renewable energy
    - improving the share of renewable energy consumption to 50% (currently 41%+)
    - working on 100% of purchased grid electricity requirements from renewable sources
    - 30% reduction in specific energy consumption
- reduction in water consumption
    - 40% reduction in specific water consumption as compared to an FY19 baseline
    - create rainwater harvesting potential equivalent to over 5 times the net water consumption (currently, ~22,000 water harvesting structures built; net water storage of 41.95 million CuM)

- work on saving 2,000 mn kilolitres of water through improving crop water use

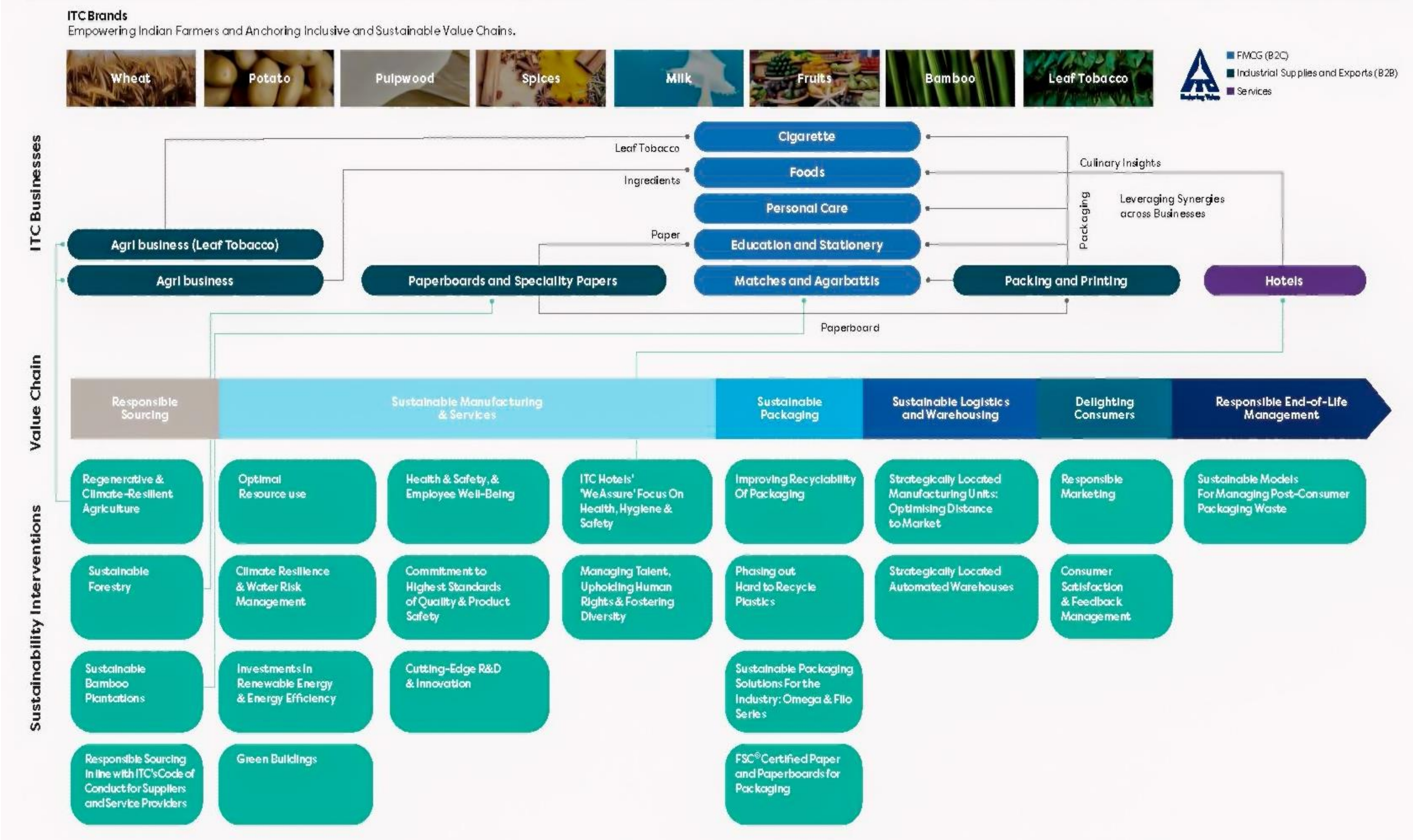
- plastic waste
    - working towards ensuring 100% reusable packaging, and recyclable, or compostable by 2028
    - Solid Waste Management programme - in 17 districts of 11 states covering 7,31,000 households
- construction of green buildings
    - working on all green building construction (currently, 33 buildings of ITC have achieved Platinum certification by USGBC/IGBC and all premium luxury hotels are LEED Platinum certified
- greening logistics
- promoting regenerative agriculture practices
    - promote a smart village approach in agri-business covering 3 mn+ acres
    - adoption of nature-based solutions and biodiversity (covering 250,000 acres)

ITC's environmental & social commitment



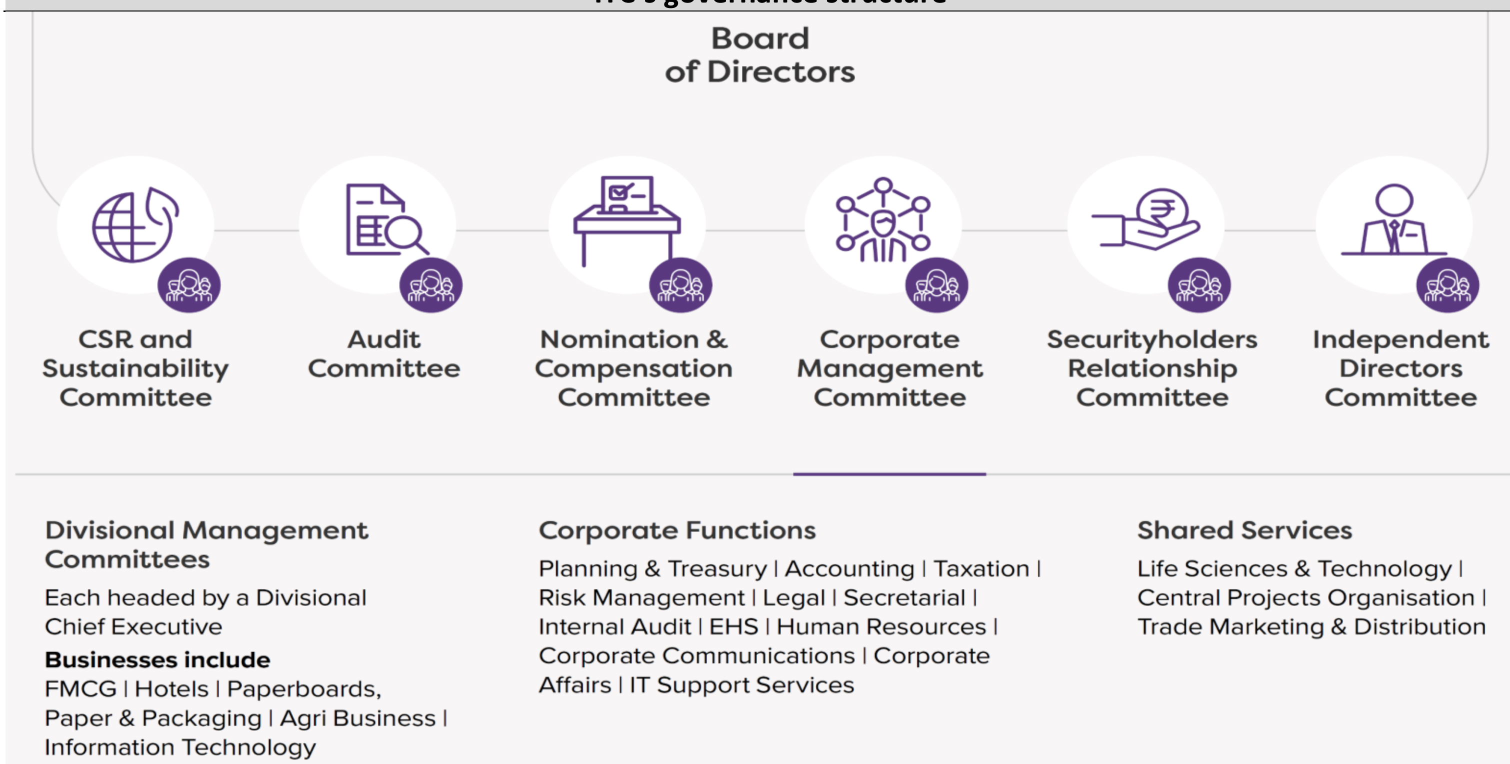
Source: Company Reports & Ventura research

ITC's vertically integrated sustainable value chain



Source: Company Reports & Ventura research

ITC's governance structure



Source: Company Reports & Ventura research

Business Quality Score			
Key Criteria	**Score**	**Risk**	**Comments**
Management & Leadership			
Management Quality	8	Low	The management is of decent quality. It has been able to deliver growth by taking calculated risks.
Promoters Holding Pledge	10	Low	There is professional management who takes care of the strategic decision of the company.
Board of Directors Profile	8	Low	The average experience of directors is >20 years with significant experience in the industry.
Industry Consideration			
Industry Growth	7	Low	The FMCG industry falls under essential categories which have a recurring growth available. Cigarette industry facing lots of challenges which indicates subdued growth. The Paper & Packaging industry is positioned to capture growing demand due to the reopening of the economy.
Regulatory Environment or Risk	6	Moderate	The industry is getting impacted by the taxation on tobacco and cigarette announced by the government of India.
Entry Barriers / Competition	6	Moderate	Entry of a new company into the cigarette industry would require a strong distribution network to deal with a tough regulatory environment. FMCG business-facing higher competition with relatively lower entry barriers.
Business Prospects			
New Business / Client Potential	8	Low	The company has a leading market share in the cigarette business, many of the FMCG products category as well as 2nd largest hotel chain.
Business Diversification	10	Low	The company has diversified from being a cigarette player to FMCG, hotel, paper & packaging, agri-business, etc. which reduces the risk of volatility in earnings.
Market Share Potential	8	Low	The company has many leading brands in the different business segments.
Margin Expansion Potential	8	Low	Cost rationalization, diversifying revenue, and operating leverage will help ITC to improve its profitability.
Earnings Growth	8	Low	Higher consumer spending will result in higher profitable growth.
Valuation and Risk			
Balance Sheet Strength	9	Low	A debt-free balance sheet with huge cash and investment available provides strength to the business.
Debt Profile	9	Low	Debt-free balance sheet.
FCF Generation	7	Low	With all the key drivers in place, we are expecting positive FCF generation.
Dividend Policy	8	Low	The company has maintained a 50%+ dividend payout ratio in the past 12 years.
Total Score	**120**	**Low**	**The overall risk profile of the company is good and we consider it a Low-risk company for investments.**
Ventura Score (%)	**80**		

Source: Company Reports & Ventura Research

Annual Report Takeaways

We analyzed the FY21 annual report of ITC and our key observations are as follows:

Key Takeaways

- **ITC's World-class Indian Brands:** ITC has built a portfolio of 25 world-class Indian brands. Today, the company's vibrant portfolio of brands represents an annual consumer spend of over INR 22,000 cr. ITC's FMCG products reach over 150 mn Indian households.

- **ITC Life Sciences & Technology Centre:** ITC Life Sciences and Technology Centre (LSTC) in Bengaluru is at the core of driving science-led product innovation to support and build the company's portfolio of products and brands. The LSTC team comprises 350+ highly qualified scientists with 900+ patents.

- **'Baareh Mahine Hariyali' program:** The company piloted an integrated 'Baareh Mahine Hariyali' program in four districts of Uttar Pradesh (Prayagraj, Chandauli, Ghazipur, and Varanasi) to give a new dimension to the complex task of multiplying farmer incomes. Over 200,000 farmers in UP have already been covered and the program is planned to be rolled out to over 10 lakh farmers, progressively.

- **Improvement in the profitability of the FMCG segment:** Profitability of the FMCG Others Segment improved significantly with Segment EBITDA margin expanding by ~180 bps on the back of higher operating leverage, enhanced operational efficiencies, product mix enrichment, delayering of operations, reduced distance-to-market and other structural interventions across the value chain.

- **The Agri-Business segment:** The Agri-Business segment posted robust growth in revenue driven by opportunities in wheat, rice, and oilseeds, scale-up of the value-added portfolio, and higher supplies to the branded packaged foods businesses to support enhanced scale.

- **New product launches Cigarette:** New variants were introduced during the year including the launch of innovative offerings such as 'Gold Flake Neo', 'Classic Connect', 'American Club Clove Mint', 'Gold Flake Indie Mint', and 'Capstan Fresh Flavour'. Refreshed packs were also introduced for several 'Navy Cut' variants.

- **Inorganic growth:** The company acquired Sunrise Foods Private Ltd (Sunrise), a leading player in the branded spices market in the East, in July 2020.

- **Leadership brand:** Aashirvaad is No. 1 in Branded atta, Bingo! is No. 1 in Bridges segment of Snack Foods (No.2 overall in Snacks & Potato Chips), Sunfeast is No. 1 in the Cream Biscuits segment, Classmate is No. 1 in Notebooks, YiPPee! is No. 2 in Noodles, Engage is No. 2 in Deodorants and Mangaldeep is No. 2 in Agarbattis (No. 1 in Dhoop segment).

Pay Grades

The remuneration growth of KMP is in line with the performance of the company. The Chairman has not taken any hike in remuneration in the last five years.

Remuneration in the last 5 years

Parameter (Fig in INR Cr)	FY17	FY18	FY19	FY20	FY21	CAGR
Chairman & MD	21.2	4.1	6.2	6.9	10.1	*-16.9*
Share in Total Employee Cost (%)	*0.6*	*0.1*	*0.1*	*0.2*	*0.2*	
Chief Financial Officer	1.4	3.1	3.2	3.5	4.8	*35.3*
Share in Total Employee Cost (%)	*0.0*	*0.1*	*0.1*	*0.1*	*0.1*	
Remuneration of SVP/VP/GM	4.7	6.7	8.4	11.2	15.3	*34.1*
Share in Total Employee Cost (%)	*0.1*	*0.2*	*0.2*	*0.3*	*0.3*	
Employee Cost	3,631.7	3,760.9	4,177.9	4,295.8	4,463.3	*5.3*
Employee Cost as % of Revenue (%)	*6.2*	*7.9*	*8.4*	*8.4*	*8.4*	

Source: Company Reports & Ventura Research

Management & Leadership Team Turnover

Details on Board of Directors and KMPs

Board of Director & KMP	FY17	FY18	FY19	FY20	FY21
Sanjiv Puri		CM & MD	CM & MD	CM & MD	CM & MD
Navneet Doda					NED
Rajiv Tandon	CFO	CFO	CFO	CFO	CFO
Nakul Anand	NED	NED	NED	NED	NED
Rajendra Kumar Singhi	CS	CS	CS	CS	CS
Sumant Bhargavan			NED	NED	NED
Anand Nayak				NED	NED
Arun Duggal	NED	NED	NED	NED	NED
Nirupama Rao	NED	NED	NED	NED	NED
Meera Shankar	NED	NED	NED	NED	NED
Shilabhadra Banerjee	NED	NED	NED	NED	NED
Ajit Kumar Seth				NED	NED
Hemant Bhargava		ID	ID	ID	ID
Shyamal Mukherjee					ID
Sunil Behari Mathur	NED	NED	NED	NED	
Atul Jerath		NED	NED		
Sahibzada Syed Habib-Ur-Rehman	NED	NED			
John Pulinthanam	NED	NED			
Yogesh Chander Deveshwar	CM				

CM - Chairman
MD - Managing Director
CFO - Chief Financial Officer
NED - Non Executive Independent Director
CS - Company Secretary
ID - Independent Director

Source: Company Reports

Auditor qualifications & significant notes to accounts

S R B C & CO LLP is the auditor and there was no qualifications/emphasis of matters highlighted by them in the FY21 Annual Report.

No major Related Party Transactions with promoters and KMPs

In the last five years, we cannot see any major related party transactions.

Related Party Transactions are relatively low

Parameter (Fig in INR Cr)	FY17	FY18	FY19	FY20	FY21
Related Party Trans	50.7	126.8	97.4	123.7	174.9
Compensation to KMP	27.3	13.9	17.8	21.6	30.2
Transactions as % of Revenue (%)	*0.1*	*0.3*	*0.2*	*0.3*	*0.4*

Source: Company Reports & Ventura Research

Contingent Liabilities

Contingent liabilities were low in FY17-21 compared to the net worth and revenue.

Contingent Liabilities are reasonably lower

Parameter (Fig in INR Cr)	FY17	FY18	FY19	FY20	FY21
Contingent Liabilities	859	1,245	1,787	1,653	1,925
Transactions as % of Revenue (%)	*1.5*	*2.6*	*3.6*	*3.2*	*3.6*
Transactions as % of Net Worth (%)	*1.9*	*2.4*	*3.0*	*2.5*	*3.2*

Source: Company Reports & Ventura Research

Management Team

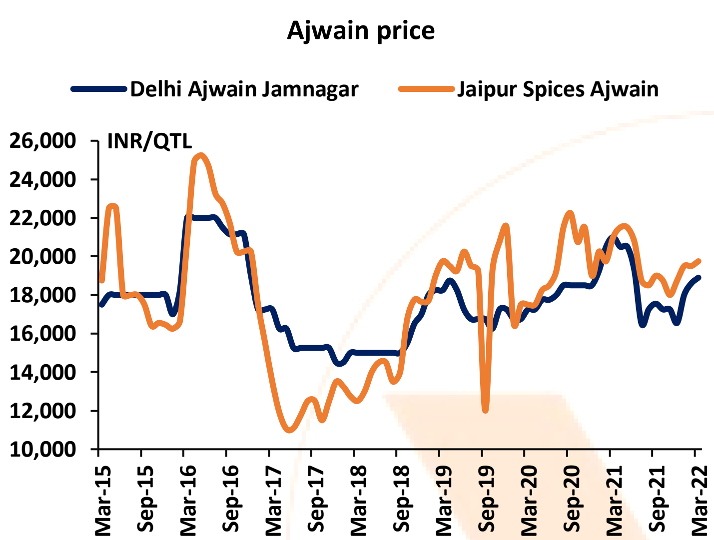
Key Person	Designation	Details
Mr. Sanjiv Puri	Chairman & MD	He is an alumnus of the Indian Institute of Technology, Kanpur, and Wharton School of Business. Puri was the Chairman of the Expert Group constituted by the Fifteenth Finance Commission for recommending performance based incentives for States to promote agri-exports, and a Member of the technology discussion group constituted by the NITI Aayog on 'Farm to Table – driving India's agriculture sector digitally'.
Mr. Supratim Dutta	CFO	He holds degree in commerce from St. Xavier's College, Calcutta and CA from ICAI. Mr. Supratim Dutta was appointed by the Board as the Chief Financial Officer ('CFO') of the company with effect from 5th September, 2020.
Mr. Nakul Anand	Wholetime Director	An Economics Honours Graduate from Delhi University with an AMP Degree from the Bond University, Australia, Anand joined erstwhile ITC Hotels Limited as a Management Trainee in 1978. He has also served as the Managing Director of that company during the period 2003 to 2005.
Mr. Sumant Bhargavan	Wholetime Director	He spent his first 19 years with ITC in Manufacturing operations of the Tobacco Division and has worked in four production units as well as at the Head Office. In October 2004, he moved to the Foods Business and set up the Snack Food category under the brand name 'Bingo!'. He has led ITC Infotech India Limited, a wholly owned subsidiary of ITC, as its Managing Director from September 2009 to October 2014.
Mr. Shilabhadra Banerjee	Non-Executive Director	Banerjee, a Masters in History from St. Stephen's College, Delhi, Post Graduate Diploma holder in Public Administration from the Indian Institute of Public Administration, New Delhi, and an M. Phil in Social Sciences from the University of Panjab, began his career in the Indian Administrative Service in 1971.

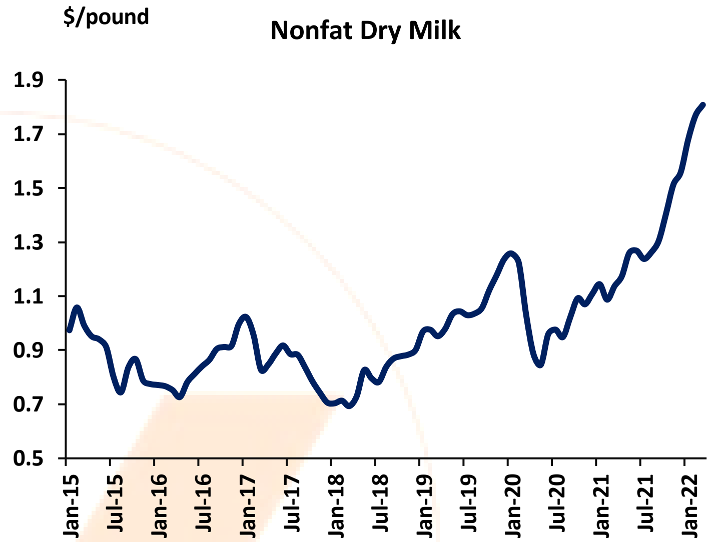
Source: Company Reports

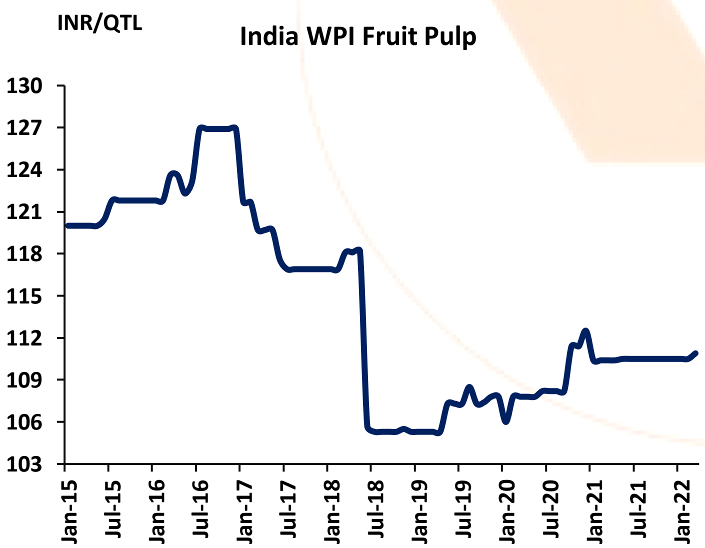
Key Risks & Concerns

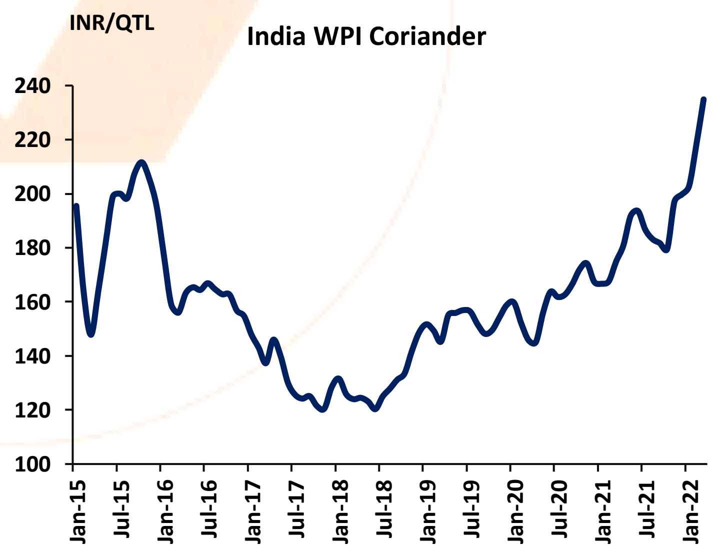
- **Raw material inflation**
  Price pressure from the raw material used to manufacture products adversely affect the profitability of the company. Currently, FMCG companies hiked prices of soaps, detergents, toothpaste, shampoos, and select food products like coffee, biscuits, and juices as raw material prices continued their upward trajectory.

Raw Material prices



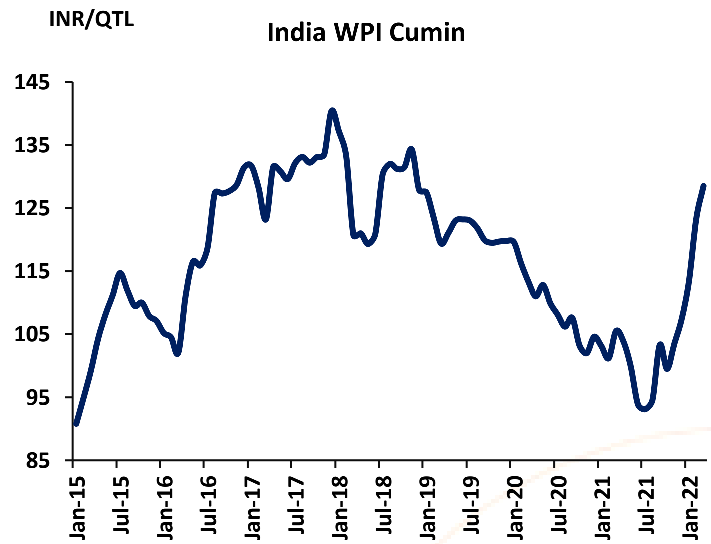


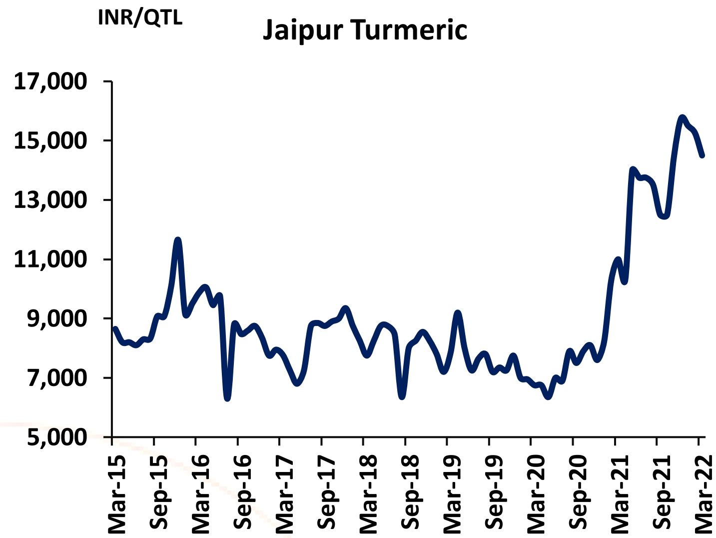


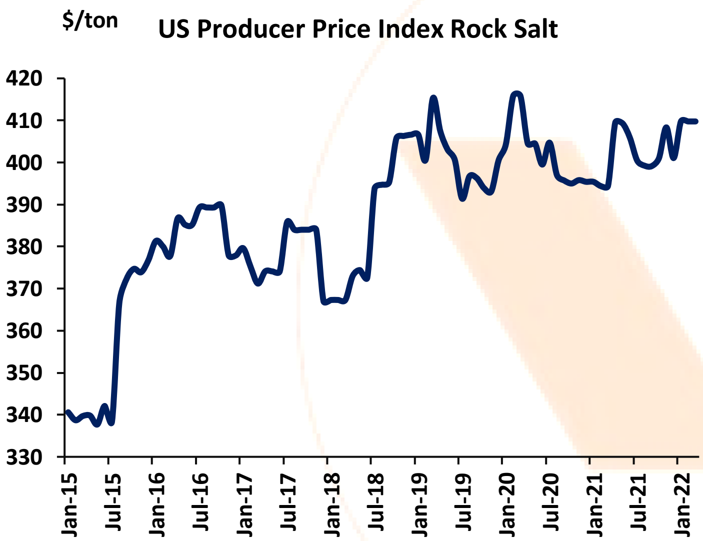


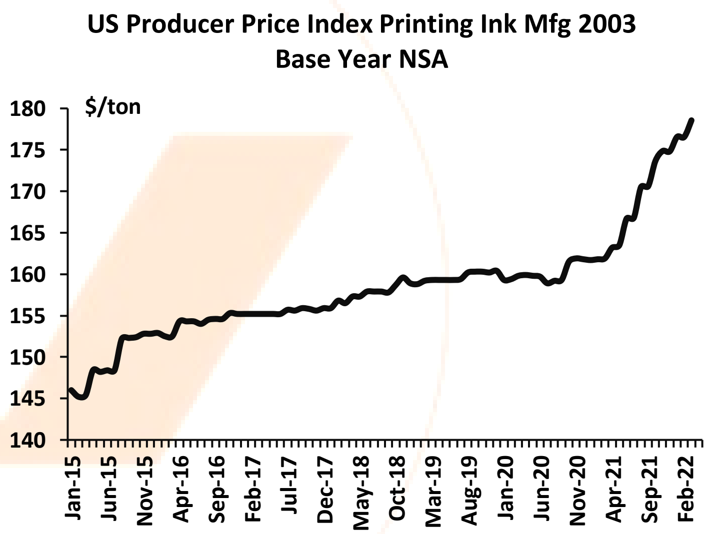
Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

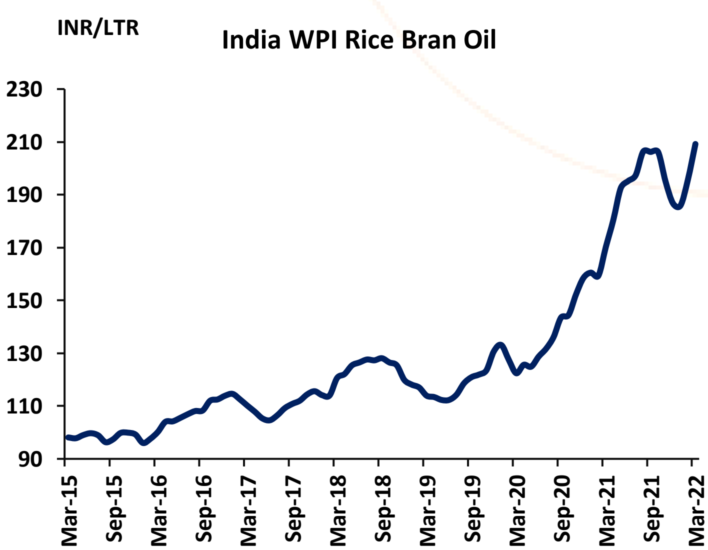
Raw Material prices

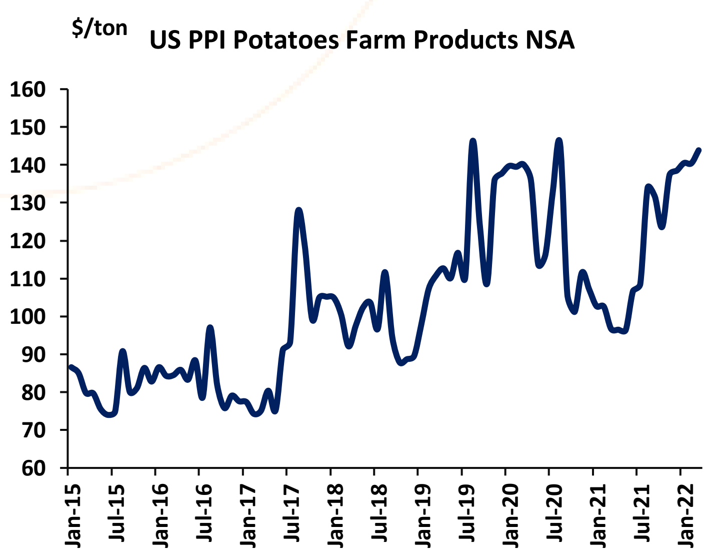








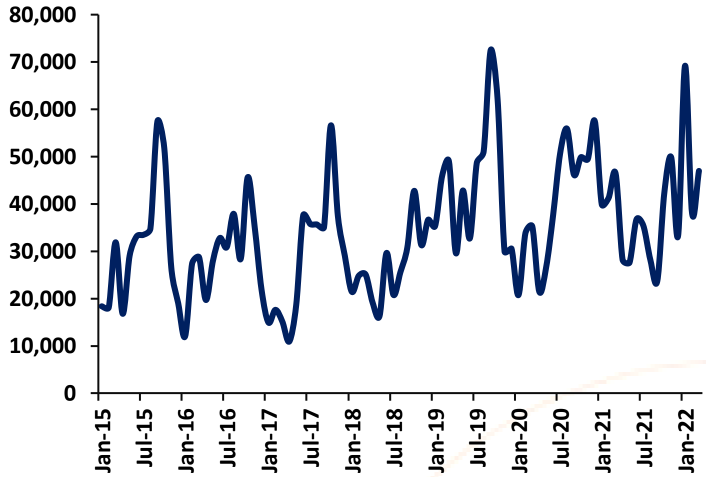




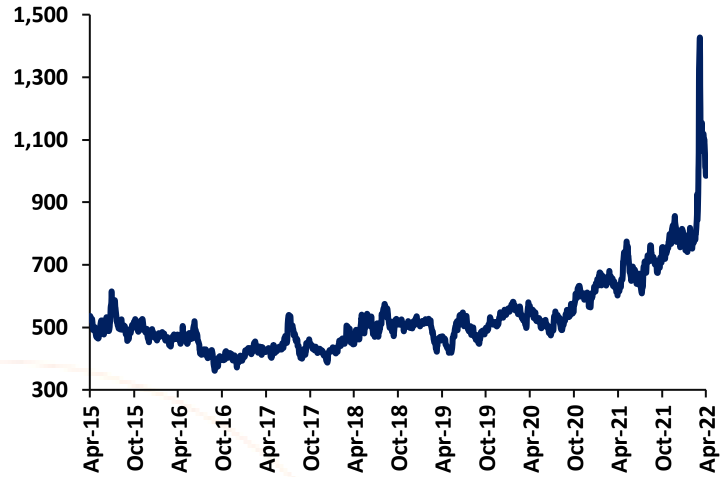
Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

Raw Material prices

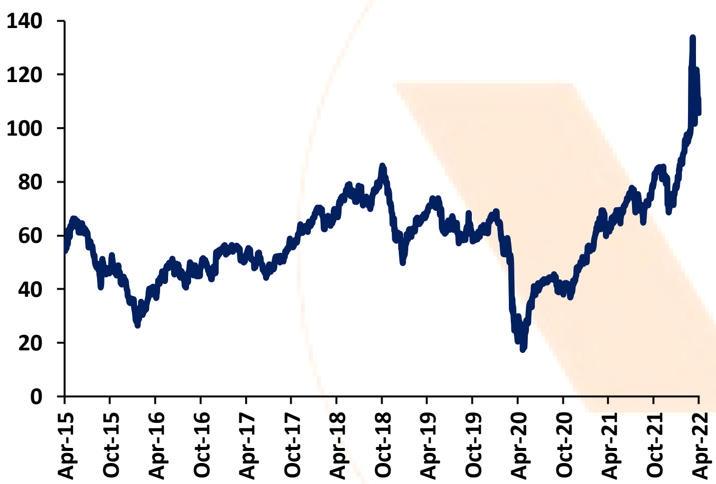
BRL/MT Brazilian Tabacco Monthly Exports



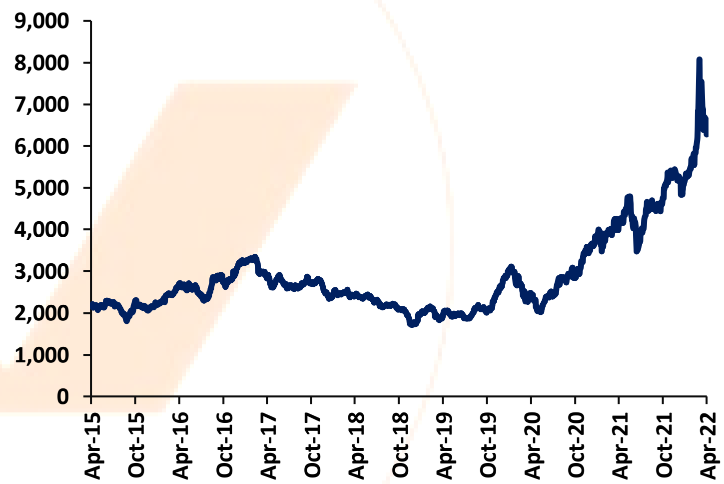
$/ton Wheat price



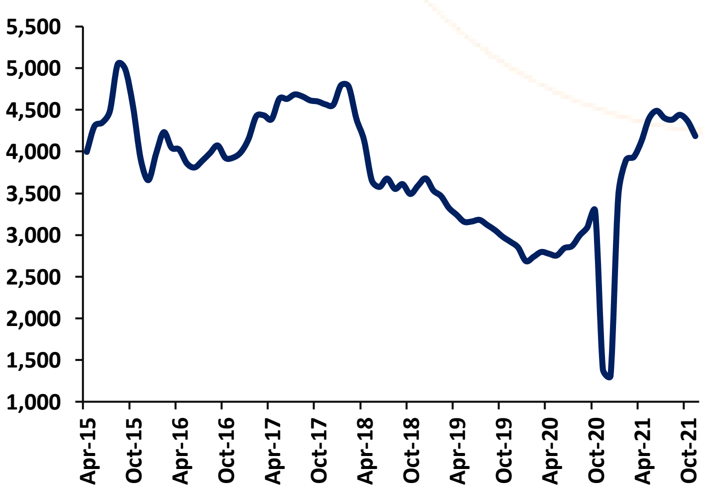
$/bbl Brent Crude Oil



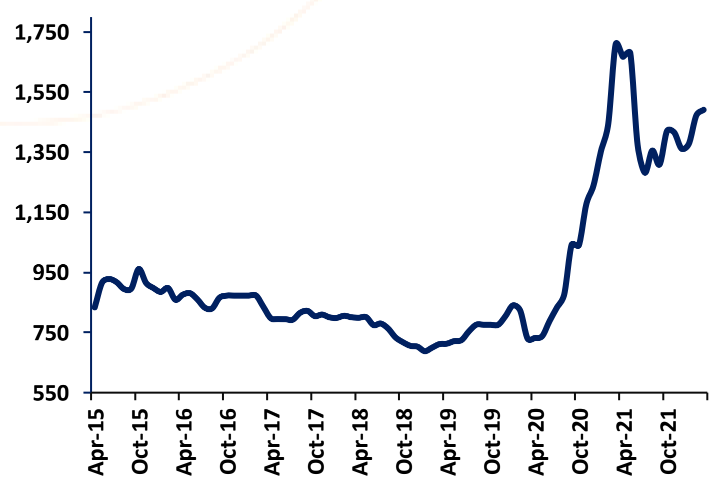
MYR/ton Malaysia Palm Oil



$/MT Olive Oil



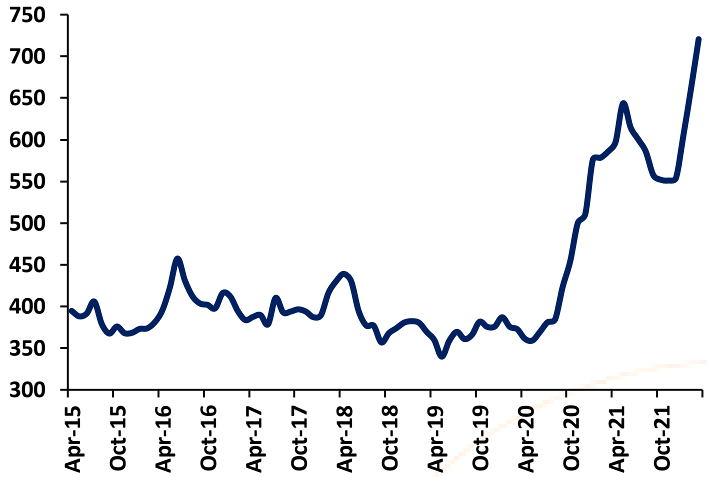
$/ton Sunflower Oil



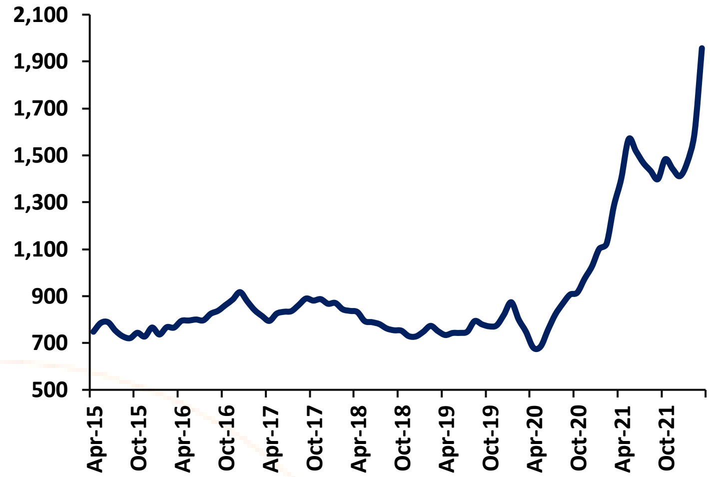
Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

Raw Material prices

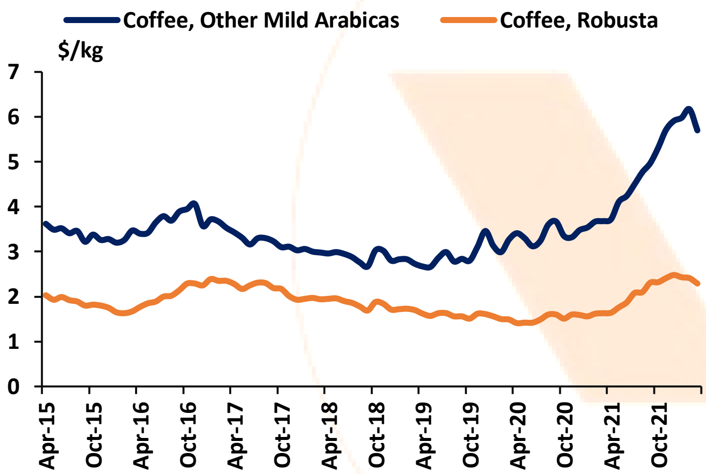
$/ton **Soybean**



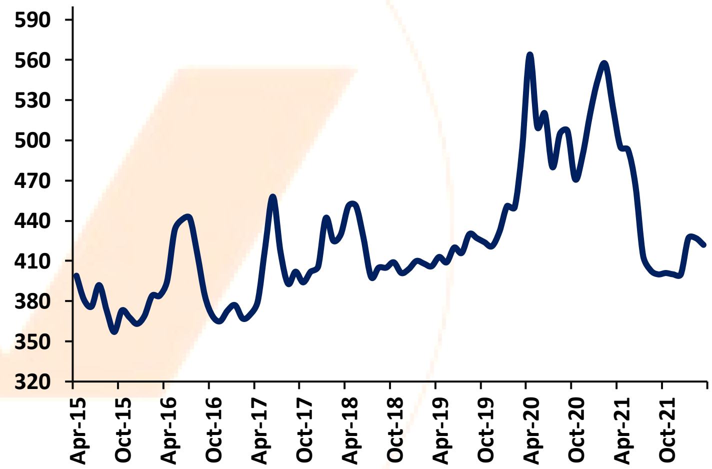
$/ton **Soybean Oil**



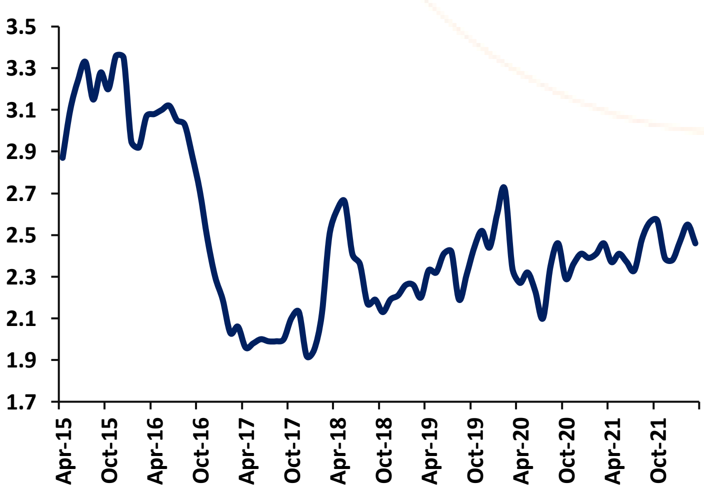
Coffee prices



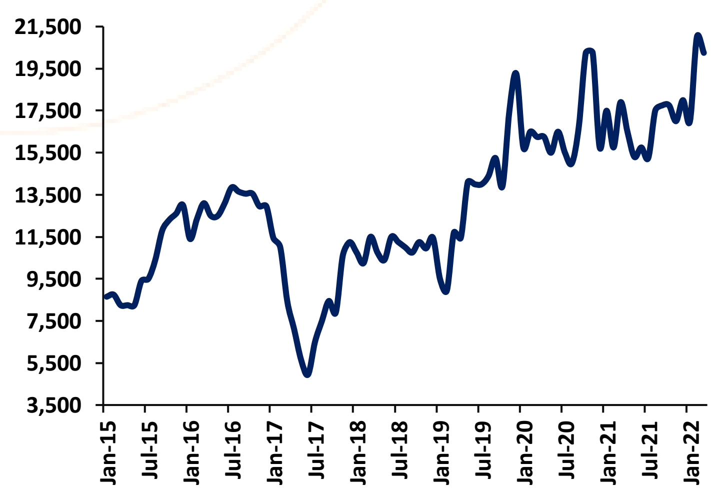
$/ton **Rice**



$/ton **Cocoa beans**

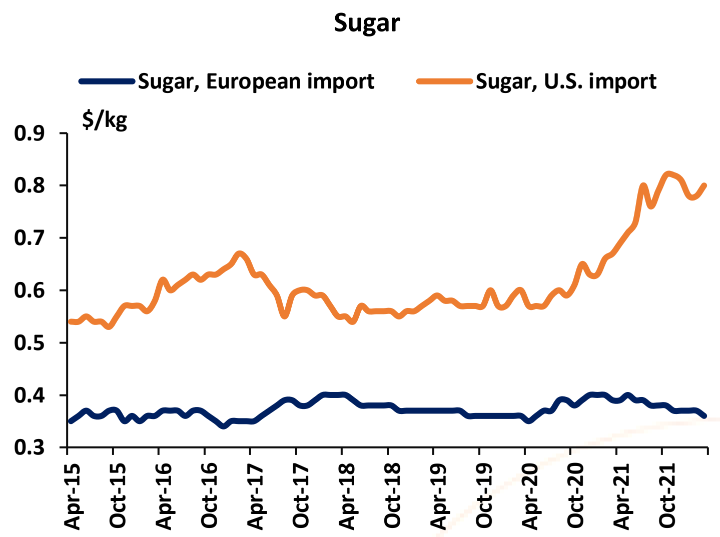


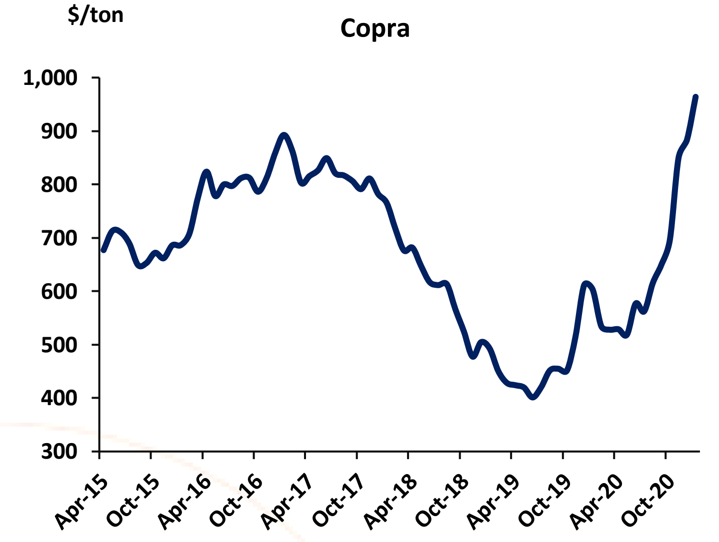
INR/MT **Jaipur Spices Red Chillies**

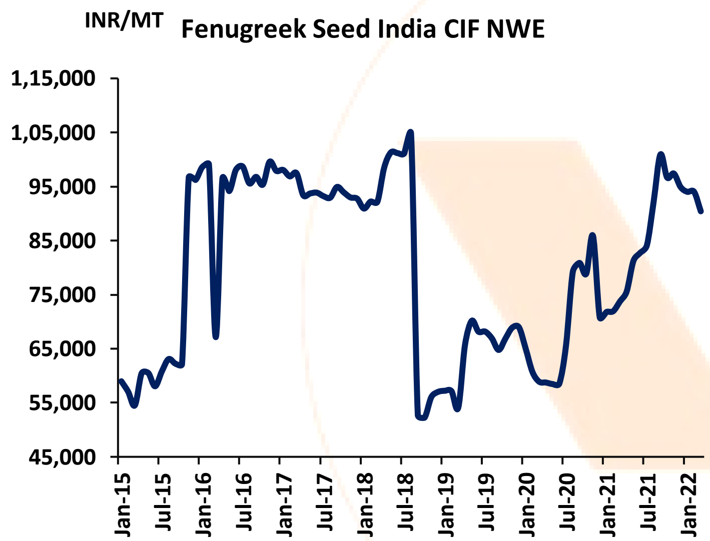


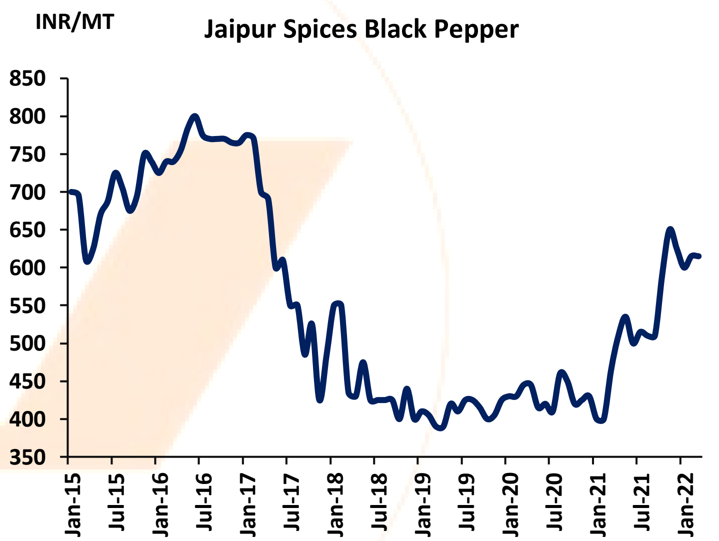
Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

Raw Material prices







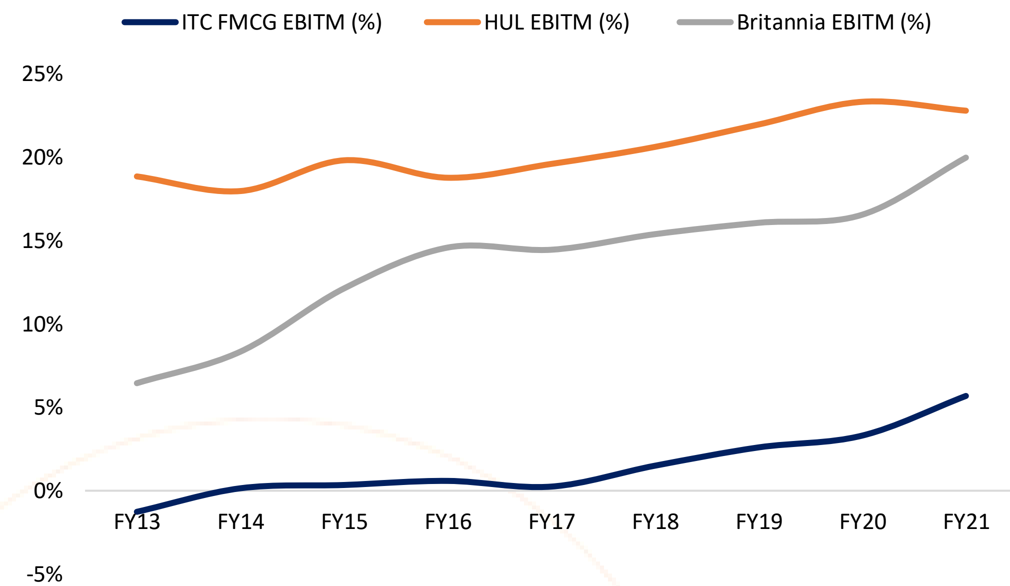


Source: Bloomberg, Indexmundi, Company Reports & Ventura Research

- **The hotel business is surrounded by adversity**
  The hotel industry has faced adversity during COVID-19 and ITC's hotel division is not an outsider from it. The majority of the capex done by ITC was in the hotel division but the hotel division of the company is not able to pay back the investment. The company has invested a total of INR 6,079 cr during FY13-21 whereas the total EBIT was generated from the investment of INR 446 cr.

- **The company has a leadership position in the FMCG segment but is still far away from decent profitability**
  The company entered the FMCG market in the year 2001. Also, the company becomes a market leader in many product categories. But the division of the company turns profitable in FY14. The company's FMCG division has lower profitability compared to its peers.

ITC vs peers

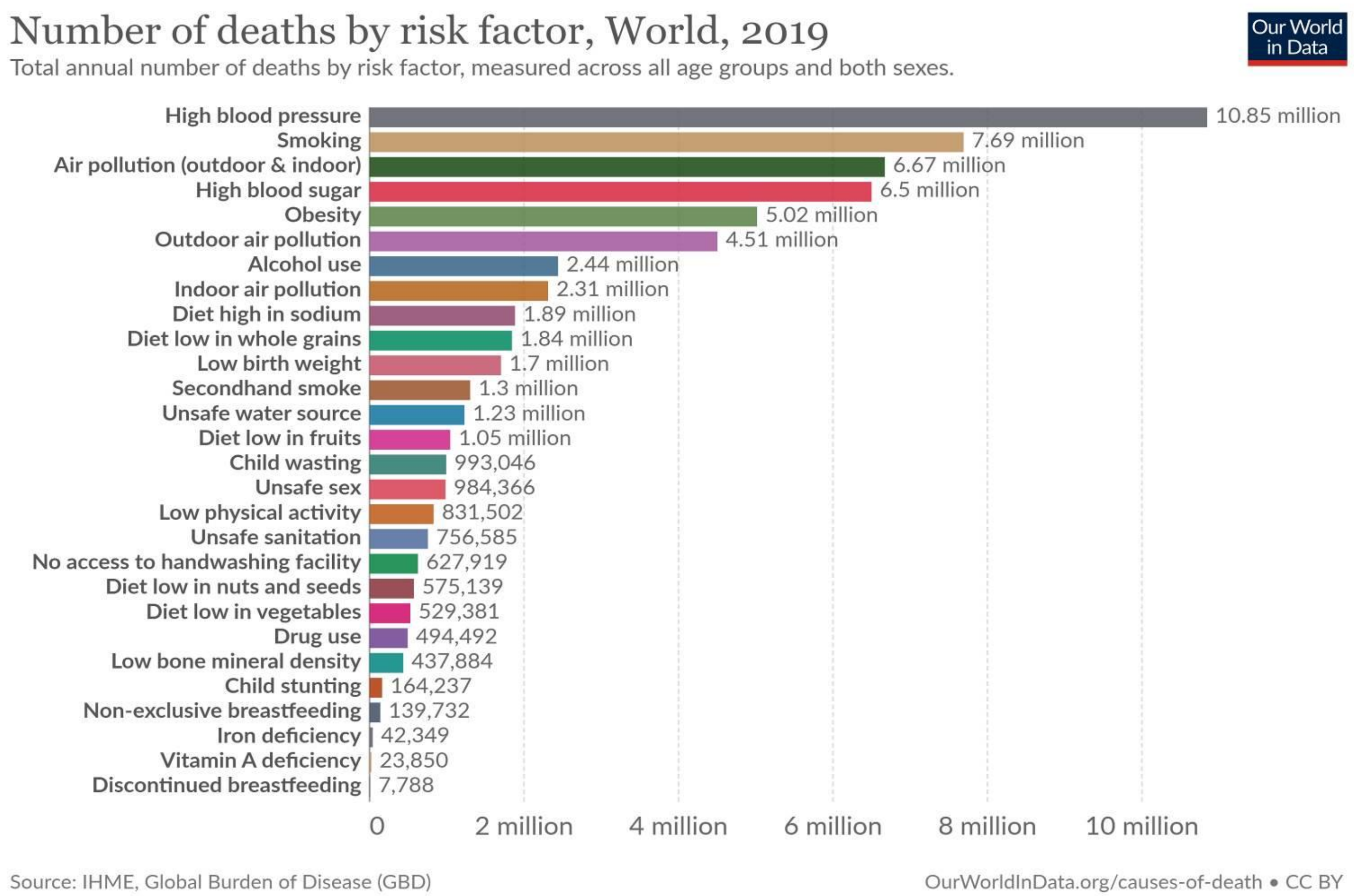


Source: Company Reports & Ventura Research

- **The cigarette business of the company is perceived as a sin business as well as the government charge higher tax on the cigarette business.**
- **Competition from illicit players in the cigarette segment:**
  Non-duty-paid cigarettes have benefited from the large price distortion arising from exponential tax hikes which have adversely affected large organized players.
- **Healthy lifestyle awareness to counter cigarette consumption**

  Cigarettes contain about 600 ingredients. Smoking generates over 7,000 chemicals. Many of these are poisonous and at least 69 of them can cause cancer. In India, tobacco use, smoking is one of the major causes of deaths and diseases, accounting for millions of such cases. Continuously being aware of a healthy lifestyle by the youngster leads to falling in the volume of the cigarette industry.

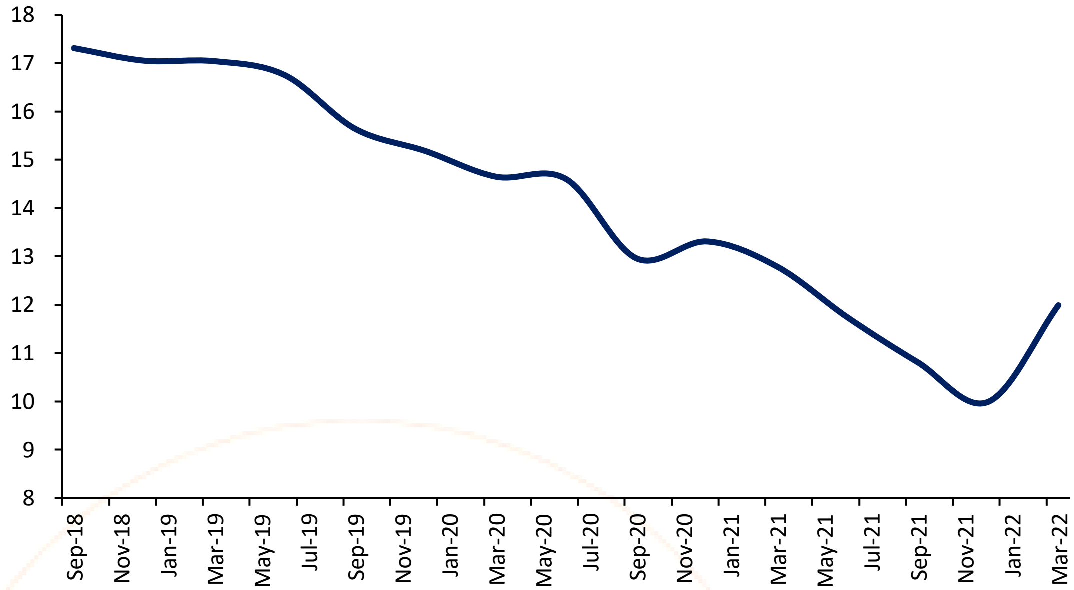
Smoking - 2nd the largest factor causing death



Source: IHME, Company Reports & Ventura Research

- **Funds following ESG investing may not invest in the cigarette and tobacco industry**
  The cigarette and tobacco industry does not fall under ESG (Environment, Social and Governance) framework. ESG concept is widespread in the developed markets. ESG funds are growing in popularity among investors who want to be seen to be contributing to cutting global warming and adding to human development, without compromising on financial returns.

Continuously falls in FIIs holding (%)



Source: BSE, Company Reports & Ventura Research

During the FY21, the company sustained its ‘AA’ rating by MSCI-ESG which is the highest amongst global tobacco companies. And in addition, it has been included in the Dow Jones Sustainability Emerging Markets Index. This reduces ESG risk for the investors.

- **Government plans to sell its stake in ITC held by SUUTI which can create a temporally price pressure**

Quarterly and Annual Performance

Fig in INR Cr (unless specified)	Q4FY20	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	FY22E	FY23E	FY24E
Revenue from operations	**11,678.0**	**51,393.5**	**9,722.0**	**12,004.1**	**13,005.9**	**14,220.8**	**53,155.1**	**13,183.2**	**13,575.4**	**17,108.2**	**17,754.0**	**65,205.0**	**76,833.8**	**86,678.6**
YoY Growth (%)		*3.1*	*(20.0)*	*(2.7)*	*1.5*	*21.8*	*3.4*	*35.6*	*13.1*	*31.5*	*24.8*	*22.7*	*17.8*	*12.8*
Raw Material Cost	4,035.8	17,345.5	3,995.5	4,761.1	5,237.1	6,137.7	20,131.4	5,806.9	5,472.6	7,849.5	7,256.1	26,385.1	34,037.4	38,181.9
RM Cost to Sales (%)	*34.6*	*33.8*	*41.1*	*39.7*	*40.3*	*43.2*	*37.9*	*44.0*	*40.3*	*45.9*	*40.9*	*40.5*	*44.3*	*44.1*
Employee Cost	1,095.8	4,295.8	1,104.8	1,070.5	1,143.5	1,144.6	4,463.3	1,171.8	1,218.7	1,232.1	1,268.0	4,890.6	5,355.2	5,869.2
Employee Cost to Sales (%)	*9.4*	*8.4*	*11.4*	*8.9*	*8.8*	*8.0*	*8.4*	*8.9*	*9.0*	*7.2*	*7.1*	*7.5*	*7.0*	*6.8*
Other Expenses	2,042.8	10,468.0	1,676.3	1,771.5	1,840.2	2,067.4	11,545.4	1,760.8	1,866.5	2,428.9	3,630.5	13,270.9	14,099.9	16,114.0
Other Expenses to Sales (%)	*17.5*	*20.4*	*17.2*	*14.8*	*14.1*	*14.5*	*21.7*	*13.4*	*13.7*	*14.2*	*20.4*	*20.4*	*18.4*	*18.6*
EBITDA	**4,503.6**	**19,284.2**	**2,945.6**	**4,401.0**	**4,785.0**	**4,871.1**	**17,014.9**	**4,443.7**	**5,017.6**	**5,597.7**	**5,599.4**	**20,658.4**	**23,341.4**	**26,513.4**
EBITDA Margin (%)	*38.6*	*37.5*	*30.3*	*36.7*	*36.8*	*34.3*	*32.0*	*33.7*	*37.0*	*32.7*	*31.5*	*31.7*	*30.4*	*30.6*
Net Profit	**3,856.5**	**15,306.2**	**2,511.0**	**3,368.2**	**3,526.6**	**3,755.5**	**13,161.2**	**3,276.5**	**3,713.8**	**4,057.0**	**4,196.7**	**15,243.9**	**17,231.7**	**19,739.9**
Net Margin (%)	*33.0*	*29.8*	*25.8*	*28.1*	*27.1*	*26.4*	*24.8*	*24.9*	*27.4*	*23.7*	*23.6*	*23.4*	*22.4*	*22.8*
Adjusted EPS	**3.1**	**12.4**	**2.0**	**2.7**	**2.9**	**3.1**	**10.7**	**2.7**	**3.0**	**3.3**	**3.4**	**12.4**	**14.0**	**16.0**
P/E (X)		*22.5*					*26.2*					*22.6*	*20.0*	*17.5*
Adjusted BVPS		**53.0**					**49.0**					**50.7**	**52.1**	**53.6**
P/BV (X)		*5.3*					*5.7*					*5.5*	*5.4*	*5.2*
Enterprise Value		**3,19,774.7**					**3,25,495.2**					**3,28,077.7**	**3,24,736.1**	**3,22,756.9**
EV/EBITDA (X)		*16.6*					*19.1*					*15.9*	*13.9*	*12.2*
Net Worth		**65,273.3**					**60,347.3**					**62,455.4**	**64,100.8**	**65,985.7**
Return on Equity (%)		*23.4*					*21.8*					*24.4*	*26.9*	*29.9*
Capital Employed		**65,282.8**					**60,357.2**					**62,461.0**	**64,105.6**	**65,990.6**
Return on Capital Employed (%)		*21.0*					*19.0*					*22.6*	*25.1*	*27.9*
Invested Capital		**40,057.2**					**40,851.8**					**45,542.3**	**43,846.2**	**43,751.8**
Return on Invested Capital (%)		*44.0*					*37.6*					*41.6*	*49.1*	*56.3*
Cash Flow from Operations		14,689.7					12,527.1					15,775.5	19,060.7	23,345.7
Cash Flow from Investing		(6,174.0)					5,682.9					(2,238.5)	(1,776.7)	(2,527.8)
Cash Flow from Financing		(8,181.5)					(18,633.8)					(13,580.5)	(15,607.9)	(17,874.4)
Net Cash Flow		**334.2**					**(423.8)**					**(43.5)**	**1,676.1**	**2,943.5**
Free Cash Flow		**13,149.8**					**10,282.6**					**13,745.6**	**12,581.3**	**16,248.5**
FCF to Revenue (%)		*25.6*					*19.3*					*21.1*	*16.4*	*18.7*
FCF to EBITDA (%)		*68.2*					*60.4*					*66.5*	*53.9*	*61.3*
FCF to Net Profit (%)		*85.9*					*78.1*					*90.2*	*73.0*	*82.3*
FCF to Net Worth (%)		*20.1*					*17.0*					*22.0*	*19.6*	*24.6*
Total Debt		**9.6**					**9.8**					**5.6**	**4.9**	**4.9**
Net Debt		**(25,216.1)**					**(19,495.5)**					**(16,913.1)**	**(20,254.6)**	**(22,233.9)**
Net Debt to Equity (X)		*(0.4)*					*(0.3)*					*(0.3)*	*(0.3)*	*(0.3)*
Net Debt to EBITDA (X)		*(1.3)*					*(1.1)*					*(0.8)*	*(0.9)*	*(0.8)*
Interest Coverage Ratio (X)		*216.8*					*265.1*					*480.8*	*1,030.9*	*1,268.7*

Source: Company Reports & Ventura Research

Summary of Management Commentary and Quarterly Performance over last few quarters

Key Criteria	View	Comments
Q3FY21		
Business Performance	**POSITIVE**	Revenues up 5% YoY to INR 14,881 cr, EBIT down 6% to INR 4,561 cr. Revenue of FMCG -Cig. the segment posted a growth of 2% to INR 6,091.2 cr. Whereas EBIT of the segment has posted a growth of -9% to INR 3,658.7 cr. Revenue of FMCG -Others segment posted a growth of 13% to INR 3,752.6 cr. Whereas EBIT of the segment has posted a growth of 124% to INR 243.2 cr. Revenue of Hotels segment posted a degrow of -57 % to INR 248.9 cr. Whereas EBIT of the segment has posted a loss of INR -72.3 cr. Revenue of the Agri-Business segment posted a growth of 19% to INR 2,694.3 cr. Whereas EBIT of the segment has posted a growth of 13% to INR 284.2 cr. Revenue of Paperboards, Paper & Packaging segment posted a degrow of -5% to INR 1,477.5 cr. Whereas EBIT of the segment has posted a degrow of -15% to INR 285.3 cr. Revenue of Others segment posted a growth of 9% to INR 616.1 cr. Whereas EBIT of the segment has posted a growth of 149% to INR 162.5 cr.
Q4FY21		
Business Performance	**POSITIVE**	Revenue up 21% YoY to INR 16,186 cr, EBIT up 9% to INR 4,699 cr. Revenue of FMCG -Cig. the segment posted a growth of 13% to INR 6,508.4 cr. Whereas EBIT of the segment has posted a growth of 7% to INR 3,895.3 cr. Revenue of FMCG -Others segment posted a growth of 16% to INR 3,694.8 cr. Whereas EBIT of the segment has posted a growth of 27% to INR 182.9 cr. Revenue of Hotels segment posted a degrow of -39% to INR 302.4 cr. Whereas EBIT of the segment has turned loss to INR -40.3 cr. Revenue of the Agri-Business segment posted a growth of 78% to INR 3,383 cr. Whereas EBIT of the segment has posted a growth of 46% to INR 185.1 cr. Revenue of Paperboards, Paper & Packaging segment posted a growth of 14% to INR 1,655.9 cr. Whereas EBIT of the segment has posted a growth of 13% to INR 323.3 cr. Revenue of Others segment posted a growth of 11% to INR 641.5 cr. Whereas EBIT of the segment has posted a growth of 91% to INR 152.4 cr.
Q1FY22		
Business Performance	**POSITIVE**	Revenue up 23% YoY to INR 16,040 cr, EBIT up 49% to INR 4,270 cr. Revenue of FMCG -Cig. the segment posted a growth of 34% to INR 5,802.7 cr. Whereas EBIT of the segment has posted a growth of 37% to INR 3,461.9 cr. Revenue of FMCG -Others segment posted a growth of 10% to INR 3,731.4 cr. Whereas EBIT of the segment has posted a growth of 35% to INR 174.3 cr. Revenue of Hotels segment posted a growth of 436% to INR 133.7 cr. Whereas EBIT of the segment has posted a lower loss to INR -159.6 cr. Revenue of the Agri-Business segment posted a growth of 9% to INR 4,109.8 cr. Whereas EBIT of the segment has posted a growth of 9% to INR 195 cr. Revenue of Paperboards, Paper & Packaging segment posted a growth of 54% to INR 1,582.7 cr. Whereas EBIT of the segment has posted a growth of 145% to INR 392.8 cr. Revenue of Others segment posted a growth of 22% to INR 680.3 cr. Whereas EBIT of the segment has posted a growth of 78% to INR 205.9 cr.
Q2FY22		
Business Performance	**POSITIVE**	Revenues up 18% YoY to INR 17,368 cr, EBIT up 16% to INR 4,905 cr. Revenue of FMCG -Cig. the segment posted a growth of 11% to INR 6,219.8 cr. Whereas EBIT of the segment has posted a growth of 10% to INR 3,762 cr. Revenue of FMCG -Others segment posted a growth of 3% to INR 4,043.8 cr. Whereas EBIT of the segment has posted degrowth of -2% to INR 275.9 cr. Revenue of Hotels segment posted a growth of 255% to INR 311 cr. Whereas EBIT of the segment has posted a degrow of -74% to INR -49.5 cr.

		Revenue of Agri-Business segment posted a growth of -7% to INR 2,823.1 cr. Whereas EBIT of the segment has posted a growth of 10% to INR 298.2 cr. Revenue of Paperboards, Paper & Packaging segment posted a growth of 25% to INR 1,829.7 cr. Whereas EBIT of the segment has posted a growth of 24% to INR 409 cr. Revenue of Others segment posted a growth of 269% to INR 2,140.9 cr. Whereas EBIT of the segment has posted a growth of 63% to INR 209.3 cr.
Q3FY22		
Business Performance	**POSITIVE**	Revenues up 31% YoY to INR 19,482 cr, EBIT up 20% to INR 5,469 cr. Revenue of FMCG -Cig. the segment posted a growth of 14% to INR 6,958.8 cr. Whereas EBIT of the segment has posted a growth of 14% to INR 4,187.1 cr. Revenue of FMCG -Others segment posted a growth of 9% to INR 4,099.5 cr. Whereas EBIT of the segment has posted a growth of 1% to INR 246.3 cr. Revenue of Hotels segment posted a growth of 99% to INR 495.5 cr. Whereas EBIT of the segment has turned profitable to INR 52.9 cr. Revenue of Agri-Business segment posted a growth of 91% to INR 5157.4 cr. Whereas EBIT of the segment has posted a growth of 23% to INR 348.7 cr. Revenue of Paperboards, Paper & Packaging segment posted a growth of 39% to INR 2,046.5 cr. Whereas EBIT of the segment has posted a growth of 57% to INR 448.4 cr. Revenue of Others segment posted a growth of 18% to INR 724.3 cr. Whereas EBIT of the segment has posted a growth of 14% to INR 186.1 cr.
Q4FY22		
Business Performance	**POSITIVE**	Revenues up 31% YoY to INR 19,482 cr, EBIT up 20% to INR 5,469 cr. Revenue of FMCG -Cig. segment posted a growth of 10.3% to INR 7,177 cr. Whereas EBIT of the segment has posted a growth of 11.9% to INR 4,357.4 cr. Revenue of FMCG -Others segment posted a growth of 12.3% to INR 4,148.6 cr. Whereas EBIT of the segment has posted a growth of 30.4% to INR 238.5 cr. Revenue of Hotels segment posted a growth of 34.8% to INR 407.4 cr. Whereas EBIT of the segment has posted a reduction in loss to INR -29.1 cr. Revenue of Agri Business segment posted a growth of 29.3% to INR 4,375.4 cr. Whereas EBIT of the segment has posted a growth of 32% to INR 244.3 cr. Revenue of Paperboards, Paper & Packaging segment posted a growth of 31.8% to INR 2,182.8 cr. Whereas EBIT of the segment has posted a growth of 39.1% to INR 449.7 cr. Revenue of Others segment posted a growth of 2.6% to INR 658.4 cr. Whereas EBIT of the segment has posted a growth of -19.6% to INR 122.5 cr.

Source: Company Reports & Ventura Research

Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23E	FY24E
Income Statement						
Revenue	49,862.1	51,393.5	53,155.1	65,205.0	76,833.8	86,678.6
YoY Growth (%)		*3.1*	*3.4*	*22.7*	*17.8*	*12.8*
Raw Material Cost	17,420.3	17,345.5	20,131.4	26,385.1	34,037.4	38,181.9
RM Cost to Sales (%)	*34.9*	*33.8*	*37.9*	*40.5*	*44.3*	*44.1*
Employee Cost	4,177.9	4,295.8	4,463.3	4,890.6	5,355.2	5,869.2
Employee Cost to Sales (%)	*8.4*	*8.4*	*8.4*	*7.5*	*7.0*	*6.8*
Other Expenses	9,838.5	10,468.0	11,545.4	13,270.9	14,099.9	16,114.0
Other Exp to Sales (%)	*19.7*	*20.4*	*21.7*	*20.4*	*18.4*	*18.6*
EBITDA	18,425.4	19,284.2	17,014.9	20,658.4	23,341.4	26,513.4
Margin (%)	*37.0*	*37.5*	*32.0*	*31.7*	*30.4*	*30.6*
YoY Growth (%)		*4.7*	*(11.8)*	*21.4*	*13.0*	*13.6*
Depreciation & Amortization	1,396.6	1,644.9	1,645.6	1,732.4	1,816.7	1,899.8
EBIT	17,028.8	17,639.3	15,369.3	18,926.0	21,524.7	24,613.5
Margin (%)	*34.2*	*34.3*	*28.9*	*29.0*	*28.0*	*28.4*
YoY Growth (%)		*3.6*	*(12.9)*	*23.1*	*13.7*	*14.4*
Other Income	2,180.7	2,600.6	2,633.7	1,836.4	1,847.0	2,114.7
Finance Cost	71.4	81.4	58.0	39.4	20.9	19.4
Interest Coverage (X)	238.5	216.8	265.1	480.8	1,030.9	1,268.7
Exceptional Item	0.0	(132.1)	0.0	0.0	0.0	0.0
PBT	19,138.1	20,026.4	17,945.1	20,723.0	23,350.8	26,708.8
Margin (%)	*38.4*	*39.0*	*33.8*	*31.8*	*30.4*	*30.8*
YoY Growth (%)		*4.6*	*(10.4)*	*15.5*	*12.7*	*14.4*
Tax Expense	6,313.9	4,441.8	4,555.3	5,237.3	5,877.4	6,722.6
Tax Rate (%)	*33.0*	*22.2*	*25.4*	*25.3*	*25.2*	*25.2*
PAT	12,824.2	15,584.6	13,389.8	15,485.7	17,473.4	19,986.2
Margin (%)	*25.7*	*30.3*	*25.2*	*23.7*	*22.7*	*23.1*
YoY Growth (%)		*21.5*	*(14.1)*	*15.7*	*12.8*	*14.4*
Min Int/Sh of Assoc	(231.9)	(278.3)	(228.6)	(241.7)	(241.7)	(246.6)
Net Profit	12,592.3	15,306.2	13,161.2	15,243.9	17,231.7	19,739.7
Margin (%)	*25.3*	*29.8*	*24.8*	*23.4*	*22.4*	*22.8*
YoY Growth (%)		*21.6*	*(14.0)*	*15.8*	*13.0*	*14.6*
Balance Sheet						
Share Capital	1,225.9	1,229.2	1,230.9	1,232.3	1,232.3	1,232.3
Total Reserves	58,258.5	64,421.5	59,463.3	61,589.4	63,234.8	65,119.7
Shareholders Fund	59,484.3	65,650.7	60,694.2	62,821.7	64,467.1	66,352.0
Long Term Borrowings	8.2	5.9	5.6	4.9	4.9	4.9
Deferred Tax Assets / Liabilities	1,992.7	1,570.9	1,677.9	1,673.5	1,673.5	1,673.5
Other Long Term Liabilities	79.9	348.1	506.0	374.6	441.4	498.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	162.0	175.4	187.5	221.1	242.0	265.3
Total Liabilities	61,727.1	67,751.0	63,071.1	65,095.7	66,828.9	68,793.6
Net Block	19,374.2	21,328.0	22,921.9	23,198.1	23,630.1	24,046.5
Capital Work in Progress	4,126.2	3,251.6	4,004.5	3,198.5	0.0	0.0
Intangible assets under developr	10.2	4.9	6.8	27.1	0.0	0.0
Non Current Investments	11,696.0	11,100.4	10,401.1	13,609.9	14,698.7	15,874.6
Long Term Loans & Advances	3,260.3	2,109.8	1,401.3	2,887.4	2,887.4	3,464.9
Other Non Current Assets	1,524.9	10.8	33.2	105.8	124.7	140.7
Net Current Assets	21,735.3	29,945.6	24,302.3	22,068.9	25,487.9	25,266.9
Total Assets	61,727.1	67,751.0	63,071.1	65,095.7	66,828.9	68,793.6

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23E	FY24E
Per share data & Yields						
Adjusted EPS (INR)	10.2	12.4	10.7	12.4	14.0	16.0
Adjusted Cash EPS (INR)	11.4	13.8	12.0	13.8	15.5	17.6
Adjusted BVPS (INR)	48.3	53.3	49.3	51.0	52.3	53.8
Adjusted CFO per share (INR)	10.2	11.9	10.2	12.7	15.7	19.1
CFO Yield (%)	3.7	4.4	3.7	4.7	5.7	7.0
Adjusted FCF per share (INR)	6.3	10.7	8.3	11.2	10.2	13.2
FCF Yield (%)	2.3	3.9	3.1	4.1	3.7	4.8
Solvency Ratio (X)						
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt to EBITDA	(0.9)	(1.3)	(1.1)	(0.8)	(0.9)	(0.8)
Return Ratios (%)						
Return on Equity	21.3	23.4	21.8	24.4	26.9	29.9
Return on Capital Employed	19.3	21.0	19.0	22.6	25.1	27.9
Return on Invested Capital	40.9	44.0	37.6	41.6	49.1	56.3
Working Capital Ratios						
Payable Days (Nos)	26	26	30	25	25	25
Inventory Days (Nos)	58	63	71	61	63	63
Receivable Days (Nos)	30	18	17	14	18	18
Net Working Capital Days (Nos)	61	55	59	50	56	56
Net Working Capital to Sales (%)	16.8	15.2	16.1	13.7	15.3	15.3
Valuation (X)						
P/E	26.7	22.0	25.5	22.0	19.5	17.0
P/BV	5.6	5.1	5.5	5.3	5.2	5.1
EV/EBITDA	17.3	16.1	18.6	15.4	13.5	11.8
EV/Sales	6.4	6.0	6.0	4.9	4.1	3.6
Cash Flow Statement						
PBT	19,138.1	20,026.4	17,945.1	20,723.0	23,350.8	26,708.8
Adjustments	1,463.3	(1,468.2)	(94.6)	109.0	4,680.8	5,112.7
Change in Working Capital	(1,704.1)	573.3	(768.2)	116.5	(2,851.8)	(1,506.9)
Less: Tax Paid	(6,313.9)	(4,441.8)	(4,555.3)	(5,237.3)	(5,877.4)	(6,722.6)
Cash Flow from Operations	12,583.4	14,689.7	12,527.1	15,711.2	19,302.4	23,592.0
Net Capital Expenditure	(3,141.3)	(2,414.1)	(1,834.1)	(2,008.5)	(2,248.7)	(2,316.2)
Change in Investments	(2,404.4)	(3,759.9)	7,517.0	124.8	472.0	(211.6)
Cash Flow from Investing	(5,545.7)	(6,174.0)	5,682.9	(1,883.8)	(1,776.7)	(2,527.8)
Change in Borrowings	(1,247.1)	(1,423.8)	14.9	245.7	(0.7)	0.0
Less: Finance Cost	(71.4)	(81.4)	(58.0)	(39.4)	(20.9)	(19.4)
Proceeds from Equity	969.1	625.3	290.7	1.4	0.0	0.0
Buyback of Shares	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(6,519.2)	(7,301.6)	(18,881.4)	(13,788.3)	(15,586.3)	(17,854.8)
Cash flow from Financing	(6,868.6)	(8,181.5)	(18,633.8)	(13,580.5)	(15,607.9)	(17,874.2)
Net Cash Flow	169.1	334.2	(43.5)	246.9	1,917.8	3,190.0
Forex Effect	0.0	0.0	0.0	0.0	0.0	0.0
Opening Balance of Cash	173.8	342.9	677.0	633.6	880.5	2,798.2
Closing Balance of Cash	342.9	677.0	633.6	880.5	2,798.2	5,988.3

Source: Company Reports & Ventura Research

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