

- On a consolidated basis, ITC topline grew by 15.6% YoY and 11.2% QoQ to Rs222,819 mn driven by growth in Hotels, Value Added Agri products and Leaf Tobacco.
- EBITDA grew by 4.8% YoY and 0.2% QoQ to Rs67,618 mn. EBITDA margin fell by 315bps YoY and 335bps QoQ to 30.4%. PBT grew by 2.7% YoY and fell by 1.3% QoQ to Rs68,480 mn led by exceptional expense related to demerger between ITC and ITC Hotels.
- PAT increased by 1.8% YoY and fell by 2.4% QoQ to Rs50,545 mn. Overall, Q2FY25 performance was above our estimates.
- The cigarette business grew 7.3% YoY led by improved mix, strategic cost management and calibrated pricing actions and cost escalation in leaf tobacco.
- FMCG sales grew 5.4% YoY to Rs55,777 mn impacted by overall consumption slowdown. The food portfolio continued its strong performance led by continued momentum in staples, snacks, dairy, personal wash, fragrances, homecare & agarbattis.
- Hotel revenue grew 12% YoY to Rs7,277 mn driven by F&B, retail and wedding segments. The Company's first international property ITC Ratnadipa which was opened in Apr'24 at Colombo, Sri Lanka continued to gain good response and appreciation.
- Agri business grew by 47% YoY to Rs57,805 mn led by leaf tobacco exports leveraging strong customer relationships and new business development & value-added agri products.
- Paperboard segment performance grew by 2% YoY to Rs21,141 mn with a margin fall of 379 bps to 11.5% this was impacted by low-priced Chinese supplies in global markets, including India, and higher domestic wood prices.
- The company's branded packaged food business like 'Aashirvaad' Atta, 'Aashirvaad' Salt, 'Sunfeast' Biscuits and Cakes, 'YiPPee!' Noodles, 'Bingo!' Snacks etc and even personal care portfolio have continued to gain traction. Going ahead, company's strong balance Sheet with no external debt, demerger of hotel business unlocks value which will support profitability and return ratios in coming quarters. **We maintain our BUY rating on the stock with a target price of ₹ 560.**



Quarterly Results

Consolidated						
(In ₹ mn)	Q2-FY25	Q1-FY25	QoQ	H1FY25	H1FY24	YoY
Net Sales	2,22,819	2,00,296	11.2%	4,23,115	3,79,095	11.6%
Operating Expense	1,55,201	1,32,812	16.9%	2,88,013	2,47,852	16.2%
EBITDA	67,618	67,484	0.2%	1,35,102	1,31,243	2.9%
Other Income	6,160	6,949	-11.4%	13,108	13,872	-5.5%
Depreciation	5,204	4,986	4.4%	10,189	8,955	13.8%
EBIT	68,574	69,447	-1.3%	1,38,021	1,36,160	1.4%
Interest	164	113	45.6%	276	198	39.8%
PBT	68,410	69,335	-1.3%	1,37,745	1,35,962	1.3%
Tax	17,935	17,611	1.8%	35,546	34,602	2.7%
Exceptional Items	(12)	(30)		(42)	-	
PAT	50,463	51,694	-2.4%	1,02,157	1,01,360	0.8%

Consolidated						
Margins	Q2-FY25	Q1-FY25	QoQ	H1FY25	H1FY24	YoY
Operating Margin %	30.3%	33.7%	-335bps	31.9%	34.6%	-269bps
Net Margin %	22.6%	25.8%	-316bps	24.1%	26.7%	-259bps

Source: Company, Anand Rathi Research

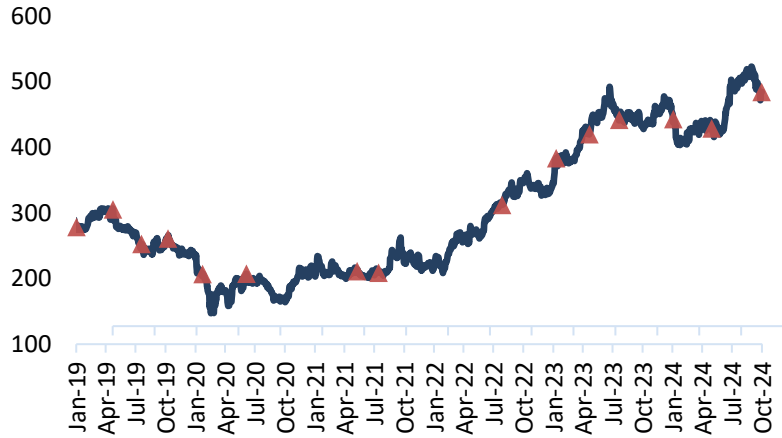
(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Net Sales	7,02,513	7,08,810	7,93,582	8,21,296
Operating Expense	4,63,068	4,46,267	5,30,300	5,48,819
EBITDA	2,39,445	2,62,544	2,63,282	2,72,476
Other Income	24,376	27,278	23,807	24,639
Depreciation	16,627	18,164	21,934	22,700
EBIT	2,47,194	2,71,658	2,65,155	2,74,415
Interest	418	460	490	490
Misc items	729	(76)	-	-
PBT	2,47,504	2,71,123	2,64,666	2,73,925
Tax	59,971	63,885	47,640	49,307
Minority Interest	(2,851)	276	-	-
PAT	1,84,683	2,07,514	2,17,026	2,24,619
Margins	FY-23	FY-24	FY-25E	FY-26E
Sales Growth %	15.8%	0.9%	12.0%	3.5%
PAT Growth %	19.3%	12.4%	4.6%	3.5%
Operating Margin %	34.1%	37.0%	33.2%	33.2%
Net Margin %	26.3%	29.3%	27.3%	27.3%

(In ₹ mn)	FY-23	FY-24	FY-25E	FY-26E
Liabilities				
Equity Share Capital	19,843	12,485	12,485	12,485
Reserves & Surplus	6,71,710	7,32,585	9,49,611	11,74,230
Total Shareholder's Funds	6,91,553	7,45,070	9,62,096	11,86,715
Long-Term Liabilities	3,835	3,830	3,830	3,830
Other Long-term Liabilities	35	18	18	18
Deferred Tax Liability	9,723	11,026	11,026	11,026
Short-term Liabilities	15,770	21,414	21,414	21,414
Total	1,37,395	1,36,904	1,53,300	1,58,654
Assets	8,58,311	9,18,262	11,51,684	13,81,656
Net Fixed Assets	2,88,546	2,94,010	2,75,937	2,67,038
Long-Term L&A	29,764	41	41	41
Non Current Investments	1,21,822	1,85,105	1,85,105	1,85,105
Other Non-Current Assets	21,469	27,729	27,729	27,729
Current Asset	3,96,710	4,11,391	4,55,241	1,95,618
Total	8,58,311	9,18,262	11,51,684	13,81,656
Particulars	FY-23	FY-24	FY-25E	FY-26E
EPS (₹)	15.6	16.8	17.6	18.2
P/E (x)	28.6	26.5	25.3	24.4
P/B (x)	7.9	7.4	5.7	4.6
ROE	27.8%	27.9%	22.6%	18.9%
ROCE	36.1%	34.8%	33.5%	53.1%



Rating and Target Price History:

ITC rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 29 Oct 2024 close.

ITC rating details

Date	Rating	Target Price	Share Price
29-Jan-19	BUY	352	278
21-May-19	BUY	352	306
16-Aug-19	BUY	352	253
06-Nov-19	BUY	352	261
19-Feb-20	BUY	306	207
03-Jul-20	BUY	285	208
07-Jun-21	BUY	285	209
11-Aug-21	BUY	285	209
25-Aug-22	BUY	364	312
06-Feb-23	HOLD	416	374
19-May-23	HOLD	462	420
18-Aug-23	BUY	530	442
21-Oct-23	BUY	530	438
02-Feb-24	BUY	530	440
28-May-24	BUY	530	428
29-Oct-24	BUY	560	484

Source: Ace Equity, Anand Rathi Research

Risks :

- Regulatory Risks.
- Macro Economic Risks.
- Regulatory Norms On Cigarette.

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