

ITC

Refer to important disclosures at the end of this report

## Steady performance; stable tax policy remains key

- Q2 performance was slightly ahead of estimates, with PAT growth of 14%. Cigarette sales/EBIT grew 10% yoy, recovering to 95% of pre-Covid levels. FMCG grew 3% yoy on high comparables (2-year CAGR 11%) and maintained 10% EBITDA margins.
- Cigarette recovery appears healthy with exit volumes at near pre-Covid. A further increase in mobility and ITC's initiatives on portfolio expansion should drive a healthy recovery. However, a stable taxation policy remains key to sustaining steady growth ahead.
- FMCG sequential trends indicate a likely pick-up in growth in H2 as the base normalizes. Increasing cost pressure may, however, limit margin gains in the immediate term. Other divisions (Hotels/Agri/Paper) saw strong growth (EBIT up 63%), led by Paper/Hotels.
- ITC's IT business has seen strong rise in its profitability (PAT up 70% in H1) and we now value it at Rs12/share. We maintain Buy and arrive at a fair value of Rs270, based on a two-stage DCF growth model with a derived target PE multiple of 17.6x (Dec'23E EPS).

**Healthy recovery in cigarettes; exit volumes at pre-Covid levels:** Cigarette sales grew 10% (post excise adjustments), with similar volume growth. ITC witnessed a broad-based recovery in cigarette volumes across markets, exiting Q2 with volumes near pre-Covid levels. Certain markets in Kerala and East remained muted. Underlying EBIT grew 10%, with margins up 10bps YoY. Growing stockist network (2.1x YoY), rural servicing infrastructure (1.1x YoY) and step-up in innovative offerings should support faster recovery and growth in cigarette sales/volumes ahead. A stable taxation policy remains key for steady growth ahead. Recent government steps to form a panel to suggest raising taxation on tobacco, however, may remain a near-term overhang.

**Softer growth in FMCG on a high base; margin gains higher despite cost pressures:** FMCG sales grew 3%, led by a slowdown in demand for staples and hygiene products against very high comparables. The 2-year sales CAGR was still healthy at 11%. Out-of-home categories recorded strong growth. Despite inflationary trends in input prices, EBITDA margin was sustained at 10%, led by cost savings, favorable mix, premiumization and fiscal incentives. E-commerce sales stood at 7% of overall sales for H1FY22 (2x of H1FY21). The Paper business delivered a strong performance, with Sales/EBIT up 25%/24%. Hotels business continued to witness strong recovery trends with easing travel restrictions leading to higher occupancy levels (3x of Q2FY21). ITC Infotech continues to exhibit strong growth trends, with a 1.7x jump in profitability in H1FY22.

**Earnings momentum improving, maintain Buy:** Cigarette recovery has been healthy, and stable taxation remains key to sustaining category growth ahead. The performance of the IT business has been notable and we now value it at Rs12/share. At 17x FY23E EPS, the valuation appears reasonable. We maintain Buy and arrive at a fair value of Rs270, based on a two-stage DCF growth model with a derived target PE multiple of 17.6x (Dec'23E EPS).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 9\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	4,56,197	4,54,851	5,01,217	5,69,641	6,24,745
EBITDA	1,79,043	1,55,225	1,79,922	2,10,336	2,31,544
EBITDA Margin (%)	39.2	34.1	35.9	36.9	37.1
APAT	1,52,682	1,30,316	1,43,061	1,67,517	1,85,194
EPS (Rs)	12.4	10.6	11.6	13.6	15.1
EPS (% chg)	22.2	(14.7)	9.8	17.1	10.6
ROE (%)	25.0	21.2	24.1	27.6	29.5
P/E (x)	19.2	22.5	20.5	17.5	15.8
EV/EBITDA (x)	15.0	17.7	15.2	13.0	11.7
P/BV (x)	4.6	5.0	4.9	4.8	4.6

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
Rs 238 as of (October 27, 2021)	Rs 270 (■) 12 months
<b>Rating</b>	<b>Upside</b>
BUY (■)	13.2 %

### Change in Estimates

EPS Chg FY22E/FY23E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	11.6	13.6
Consensus	12.4	14.0
Mean Consensus TP (12M)	Rs 270	

### Stock Details

Bloomberg Code	ITC IN
Face Value (Rs)	1
Shares outstanding (mn)	12,310
52 Week H/L	265 / 163
M Cap (Rs bn/USD bn)	2,935 / 39.12
Daily Avg Volume (nos.)	2,84,67,050
Daily Avg Turnover (US\$ mn)	87.0

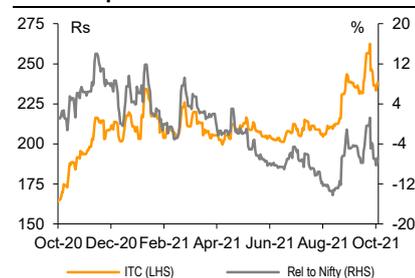
### Shareholding Pattern Sep '21

Promoters	-%
FII's	10.8%
DII's	43.7%
Public and Others	45.5%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	-	14	16	43
<b>Rel. to Nifty</b> (2)	(1)	(7)	(7)	(7)

### Relative price chart



Source: Bloomberg

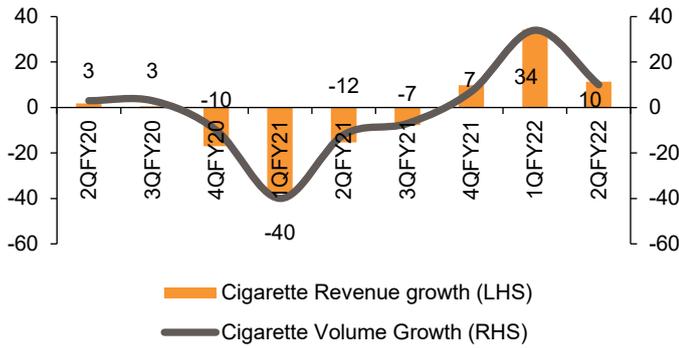
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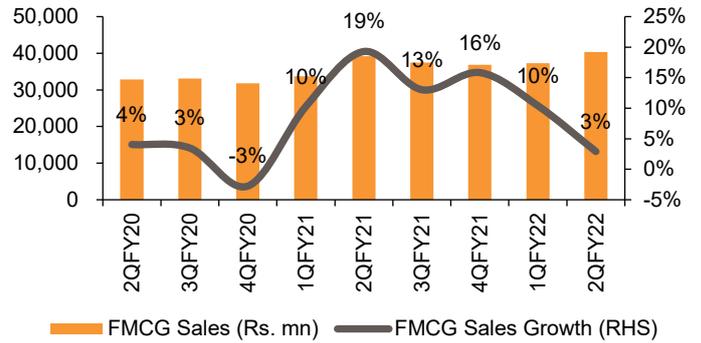
## Story in Charts

**Exhibit 1: Cigarette business continues to witness recovery; volumes reach near pre-Covid levels**



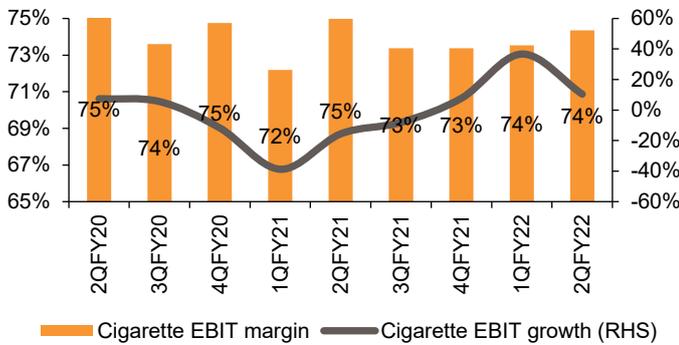
Source: Company, Emkay Research

**Exhibit 2: Staples and hygiene categories slowdown; out-of-home records strong growth**



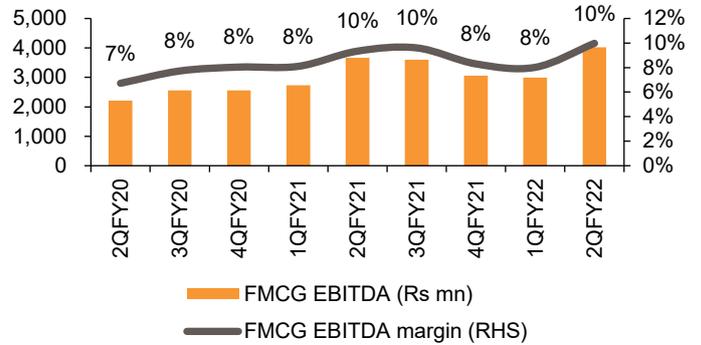
Source: Company, Emkay Research

**Exhibit 3: Cigarette EBIT margins slightly below expectations**



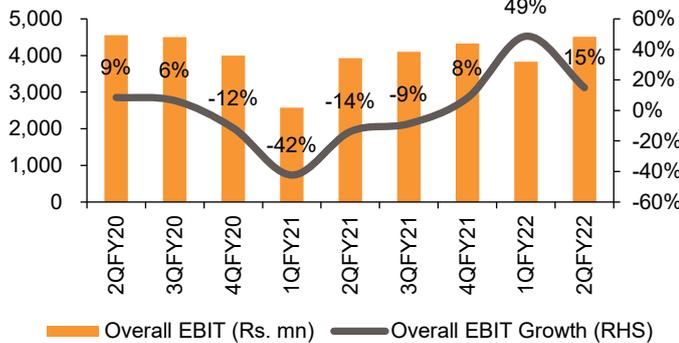
Source: Company, Emkay Research

**Exhibit 4: Pricing hikes and favorable mix help maintain margins in FMCG business**



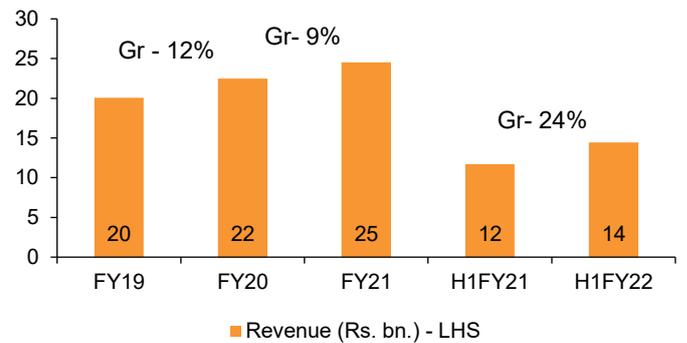
Source: Company, Emkay Research

**Exhibit 5: EBIT growth recovery continues on low comparables**



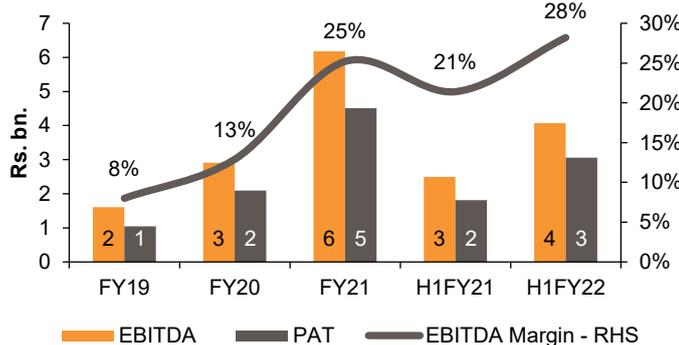
Source: Company, Emkay Research

**Exhibit 6: ITC Infotech revenue growing strongly**



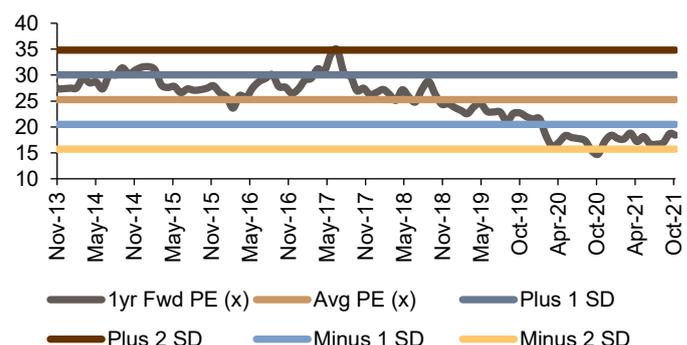
Source: Company, Emkay Research

**Exhibit 7: ITC Infotech's recording strong profitability**



Source: Company, Emkay Research

**Exhibit 8: One-year forward P/E band chart**



Source: Company, Emkay Research

**Exhibit 9: Actual vs. Estimates (Q2FY22)**

Rs mn	Actual	Emkay estimates	Consensus estimates	Emkay	Consensus	Comment
Revenues	1,27,310	1,25,640	1,28,927	1.3%	-1.3%	Steady recovery in cigarettes and strong growth in Paper
EBITDA	46,150	46,301	46,241	-0.3%	-0.2%	
EBITDA Margin (%)	36.3%	36.9%	35.9%	-60	38	
APAT	36,972	35,551	36,390	4.0%	1.6%	Higher other income

Source: Company, Emkay Research

**Exhibit 10: Quarterly Performance (Standalone)**

Y/E, Mar (Rs. mn)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	Gr (%)
Revenue	1,13,101	1,17,874	1,32,947	1,22,171	1,27,310	12.6	4.2	20,221	24,948	23.4
Expenditure	72,219	75,060	88,216	82,250	81,159	12.4	-1.3	13,487	16,341	21.2
Consumption of RM	48,205	50,131	60,762	57,861	54,462	13.0	-5.9	8,767	11,232	28.1
as % of sales	42.6%	42.5%	45.7%	47.4%	42.8%			43.4%	45.0%	
Employee Cost	6,643	7,201	7,356	7,341	7,532	13.4	2.6	1,361	1,487	9.3
as % of sales	5.9%	6.1%	5.5%	6.0%	5.9%			6.7%	6.0%	
Other expenditure	17,371	17,729	20,099	17,048	19,166	10.3	12.4	3,358	3,621	7.8
as % of sales	15.4%	15.0%	15.1%	14.0%	15.1%			16.6%	14.5%	
EBITDA	40,882	42,814	44,730	39,922	46,150	12.9	15.6	6,735	8,607	27.8
Depreciation	3,825	3,909	3,880	3,955	4,015	5.0	1.5	781	797	2.1
EBIT	37,057	38,904	40,851	35,967	42,136	13.7	17.2	5,954	7,810	31.2
Other Income	6,100	9,710	7,720	4,290	6,770	11.0	57.8	1,507	1,106	-26.6
Interest	138	138	31	103	105	-24.1	1.3	31	21	-32.0
Exceptional Items	0	0	0	0	0					
PBT	43,019	48,476	48,539	40,154	48,801	13.4	21.5	7,430	8,895	19.7
Total Tax	10,488	11,848	11,055	10,019	11,829	12.8	18.1	1,834	2,185	19.1
PAT	32,531	36,629	37,484	30,135	36,972	13.7	22.7	5,596	6,711	19.9
Adjusted PAT	32,531	36,629	37,484	30,135	36,972	13.7	22.7	5,596	6,711	19.9
Adjusted EPS (Rs)	2.6	3.0	3.0	2.4	3.0	13.5	22.6	4.5	5.4	19.8

Margins (%)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	(bps)	(bps)	1HFY21	1HFY22	(bps)
Gross Margin	57.4	57.5	54.3	52.6	57.2	-20	460	56.6	55.0	-170
EBIDTA	36.1	36.3	33.6	32.7	36.3	10	360	33.3	34.5	120
EBIT	32.8	33.0	30.7	29.4	33.1	30	370	29.4	31.3	190
EBT	38.0	41.1	36.5	32.9	38.3	30	550	36.7	35.7	-110
PAT	28.8	31.1	28.2	24.7	29.0	30	440	27.7	26.9	-80
Effective Tax rate	24.4	24.4	22.8	25.0	24.2	-10	-70	24.7	24.6	-10

Source: Company, Emkay Research

**Exhibit 11: Segment-wise Performance**

Y/E, Mar (Rs. mn)	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	1HFY21	1HFY22	Gr (%)
<b>Segment Revenues</b>										
Cigarette*	43,276	47,054	49,973	43,802	48,192	11.4	10.0	7,591	9,199	21.2
FMCG	39,224	37,437	36,875	37,256	40,364	2.9	8.3	7,297	7,762	6.4
Hotels	820	2,352	2,878	1,272	2,947	259.6	131.6	105	422	303.6
Agri	29,853	24,818	33,689	40,913	27,761	-7.0	-32.1	6,732	6,867	2.0
Paperboards, Paper & Packaging	14,587	14,775	16,559	15,827	18,297	25.4	15.6	2,485	3,412	37.3
Less: Inter-segment revenue	15,502	7,631	8,363	17,645	12,225			4,138	2,987	-27.8
<b>Total</b>	<b>1,12,257</b>	<b>1,18,805</b>	<b>1,31,611</b>	<b>1,21,424</b>	<b>1,25,336</b>	<b>11.7</b>	<b>3.2</b>	<b>20,071</b>	<b>24,676</b>	<b>22.9</b>

**Segment Results**

Cigarette	32,448	34,528	36,665	32,209	35,832	10.4	11.2	5,601	6,804	21.5
FMCG	2,794	2,393	1,886	1,734	2,719	-2.7	56.8	405	445	10.0
Hotels	-1,849	-673	-401	-1,515	-480			-427	-199	-53.3
Agri	2,561	1,961	1,899	1,957	2,961	15.7	51.3	435	492	13.1
Paperboards, Paper & Packaging	3,303	2,850	3,233	3,928	4,090	23.8	4.1	490	802	63.5
<b>Total</b>	<b>39,256</b>	<b>41,059</b>	<b>43,281</b>	<b>38,315</b>	<b>45,123</b>	<b>14.9</b>	<b>17.8</b>	<b>6,504</b>	<b>8,344</b>	<b>28.3</b>

**Segment Margins (%)**

						(bps)	(bps)			(bps)
Cigarette	75.0	73.4	73.4	73.5	74.4	-60	80	73.8	74.0	20
FMCG	7.1	6.4	5.1	4.7	6.7	-40	210	5.5	5.7	20
Hotels	-225.6	-28.6	-13.9	-119.0	-16.3	20,930	10,270	-408.9	-47.3	36170
Agri	8.6	7.9	5.6	4.8	10.7	210	590	6.5	7.2	70
Paperboards, Paper & Packaging	22.6	19.3	19.5	24.8	22.4	-30	-250	19.7	23.5	380
<b>Total</b>	<b>35.0</b>	<b>34.6</b>	<b>32.9</b>	<b>31.6</b>	<b>36.0</b>	<b>100</b>	<b>440</b>	<b>32.4</b>	<b>33.8</b>	<b>140</b>

Source: Company, Emkay Research

**Exhibit 12: ITC: Target P/E based on two-stage growth model**

<b>Revenue CAGR [FY22E-25E] (%)</b>	<b>11</b>
EBITDA CAGR [FY22E-25E] (%)	12
Adj. beta vs Nifty (#)	0.79
<b>Stage-1: FY25E-XXE</b>	
EBITDA in Yr-0 [FY25E] (Rs)	263
EBITDA in Yr-1 (Rs bn)	281
EBITDA CAGR (%)	7.0
Years of growth [n]	10.0
Incremental RoIC (%)	80.0
WACC/CoE (%)	10.75
Tax rate (%)	25.2
Sustainable D&A-to-EBITDA (%)	7.0
Implied FCFF ratio (%)	91
Revenue in FY35E	1,334
<b>Terminal stage</b>	
Terminal EBITDA growth (%)	4.0
Incremental RoIC (%)	80.0
Implied FCFF ratio (%)	95.0
<b>Fair value EV/EBITDA in Mar'25E (x)</b>	<b>11.7</b>
EV in Mar'25E	3,285
Dec'22 NPV of FCFFs	363
<b>Dec'22E EV [A]</b>	<b>2,974</b>
Dec'23E EBITDA	226
Implied fair value EV/EBITDA in Dec'22E (x)	13.1
<b>Net cash &amp; Equivalent [B]</b>	<b>212.5</b>
<b>Value of subsidiaries in Dec'22 [C]</b>	<b>140.0</b>
<b>Fair value of Equity in Dec'22E: [A] + [B] + [C]</b>	<b>3,326</b>
Shares outstanding (bn)	12.31
<b>Target price in Dec'22E (Rs)</b>	<b>270</b>
Dec23E standalone EPS (Rs)	14.7
<b>Implied target P/E (standalone)</b>	<b>17.6</b>

Source: Company, Emkay Research

**Exhibit 13: Relative Valuation**

	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Asian Paints	3,095	2,968	Hold	2,800	29.6	42.3	53.5	104.6	73.2	57.8	66.8	48.7	39.1
Berger Paints	736	715	Sell	650	9.5	12.0	14.2	77.5	61.5	51.9	48.8	39.2	33.2
Britannia	3,698	891	Buy	4,300	73.0	85.5	97.1	50.7	43.3	38.1	36.9	32.5	28.8
Colgate	1,535	417	Buy	1,765	38.0	41.7	46.6	40.4	36.8	33.0	26.7	24.4	22.0
Dabur	592	1,046	Hold	625	10.8	12.6	14.5	54.8	46.9	40.9	43.2	36.9	32.2
Emami	529	235	Buy	620	16.2	18.3	20.6	32.6	29.0	25.7	24.1	21.3	18.8
GCPL	1,010	1,033	Hold	1,030	18.3	21.3	24.3	55.1	47.4	41.5	39.1	34.1	29.8
HUL	2,397	5,631	Hold	2,700	37.5	43.7	50.1	63.9	54.8	47.9	43.8	37.6	32.9
<b>ITC</b>	<b>238</b>	<b>2,935</b>	<b>Buy</b>	<b>270</b>	<b>11.6</b>	<b>13.6</b>	<b>15.1</b>	<b>20.5</b>	<b>17.5</b>	<b>15.8</b>	<b>15.3</b>	<b>13.0</b>	<b>11.7</b>
Marico	575	743	Buy	630	10.6	12.3	14.0	54.1	46.8	41.1	39.6	34.3	30.2
Nestle	19,005	1,832	Hold	17,500	242.0	286.3	335.0	78.5	66.4	56.7	53.8	45.9	39.6
Pidilite	2,368	1,204	Sell	1,730	25.5	32.2	36.6	92.9	73.6	64.7	64.2	51.4	45.5
Radico Khaitan	1,143	153	Buy	1,090	23.2	28.6	33.8	49.3	40.0	33.8	32.3	26.8	22.9
United Breweries	1,693	448	Buy	1,900	18.5	31.9	37.2	91.7	53.0	45.5	48.3	31.2	26.9
United Spirits	883	642	Buy	970	12.2	17.1	19.9	72.2	51.7	44.4	44.6	34.2	29.2

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>4,56,197</b>	<b>4,54,851</b>	<b>5,01,217</b>	<b>5,69,641</b>	<b>6,24,745</b>
<b>Expenditure</b>	<b>2,77,155</b>	<b>2,99,627</b>	<b>3,21,295</b>	<b>3,59,305</b>	<b>3,93,201</b>
<b>EBITDA</b>	<b>1,79,043</b>	<b>1,55,225</b>	<b>1,79,922</b>	<b>2,10,336</b>	<b>2,31,544</b>
Depreciation	15,633	15,618	16,231	17,100	17,934
<b>EBIT</b>	<b>1,63,410</b>	<b>1,39,606</b>	<b>1,63,691</b>	<b>1,93,237</b>	<b>2,13,610</b>
Other Income	30,137	32,510	27,987	31,136	34,396
Interest expenses	557	475	420	420	420
<b>PBT</b>	<b>1,92,989</b>	<b>1,71,642</b>	<b>1,91,257</b>	<b>2,23,953</b>	<b>2,47,586</b>
Tax	40,308	41,325	48,197	56,436	62,392
Extraordinary Items	(1,321)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>1,51,361</b>	<b>1,30,316</b>	<b>1,43,061</b>	<b>1,67,517</b>	<b>1,85,194</b>
<b>Adjusted PAT</b>	<b>1,52,682</b>	<b>1,30,316</b>	<b>1,43,061</b>	<b>1,67,517</b>	<b>1,85,194</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	12,292	12,309	12,309	12,309	12,309
Reserves & surplus	6,27,999	5,77,737	5,85,410	6,05,230	6,24,266
<b>Net worth</b>	<b>6,40,291</b>	<b>5,90,046</b>	<b>5,97,718</b>	<b>6,17,539</b>	<b>6,36,575</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>56</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	17,544	19,448	19,448	19,448	19,448
<b>Total Liabilities</b>	<b>6,57,891</b>	<b>6,09,547</b>	<b>6,17,166</b>	<b>6,36,987</b>	<b>6,56,023</b>
<b>Net block</b>	<b>1,94,520</b>	<b>2,04,942</b>	<b>2,06,475</b>	<b>2,07,029</b>	<b>2,06,748</b>
<b>Investment</b>	<b>3,10,160</b>	<b>2,73,737</b>	<b>2,73,737</b>	<b>2,73,737</b>	<b>2,73,737</b>
<b>Current Assets</b>	<b>2,19,872</b>	<b>1,98,020</b>	<b>2,14,816</b>	<b>2,49,063</b>	<b>2,80,565</b>
Cash & bank balance	68,433	40,015	49,958	65,502	79,135
Other Current Assets	28,926	29,645	32,118	35,747	39,336
<b>Current liabilities &amp; Provision</b>	<b>94,462</b>	<b>1,06,259</b>	<b>1,11,196</b>	<b>1,26,175</b>	<b>1,38,361</b>
<b>Net current assets</b>	<b>1,25,410</b>	<b>91,761</b>	<b>1,03,620</b>	<b>1,22,887</b>	<b>1,42,204</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>6,57,892</b>	<b>6,03,775</b>	<b>6,17,166</b>	<b>6,36,987</b>	<b>6,56,023</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>1,62,853</b>	<b>1,39,132</b>	<b>1,63,271</b>	<b>1,92,817</b>	<b>2,13,190</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	17,799	7,135	(1,916)	(3,723)	(5,684)
<b>Operating Cashflow</b>	<b>1,85,349</b>	<b>1,53,545</b>	<b>1,57,796</b>	<b>1,81,313</b>	<b>1,97,864</b>
Capital expenditure	(19,077)	(31,573)	(17,764)	(17,653)	(17,653)
<b>Free Cash Flow</b>	<b>1,66,272</b>	<b>1,21,972</b>	<b>1,40,032</b>	<b>1,63,660</b>	<b>1,80,211</b>
Investments	(44,380)	36,423	0	0	0
Other Investing Cash Flow	(30,137)	(32,510)	(27,987)	(31,136)	(34,396)
<b>Investing Cashflow</b>	<b>(63,457)</b>	<b>4,850</b>	<b>(17,764)</b>	<b>(17,653)</b>	<b>(17,653)</b>
Equity Capital Raised	33	17	0	0	0
Loans Taken / (Repaid)	(23)	(3)	(53)	0	0
Dividend paid (incl tax)	(84,222)	(1,86,433)	(1,35,388)	(1,47,696)	(1,66,158)
Other Financing Cash Flow	(6,378)	82	5,772	0	0
<b>Financing Cashflow</b>	<b>(91,147)</b>	<b>(1,86,812)</b>	<b>(1,30,089)</b>	<b>(1,48,116)</b>	<b>(1,66,578)</b>
<b>Net chg in cash</b>	<b>30,745</b>	<b>(28,418)</b>	<b>9,943</b>	<b>15,544</b>	<b>13,633</b>
Opening cash position	37,687	68,433	40,015	49,958	65,502
<b>Closing cash position</b>	<b>68,433</b>	<b>40,015</b>	<b>49,958</b>	<b>65,502</b>	<b>79,135</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	39.2	34.1	35.9	36.9	37.1
EBIT Margin	35.8	30.7	32.7	33.9	34.2
Effective Tax Rate	20.9	24.1	25.2	25.2	25.2
Net Margin	33.5	28.7	28.5	29.4	29.6
ROCE	30.7	27.2	31.3	35.8	38.4
ROE	25.0	21.2	24.1	27.6	29.5
RoIC	63.2	54.9	63.3	73.7	80.0

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	12.4	10.6	11.6	13.6	15.1
CEPS	13.7	11.9	12.9	15.0	16.5
BVPS	52.1	48.0	48.6	50.2	51.7
DPS	5.7	15.2	11.0	12.0	13.5

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	19.2	22.5	20.5	17.5	15.8
P/CEPS	17.4	20.1	18.4	15.9	14.4
P/BV	4.6	5.0	4.9	4.8	4.6
EV / Sales	6.0	6.1	5.5	4.8	4.4
EV / EBITDA	15.0	17.7	15.2	13.0	11.7
Dividend Yield (%)	2.4	6.4	4.6	5.0	5.7

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt/EBIDTA	(1.3)	(1.2)	(1.1)	(1.0)	(0.9)
Working Cap Cycle (days)	45.6	41.5	39.1	36.8	36.8

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	1.4	(0.3)	10.2	13.7	9.7
EBITDA	3.5	(13.3)	15.9	16.9	10.1
EBIT	2.2	(14.6)	17.3	18.0	10.5
PAT	21.4	(13.9)	9.8	17.1	10.6

<b>Quarterly (Rs mn)</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>
Revenue	1,13,101	1,17,874	1,32,947	1,22,171	1,27,310
EBITDA	40,882	42,814	44,730	39,922	46,150
<b>EBITDA Margin (%)</b>	<b>36.1</b>	<b>36.3</b>	<b>33.6</b>	<b>32.7</b>	<b>36.3</b>
PAT	32,531	36,629	37,484	30,135	36,972
<b>EPS (Rs)</b>	<b>2.6</b>	<b>3.0</b>	<b>3.0</b>	<b>2.4</b>	<b>3.0</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>
Promoters	-	-	-	-	-
FIs	12.9	13.3	12.8	11.7	10.8
DIs	43.5	42.9	42.5	42.4	43.7
Public and Others	43.6	43.8	44.8	45.9	45.5

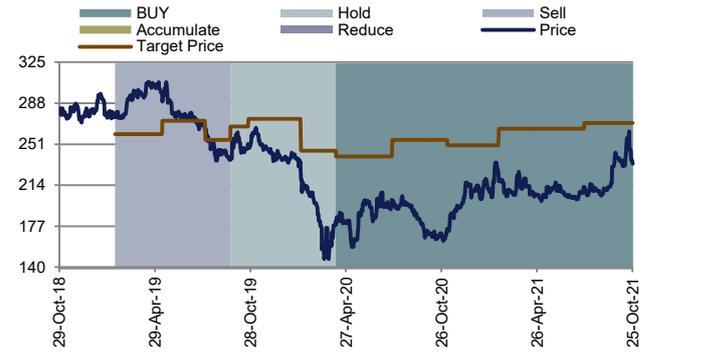
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Jul-21	212	270	12m	Buy	Ashit Desai
02-Jun-21	209	265	12m	Buy	Ashit Desai
12-Feb-21	217	265	12m	Buy	Ashit Desai
06-Nov-20	174	250	12m	Buy	Ashit Desai
25-Jul-20	200	255	12m	Buy	Ashit Desai
24-Jul-20	200	255	12m	Buy	Ashit Desai
28-Jun-20	195	240	12m	Buy	Ashit Desai
14-Apr-20	182	240	12m	Buy	Ashit Desai
08-Apr-20	179	240	12m	Buy	Ashit Desai
01-Feb-20	219	245	12m	Hold	Ashit Desai
25-Dec-19	239	274	12m	Hold	Ashit Desai
24-Oct-19	249	274	12m	Hold	Ashit Desai
20-Sep-19	238	267	12m	Hold	Ashit Desai
03-Aug-19	265	255	12m	Sell	Ashit Desai
13-May-19	289	272	12m	Sell	Ashit Desai
09-Apr-19	296	260	12m	Sell	Ashit Desai
12-Feb-19	275	260	12m	Sell	Ashit Desai

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Consumer Goods & Retail



### Analyst: Ashit Desai

#### Contact Details

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#### Sector

Consumer Goods & Retail

#### Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Consumer Goods &amp; Retail</b>	<b>9.87</b>	<b>9.87</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Asian Paints	1.27	0.44	-66%	-83	4.43
Berger Paints	0.17	0.00	-100%	-17	0.00
Britannia Industries	0.41	0.49	19%	8	4.99
Colgate-Palmolive	0.20	0.21	6%	1	2.11
Dabur India	0.32	0.34	5%	2	3.44
Emami	0.10	0.10	-1%	0	1.02
Godrej Consumer Products	0.35	0.33	-4%	-2	3.36
Hindustan Unilever	2.07	1.53	-26%	-54	15.50
ITC	1.97	1.98	1%	1	20.06
Marico	0.28	0.30	10%	3	3.08
Nestle India	0.65	0.39	-40%	-26	3.95
Pidilite Industries	0.34	0.00	-100%	-34	0.00
Radico Khaitan	0.00	0.36	NA	36	3.68
United Breweries	0.11	0.51	372%	40	5.20
United Spirits	0.00	0.29	NA	29	2.89
Varun Beverages	0.12	0.18	55%	6	1.81
ABFRL	0.07	0.10	42%	3	1.06
Jubilant FoodWorks	0.27	0.25	-9%	-3	2.48
Page Industries	0.20	0.45	121%	25	4.58
Titan Company	0.98	1.13	16%	15	11.43
TCNS Clothing	0.00	0.24	NA	24	2.43
Westlife Development	0.00	0.25	NA	25	2.51
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	27-Oct-20	27-Apr-21	27-Jul-21	24-Sep-21	26-Oct-21
EAP - Consumer Goods & Retail	100.0	104.7	119.9	132.7	149.6	148.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	101.4	115.4	125.9	142.1	134.7

\*Performance measurement base date 1<sup>st</sup> April 2019

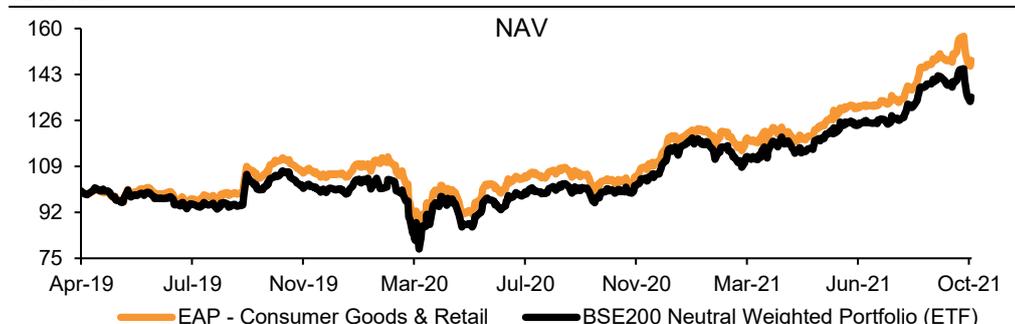
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	-1.0%	11.7%	23.6%	41.5%
BSE200 Neutral Weighted Portfolio (ETF)	-5.2%	6.9%	16.7%	32.8%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 28 Oct 2021 04:26:34 (SGT)

Dissemination Date: 28 Oct 2021 04:27:34 (SGT)

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