



ITC Limited

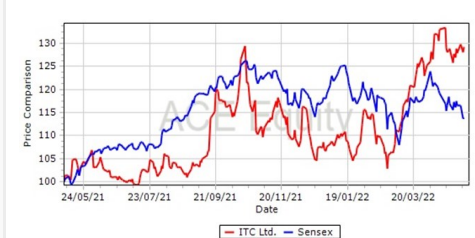
## Script Details

BSE Group	A
BSE Code	500875
NSE Code	ITC
Bloomberg Code	ITC IN
Market Cap (INR Cr.)	3,28,722
Free Float (%)	71%
52wk High/Low	273 / 201
Avg. 20 Day Volume (Mn)	2,40,37,530
Face Value (INR)/ D. Yield (%)	1/ 4.03
Total Paid Up Eq. Shares (Mn.)	12,323

## Share Holding Pattern (%)

Promoters	Public	Others
—	100	—

## Share Price Relative Performance



## ITC LTD

Buy at CMP: Rs 267 | Target: Rs 323 (21%) | SL: Rs 250

Sector

FMCG

May 09, 2022

ITC has a diversified presence in cigarettes, FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. It was incorporated in August 1910. It also operates a subsidiary - ITC Infotech, which is specialized global digital solutions provider. ITC is one of India's leading marketers in Fast Moving Consumer Goods.

## Investment Rationale

- ◆ **Growing FMCG contribution:** over the years its FMCG division has created strong brands with grip on consumer minds. Upward trajectory of FMCG contribution to continue as EBITDA margins are improving. (4% in FY18 to 8.9 in FY21). Its Cigarettes business has rebounded after pandemic and company also Scaled up accessibility by augmenting stockiest network (2.1x YoY) and rural servicing infrastructure (1.1x YoY).
- ◆ **Resolved Capital Allocation concerns:** Major capex in hotels and FMCG has now taken place as per management. ITC has developed a significant footprint in hospitality and successfully entered multiple FMCG spaces, Thus focused is on now scaling and improving existing business. ITC has acquired various businesses in line with its FMCG ventures.
- ◆ **Potential Demerger Opportunity:** ITC's Consolidated entity is a combination various Businesses which belongs to identically different sectors. It mainly have agriculture, Packaging, FMCG, Hotels and Tobacco business. ITC's management have touched about the Value unlocking process of ITC during their address to Investor In CY2021. We believe ITC could be a Rerating candidate once value is unlocked in the formed of demerger of its businesses.
- ◆ **Valuations:** ITC ltd is well positioned for a Value unlocking opportunity. ITC's stocks is trading at PE of 21.8(x) for TTM FY22. with rising FMCG contribution. We estimate 5.1% PAT CAGR (TTM-FY25E), which implies a forward PE (x) of 19 for FY 25E. Its Historical average median PE is 22.5. Hence we recommend BUY on ITC at CMP of Rs. 267 with Target price of Rs. 323 (21%).

## Financial Snapshot (INR Cr)

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
TTM	62,855	24,331	14,802	22	15
FY23E	65,620	25,401	15,934	20	14
FY24E	68,506	26,518	16,635	19	13
FY25E	71,519	27,684	17,366	19	13

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- ITC has shown strong outperformance in the past 2 months as it outperformed the benchmark and went on to break the Nov 2019 highs (266).
- After 3 weeks of correction the stock took support at the 23.6% Fibonacci retracement level (207-273 rally) and has again started moving higher.
- The stock has formed a CIP (Change in polarity) formation in the 250-255 zone and bounced from the same level this week and ended with a strong bullish candle.
- The RSI indicator on daily has witnessed a range shift and is sustaining above the 45 mark since Nov 2020, this indicates bullish undertone of the stock.



### Inference & Expectations

- ITC is moving higher after a flag formation.
- Going ahead the stock has the potential to continue its outperformance and move higher towards 285 followed by 310 levels.
- 250-255 zone will act as a major support on the downside.



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