

Muted cigarette volume growth; FMCG margins rise

Net revenue (net of excise duty) increased 5.1% YoY to ₹ 12,013 crore, which was in-line with our estimates. Cigarette, FMCG, agri business, paperboard & hotels business witnessed growth of 4.7%, 3.5%, 8.8%, 0.8% & 22.2%, respectively. EBITDA grew 6.6% to ₹ 4,612.7 crore supported by cigarette, FMCG & paperboard segments. FMCG EBITDA increased from ₹ 173.4 crore to ₹ 255.8 crore driven by strong growth in the branded packaged foods business, scale benefits and cost rationalisation initiatives despite increased investments in brand building. Led by a reduction in corporate tax rates, net profit grew 29.1% YoY to ₹ 4,141.9 crore. Adjusted for one-offs, PAT increased 32.5% YoY.

Losing market share impacting cigarette volumes

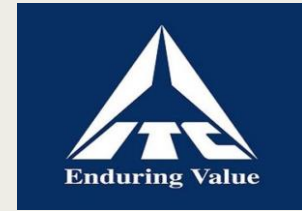
Cigarette volumes continued to see muted volume growth of 2-3% growth vs. ~10% volume growth of VST Industries. ITC is losing market share as contribution of smaller size cigarettes is increasing and VST Industries & Godfrey are gaining volumes at expense of ITC. **FMCG** revenues have grown at a slower pace at 6.1% (excluding lifestyle retailing business), largely impacted by rural growth, which was impacted by trade channel liquidity crunch. The company has expanded its operating margins by 230 bps to 7.7% in FMCG business. With ITC's strong and wide distribution network at 6 million outlets, we believe FMCG sector would stand to gain as it enters into newer categories with different product offerings. **Hotels** business witnessed strong revenue & EBIT growth of 22.2% & 40.1%, respectively, on the back of stronger occupancy, high room rates & robust F&B sales.

Tax hike in cigarettes in Union Budget to have limited impact

In Budget 2020-2021, national calamity contingency duty (NCCD) on cigarettes has increased by ₹0.40- ₹0.50 per stick. We believe the increase in tax would warrant a price hike to the tune of 4-8%. We feel the company would get the opportunity to take price hikes, which was absent from the revenue growth of the last two years. We believe such a price hike may push back volume revival for the company.

Valuation & Outlook

The company has significantly improved its FMCG EBITDA margins from 5% in 9MFY19 to 6.8% in 9MFY20 driven by better traction of foods business. We expect FMCG segment to continue its upward margin trend and reach double digit levels by FY21E end. We value FMCG segment at 4x FY22E numbers. With increasing scale and better margins, the FMCG segment can be valued at 7-8x price to sales similar to other FMCG peers. With other businesses (agri, paper & hotels being valued at 2-5x FY22E sales) & ₹ 15,000 cash and investments in the books, the cigarette business is available at a relatively cheap valuation of 8-10x EV/EBITDA, which provides significant room for upside for the company. ITC is trading at a P/E of 15x FY22E earnings, which is at a significant discount to its peers. Hence, we continue to maintain our **BUY** rating on stock with a target price of ₹ 270/share.



Particulars

| Particulars (₹ crore) | Amount |
|-----------------------------|-----------|
| Market Capitalization | 266,028.1 |
| Total Debt (FY19) | 7.9 |
| Cash and Investments (FY19) | 16,275.3 |
| EV | 249,760.7 |
| 52 week H/L (₹) | 310 / 216 |
| Equity capital | 1,225.9 |
| Face value (₹) | 1.0 |

Key Highlights

- Cigarette volume growth moderated to ~2% due to weak rural demand, which impacted growth of 64 mm cigarettes (~42% of cigarette sales volumes)
- Cigarette EBIT margins expanded by 60 bps driven by salience of high priced cigarettes
- FMCG EBITDA improved from 5.3% to 7.7% YoY
- Maintain BUY with revised target price of ₹ 270/per share

Research Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Kapil Jagasia, CFA
kapil.jagasia@icicisecurities.com

Key Financial Summary

| Key Financials | FY18 | FY19 | FY20E | FY21E | FY22E | CAGR (FY19-22E) |
|-----------------|---------|---------|---------|---------|---------|-----------------|
| Net Sales | 40254.7 | 44432.7 | 47764.2 | 52050.3 | 56893.3 | 8.6% |
| EBITDA | 15541.0 | 17305.5 | 18588.9 | 20613.5 | 23095.1 | 10.1% |
| EBITDA Margin % | 38.6 | 38.9 | 38.9 | 39.6 | 40.6 | |
| Net Profit | 11223.3 | 12464.3 | 15333.5 | 16640.9 | 18671.0 | 14.4% |
| EPS (₹) | 9.24 | 10.26 | 12.62 | 13.70 | 15.37 | |
| P/E | 23.7 | 21.3 | 17.3 | 16.0 | 14.2 | |
| RoNW % | 21.3 | 21.5 | 24.4 | 23.6 | 23.6 | |
| RoCE (%) | 30.9 | 30.8 | 30.8 | 30.7 | 30.8 | |

Exhibit 1: Variance Analysis

| | Q3FY20 | Q3FY20E | Q3FY19 | YoY (%) | Q2FY20 | QoQ (%) | Comments |
|-----------------------------------|----------|----------|----------|---------|----------|---------|--|
| Total Operating Income | 12,013.0 | 11,905.2 | 11,431.3 | 5.1 | 11,871.5 | 1.2 | Net revenue increased 5.1% YoY. Cigarette, FMCG, agri business, paperboard segments and hotels grew 4.7%, 3.5%, 8.8%, 0.8% and 22.2%, respectively. Cigarettes volumes increased ~2% |
| Operating Income | 100.9 | 137.0 | 91.1 | 10.7 | 121.3 | -16.9 | |
| Raw Material Expenses | 4,546.5 | 4,484.9 | 4,300.5 | 5.7 | 4,481.7 | 1.4 | |
| Employee Expenses | 669.1 | 649.7 | 629.2 | 6.3 | 632.3 | 5.8 | |
| Other operating Expenses | 2,184.7 | 2,150.3 | 2,175.8 | 0.4 | 2,195.1 | -0.5 | |
| EBITDA | 4,612.7 | 4,620.2 | 4,325.8 | 6.6 | 4,562.4 | 1.1 | Operating profit increased 6.6%, well supported by profitable growth in all segments |
| EBITDA Margin (%) | 38.4 | 38.8 | 37.8 | 56 bps | 38.4 | -3 bps | EBITDA margins increased 56 bps aided by 60 bps rise in cigarettes EBIT driven by localisation of capsule filters (capsule filters are imported) and price hikes in the range of 14-16% in select portfolio taken recently |
| Depreciation | 416.2 | 356.6 | 335.4 | 24.1 | 395.7 | 5.2 | |
| Interest | 12.4 | 14.7 | 5.6 | 121.7 | 13.3 | -6.7 | |
| Other Income | 983.6 | 702.3 | 836.4 | 17.6 | 654.3 | 50.3 | Other income increased 17.6% YoY |
| PBT | 5,035.5 | 4,951.3 | 4,821.2 | 4.4 | 4,807.7 | 4.7 | |
| Tax Outgo | 893.6 | 1,335.4 | 1,612.1 | -44.6 | 784.6 | 13.9 | |
| PAT | 4,141.9 | 3,615.9 | 3,209.1 | 29.1 | 4,023.1 | 3.0 | Led by reduction in corporate tax rate, net profit grew 29.1% YoY |
| Adjusted PAT | 4,250.6 | 3,615.9 | 3,209.1 | 32.5 | 4,023.1 | 5.7 | Adjusted for one-off items, PAT increased 32.5% YoY |
| Key Metrics YoY growth (%) | | | | | | | |
| Cigarette Growth (%) | 4.7 | | 9.6 | | 6.0 | | Cigarette segment reported 4.7% increase in sales on the back of volume growth of ~2%, blended price hike of 1-5-2% taken recently and improved product mix |
| FMCG (Others) Growth (%) | 3.5 | | 11.5 | | 4.0 | | FMCG segment reported 3.5% growth; barring restructuring of lifestyle retailing segment, growth was |
| Hotels Growth (%) | 22.2 | | 11.7 | | 17.7 | | Hotels segment grew 22.2% driven by addition of new properties to the portfolio and higher room rates and F&B sales in existing properties |
| Agri Business Growth (%) | 8.8 | | 25.7 | | 19.3 | | Agri business grew 8.8% driven by trading opportunities in oilseeds, pulses & coffee. EBIT growth was muted at 0.6% on account of subdued demand for leaf tobacco in international markets and adverse product mix |
| Paperboards Growth (%) | 0.8 | | 20.5 | | 9.9 | | Paperboards segment grew by a mere 0.8% impacted by the subdued demand environment in the FMCG and liquor |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| ₹ Crore) | FY20E | | | FY21E | | | FY22E | Comments |
|-------------------|---------|---------|----------|---------|---------|----------|----------|---------------------------|
| | Old | New | % Change | Old | New | % Change | New | |
| Sales | 47638.9 | 47764.2 | 0.3 | 52132.6 | 52050.3 | -0.2 | 56,893.3 | Minor change in estimates |
| EBITDA | 18672.8 | 18588.9 | -0.4 | 20711.0 | 20613.5 | -0.5 | 23095.1 | |
| EBITDA Margin (%) | 38.8 | 38.5 | -21 bps | 39.2 | 39.2 | -6 bps | 40.1 | |
| PAT | 14957.7 | 15333.5 | 2.5 | 16717.6 | 16640.9 | -0.5 | 18671.0 | |
| EPS (₹) | 12.39 | 12.79 | 3.2 | 13.85 | 13.79 | -0.5 | 15.47 | |

Source: Company, ICICI Direct Research

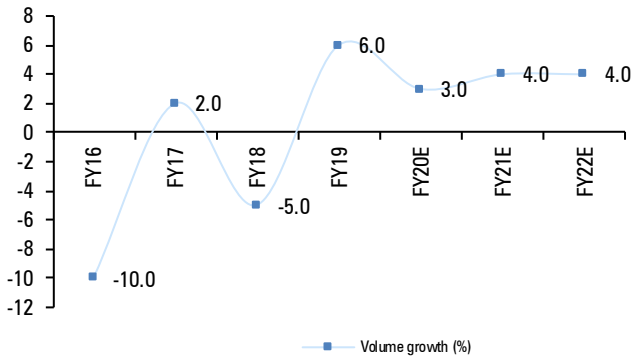
Exhibit 3: Assumptions

| | Current | | | | | | Earlier | | Comments |
|----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---|
| | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E | FY20E | FY21E | |
| Cigarettes (₹ cr) | 34,002.0 | 22,894.0 | 41,968.3 | 44,956.4 | 47,923.5 | 51,086.5 | 44,956.4 | 47,923.5 | |
| Cigarette Vol. Growth (%) | 2.0 | -4.0 | 6.0 | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | Cigarette volume growth for FY20E revised downwards |
| Cigarette Price Growth (%) | 3.0 | 12.0 | 9.5 | 4.0 | 2.5 | 2.5 | 4.0 | 2.5 | |
| FMCG - Others (₹ cr) | 10,498.6 | 11,314.4 | 12,505.3 | 13,102.8 | 14,957.9 | 17,082.9 | 13,481.5 | 15,392.0 | FMCG growth revised downwards on account of weak rural demand |
| Hotels (₹ cr) | 1,329.3 | 1,404.1 | 1,665.5 | 1,973.5 | 1,931.6 | 1,979.0 | 1,794.1 | 1,931.6 | |
| Agri Business (₹ cr) | 5,352.9 | 4,552.0 | 9,396.5 | 10,609.9 | 11,480.1 | 12,436.7 | 10,163.2 | 10,998.1 | |
| Paperboards (₹ cr) | 3,819.0 | 3,792.4 | 5,860.2 | 6,280.2 | 6,693.9 | 7,135.7 | 6,402.4 | 6,824.1 | |

Source: Company, ICICI Direct Research

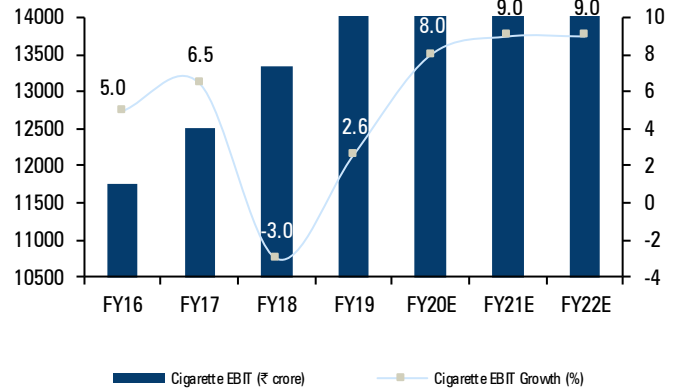
Key Metrics

Exhibit 4: Cigarette volume growth trend



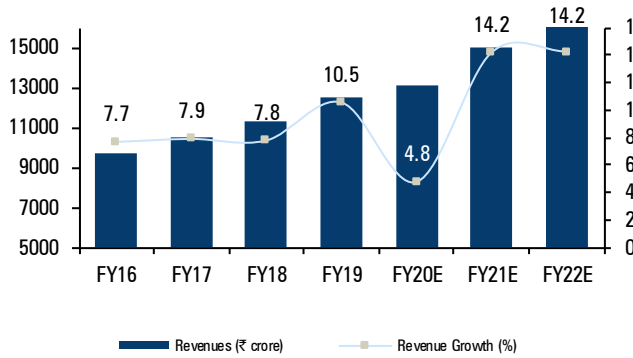
Source: Company, ICICI Direct Research

Exhibit 5: Cigarette EBIT growth trend



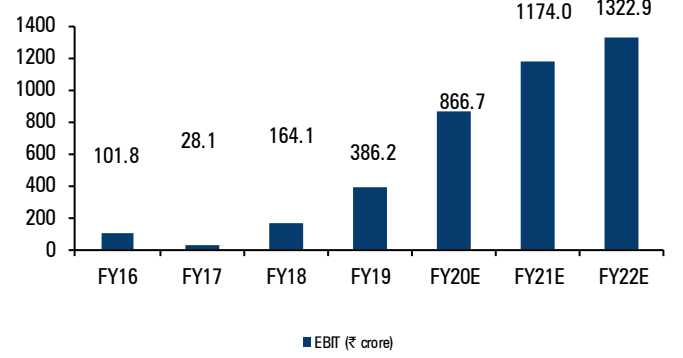
Source: Company, ICICI Direct Research

Exhibit 6: FMCG revenue (₹ crore) and growth (%)



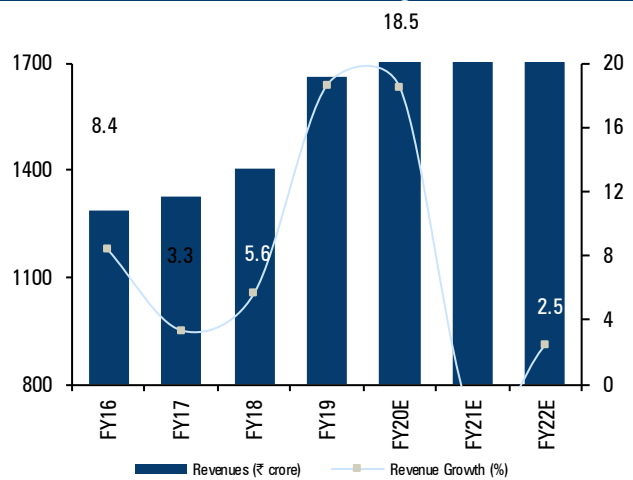
Source: Company, ICICI Direct Research

Exhibit 7: FMCG EBIT (₹ crore)



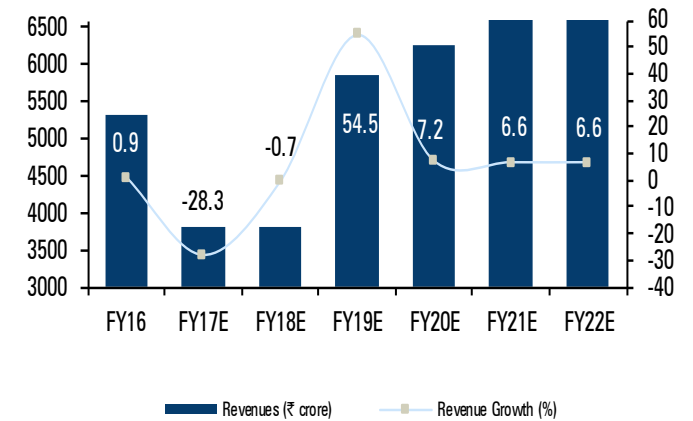
Source: Company, ICICI Direct Research

Exhibit 8: Hotel revenue (₹ crore) and growth (%)



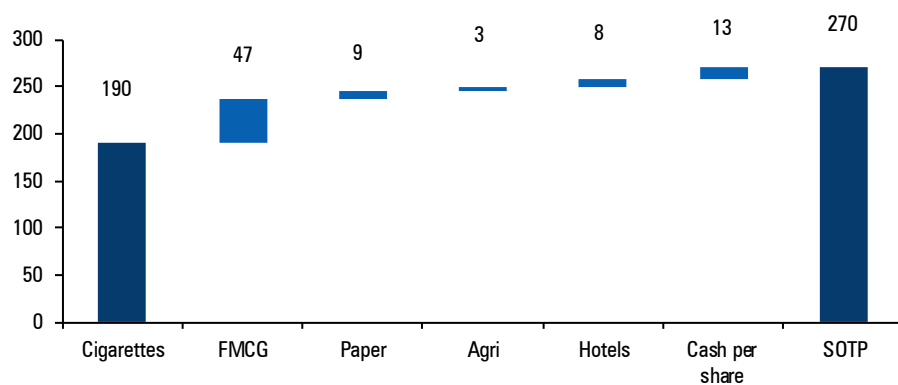
Source: Company, ICICI Direct Research

Exhibit 9: Paperboards revenue (₹ crore) and growth (%)



Source: Company, ICICI Direct Research

Exhibit 10: Sum of the parts valuation



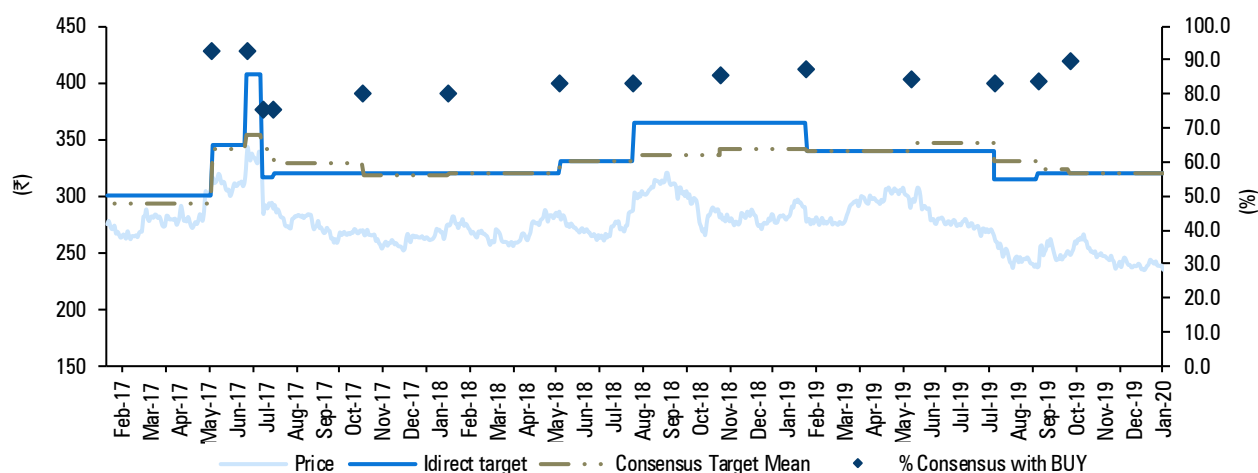
Source: Company, ICICI Direct Research

Exhibit 11: Valuations

| | Sales (₹ cr) | Growth (%) | EPS (₹) | Growth (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|------------|---------------|-----------|------------------|-------------|-------------|
| FY19 | 44432.7 | 10.4 | 10.3 | 11.1 | 21.3 | 15.2 | 21.5 | 30.8 |
| FY20E | 47764.2 | 7.5 | 12.6 | 23.0 | 17.3 | 14.0 | 24.4 | 30.8 |
| FY21E | 52050.3 | 9.0 | 13.7 | 8.5 | 16.0 | 12.5 | 23.6 | 30.7 |
| FY22E | 56893.3 | 9.3 | 15.4 | 12.2 | 14.2 | 10.9 | 23.6 | 30.8 |

Source: Company, ICICI Direct Research

Exhibit 12: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 13: Top 10 Shareholders

| Rank | Investor Name | Filing Date | % O/S Position | (m) | Change (m) |
|------|--------------------------|-------------|----------------|--------|------------|
| 1 | British American Tobacco | 30-Jun-19 | 29.5 | 3619.6 | 0.0 |
| 2 | Life Insurance Corp | 30-Jun-19 | 16.3 | 1997.6 | 22.5 |
| 3 | Unit Trust Of India | 30-Jun-19 | 7.9 | 974.5 | 0.0 |
| 4 | Icici Prudential | 31-Dec-19 | 2.0 | 251.1 | -9.2 |
| 5 | Hdfc Asset Management | 31-Dec-19 | 1.9 | 237.0 | 8.9 |
| 6 | Sbi Funds Management | 31-Dec-19 | 1.9 | 227.7 | 1.7 |
| 7 | General Insurance Co | 30-Jun-19 | 1.7 | 211.7 | 4.9 |
| 8 | Republic Of Singapore | 30-Jun-19 | 1.6 | 195.0 | 10.3 |
| 9 | New India Assurance | 30-Jun-19 | 1.5 | 186.4 | -2.0 |
| 10 | Icici Prudential Life | 30-Jun-19 | 1.3 | 165.1 | 28.7 |

Source: Reuters, ICICI Direct Research

Exhibit 14: Shareholding Pattern

| (in %) | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 |
|----------|--------|--------|--------|--------|--------|
| Promoter | - | - | - | - | - |
| FII | 17.1 | 17.0 | 16.8 | 15.6 | 15.2 |
| DII | 38.1 | 38.2 | 38.4 | 42.5 | 42.6 |
| Others | 44.9 | 44.8 | 44.9 | 41.9 | 42.2 |

Source: Company, ICICI Direct Research

Financial summary

| Exhibit 15: Profit and loss statement | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| | FY19 | FY20E | FY21E | FY22E |
| Total operating income | 44,995.7 | 48,234.1 | 52,600.0 | 57,536.4 |
| Growth (%) | 10.8 | 7.2 | 9.1 | 9.4 |
| Raw Material Expenses | 17,305.2 | 18,017.1 | 20,162.9 | 21,571.6 |
| Employee Expenses | 2,728.4 | 2,803.4 | 3,280.0 | 3,570.1 |
| Marketing Expenses | 0.0 | 975.1 | 1,058.0 | 1,151.7 |
| Administrative Expenses | 0.0 | 1,852.7 | 1,825.1 | 1,986.6 |
| Excise Duty | 788.7 | 788.7 | 788.7 | 788.7 |
| Other expenses | 7,656.6 | 5,996.9 | 5,660.6 | 6,161.4 |
| Total Operating Expenditure | 27,690.1 | 29,645.2 | 31,986.5 | 34,441.3 |
| EBITDA | 17,305.5 | 18,588.9 | 20,613.5 | 23,095.1 |
| Growth (%) | 11.4 | 7.4 | 10.9 | 12.0 |
| Depreciation | 1,311.7 | 1,569.1 | 1,510.4 | 1,570.4 |
| Interest | 34.2 | 59.0 | 64.4 | 70.5 |
| Other Income | 2,484.5 | 3,085.0 | 3,208.6 | 3,507.1 |
| PBT | 18,444.2 | 19,913.7 | 22,247.2 | 24,961.3 |
| Total Tax | 5,979.8 | 4,580.1 | 5,606.3 | 6,290.2 |
| PAT | 12,464.3 | 15,333.5 | 16,640.9 | 18,671.0 |
| Growth (%) | 11.1 | 23.0 | 8.5 | 12.2 |
| EPS (₹) | 10.3 | 12.6 | 13.7 | 15.4 |

Source: Company, ICICI Direct Research

| Exhibit 17: Balance sheet | | | | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Liabilities | | | | |
| Equity Capital | 1,225.9 | 1,225.9 | 1,225.9 | 1,225.9 |
| Reserve and Surplus | 56,723.9 | 62,043.5 | 69,418.9 | 77,897.9 |
| Total Shareholders funds | 57,949.8 | 63,269.3 | 70,644.7 | 79,123.7 |
| LT Borrowings & Provisions | 7.9 | 17.9 | 27.9 | 37.9 |
| Deferred Tax Liability | 2,044.1 | 2,044.1 | 2,044.1 | 2,044.1 |
| Others Non-current Liabilities | 174.5 | 227.1 | 241.6 | 266.0 |
| Total Liabilities | 60,176.4 | 65,558.5 | 72,958.4 | 81,471.7 |
| Assets | | | | |
| Gross Block | 32,259.3 | 35,660.7 | 37,760.7 | 39,260.7 |
| Less: Acc Depreciation | 11,684.4 | 13,253.5 | 14,763.9 | 16,334.4 |
| Net Block | 20,574.9 | 22,407.1 | 22,996.7 | 22,926.3 |
| Capital WIP | 3,401.4 | 2,100.0 | 1,500.0 | 1,500.0 |
| Net Intangible Assets | 540.8 | 560.8 | 580.8 | 600.8 |
| Non-current Investments | 14,071.5 | 13,740.4 | 17,112.4 | 18,704.6 |
| LT loans & advances | 6.2 | 56.2 | 56.2 | 56.2 |
| Current Assets | | | | |
| Inventory | 7,587.2 | 7,197.4 | 7,843.2 | 8,573.0 |
| Debtors | 3,646.2 | 3,925.8 | 4,278.1 | 4,676.2 |
| Loans and Advances | 5.0 | 5.4 | 5.9 | 6.4 |
| Other Current Assets | 2,055.2 | 2,617.2 | 2,852.1 | 3,117.4 |
| Cash | 3,768.7 | 6,094.5 | 7,933.9 | 13,182.8 |
| Current Investments | 12506.6 | 13086.1 | 14973.4 | 16366.6 |
| Current Liabilities | 9,621.6 | 10,496.0 | 11,437.9 | 12,502.1 |
| Creditors | 3,368.3 | 3,925.8 | 4,278.1 | 4,676.2 |
| Provisions | 25.2 | 27.1 | 29.6 | 32.3 |
| Short term debt & other CL | 6,228.0 | 6,543.0 | 7,130.2 | 7,793.6 |
| Application of Funds | 60,176.4 | 65,558.5 | 72,958.4 | 81,471.7 |

Source: Company, ICICI Direct Research

| Exhibit 16: Cash flow statement | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|------------------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Profit After Tax | 12,464.3 | 15,333.5 | 16,640.9 | 18,671.0 |
| Add: Depreciation | 1,311.7 | 1,569.1 | 1,510.4 | 1,570.4 |
| (Inc)/dec in Current Assets | -3,892.1 | -1,031.7 | -3,120.8 | -2,786.9 |
| Inc/(dec) in CL and Provisions | 765.0 | 874.4 | 941.9 | 1,064.2 |
| CF from operating activities | 10,648.9 | 16,745.4 | 15,972.4 | 18,518.8 |
| (Inc)/dec in Investments | -577.7 | 331.1 | -3,372.0 | -1,592.2 |
| (Inc)/dec in LT loans & advances | 1.2 | -50.0 | 0.0 | 0.0 |
| (Inc)/dec in Fixed Assets | -2,607.9 | -4,749.2 | -1,520.0 | -1,520.0 |
| Others | 94.4 | 0.0 | 0.0 | 0.0 |
| CF from investing activities | -3,567.9 | -4,468.1 | -4,892.0 | -3,112.2 |
| Issue/(Buy back) of Equity | 5.4 | 0.0 | 0.0 | 0.0 |
| Inc/(dec) in loan funds | -3.2 | 10.0 | 10.0 | 10.0 |
| Dividend paid & dividend tax | -7,510.8 | -8,423.2 | -9,265.5 | -10,192.1 |
| Others | 10.7 | 52.6 | 14.5 | 24.4 |
| CF from financing activities | -7,497.9 | -8,360.6 | -9,241.0 | -10,157.7 |
| Net Cash flow | -417.0 | 3,916.6 | 1,839.3 | 5,248.9 |
| Opening Cash | 95.9 | -321.0 | 3,595.6 | 5,435.0 |
| Cash with Bank | 4,089.7 | 2,498.9 | 2,498.9 | 2,498.9 |
| Closing Cash | 3,768.7 | 6,094.5 | 7,933.9 | 13,182.8 |

Source: Company, ICICI Direct Research

| Exhibit 18: Key ratios | | | | |
|------------------------------|---------|-------|-------|-------|
| | ₹ crore | | | |
| (Year-end March) | FY19 | FY20E | FY21E | FY22E |
| Per share data (₹) | | | | |
| EPS | 10.3 | 12.6 | 13.7 | 15.4 |
| Cash EPS | 11.3 | 13.9 | 14.9 | 16.7 |
| BV | 47.7 | 52.1 | 58.2 | 65.1 |
| DPS | 5.8 | 6.3 | 7.0 | 7.7 |
| Cash Per Share | 3.1 | 5.0 | 6.5 | 10.9 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 38.5 | 38.5 | 39.2 | 40.1 |
| PBT / Total Operating income | 41.0 | 41.6 | 42.3 | 43.4 |
| PAT Margin | 27.7 | 31.8 | 31.6 | 32.5 |
| Inventory days | 62.3 | 55.0 | 55.0 | 55.0 |
| Debtor days | 30.0 | 30.0 | 30.0 | 30.0 |
| Creditor days | 27.7 | 30.0 | 30.0 | 30.0 |
| Return Ratios (%) | | | | |
| RoE | 21.5 | 24.4 | 23.6 | 23.6 |
| RoCE | 30.8 | 30.8 | 30.7 | 30.8 |
| RoIC | 29.5 | 31.1 | 31.7 | 33.9 |
| Valuation Ratios (x) | | | | |
| P/E | 21.3 | 17.3 | 16.0 | 14.2 |
| EV / EBITDA | 15.2 | 14.0 | 12.5 | 10.9 |
| EV / Net Sales | 5.9 | 5.4 | 5.0 | 4.4 |
| Market Cap / Sales | 6.0 | 5.6 | 5.1 | 4.7 |
| Price to Book Value | 4.6 | 4.2 | 3.8 | 3.4 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt / Equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio | 2.7 | 2.6 | 2.6 | 2.6 |
| Quick Ratio | 1.9 | 1.9 | 1.9 | 1.9 |

Source: Company, ICICI Direct Research

Exhibit 19: ICICI Direct coverage universe (FMCG)

| Sector / Company | CMP | TP | M Cap | EPS (₹) | | | P/E (x) | | | Price/Sales (x) | | | RoCE (%) | | | RoE (%) | | | |
|-----------------------------|--------|------------|-------|---------|-------|-------|---------|-------|-------|-----------------|-------|-------|----------|-------|-------|---------|-------|-------|-------|
| | (₹) | (₹) Rating | | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | |
| Colgate (COLPAL) | 1,306 | 1,430 | Hold | 36,990 | 28.5 | 30.6 | 32.6 | 45.8 | 42.6 | 40.0 | 8.3 | 8.0 | 7.4 | 70.7 | 75.5 | 82.9 | 52.2 | 59.7 | 65.1 |
| Dabur India (DABIND) | 483 | 550 | Buy | 84,312 | 8.2 | 9.3 | 10.3 | 59.0 | 52.1 | 47.0 | 9.9 | 9.0 | 8.2 | 29.6 | 29.9 | 30.0 | 25.7 | 26.8 | 26.7 |
| GSK CH (GLACON) | 8,935 | 8,780 | Hold | 35,327 | 233.7 | 272.5 | N.A. | 38.2 | 32.8 | N.A. | 7.4 | 6.8 | N.A. | 36.1 | 32.6 | N.A. | 24.0 | 24.8 | N.A. |
| Hindustan Unilever (HINLEV) | 2,074 | 2,150 | Hold | 448,200 | 27.9 | 33.6 | 37.0 | 74.2 | 61.7 | 56.0 | 11.9 | 11.1 | 9.8 | 85.3 | 105.8 | 115.0 | 80.9 | 90.6 | 100.3 |
| ITC Limited (ITC) | 219 | 270 | Buy | 266,028 | 10.3 | 12.6 | 13.7 | 21.3 | 17.3 | 16.0 | 6.0 | 5.6 | 5.1 | 30.8 | 30.8 | 30.7 | 21.5 | 24.4 | 23.6 |
| Jyothy Lab (JYOLAB) | 151 | 185 | Hold | 6,363 | 5.3 | 5.9 | 6.5 | 28.4 | 25.6 | 23.2 | 3.6 | 3.3 | 3.0 | 28.6 | 28.5 | 30.6 | 22.6 | 22.4 | 23.5 |
| Marico (MARLIM) | 305 | 350 | Hold | 40,641 | 8.8 | 8.4 | 8.7 | 34.7 | 36.4 | 34.9 | 5.5 | 5.4 | 4.9 | 38.0 | 41.2 | 41.9 | 31.6 | 33.9 | 34.4 |
| Nestle (NESIND) | 15,620 | 14,575 | Hold | 137,881 | 166.7 | 209.8 | 254.4 | 93.7 | 74.5 | 61.4 | 12.3 | 11.1 | 9.8 | 42.9 | 41.8 | 43.3 | 45.6 | 47.2 | 47.6 |
| Tata Global Bev (TATGLO) | 372 | 450 | Buy | 24,676 | 7.2 | 9.2 | 9.7 | 51.4 | 40.4 | 38.4 | 3.4 | 3.2 | 2.4 | 8.4 | 9.6 | 8.7 | 6.5 | 7.7 | 6.6 |
| VST Industries (VSTIND) | 4,213 | 5,200 | Buy | 6,949 | 146.9 | 198.4 | 218.4 | 28.7 | 21.2 | 19.3 | 6.3 | 5.5 | 5.1 | 51.4 | 53.6 | 50.2 | 34.2 | 38.8 | 37.0 |
| Varun Beverage (VARBEV) | 764 | 820 | Buy | 19,877 | 11.7 | 16.4 | 14.4 | 65.2 | 46.5 | 52.9 | 5.0 | 3.9 | 2.8 | 12.7 | 14.2 | 14.1 | 12.1 | 15.0 | 12.0 |

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Sanjay Manyal, MBA (Finance) and Kapil Jagasia, CFA, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.