

Margins experience a healthy improvement

ITC's EBITDA margins improved to 33.8% (+230 bps) while net profit margins gained 80bps to 22.1%. Lower depreciation charge and tax incentives on new manufacturing facilities helped the Net Profit grow by 21.8% (YoY) to Rs 1070.3 crore. ITC is planning additional investments in efficient manufacturing processes and distribution. This should help meet the future demand and improve profitability

New product launch and promotional initiatives to pace future growth momentum

ITC is taking several initiatives to improve its product mix and offerings. With the launch of 'Lucky Strike', 'Classic Menthol Rush', 'Gold Flake SLK', the company has further consolidated its position in the cigarettes business. Introduction of 'Oye pudina' variant during the current quarter enriched the existing portfolio of the Bingo brand. Besides this, the launch of 'Vivel Active Fair Cream', marked the entry of ITC into the fast growing skin care market. To promote the new brands ITC an aggressive media plan and other promotional activities are being chalked out to improve customer reach.

Valuation and recommendations

At CMP of Rs 297.6 the stock is trading at 20.9x of its FY12 EPS of Rs14.2. With hike in cigarette prices and Non FMCG business gaining traction, we recommend a **'buy'** on stock.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

. (Rs. In

ITC Ltd.	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Net Sales	4816.6	4082.7	18.0	4816.6	5053.8	-4.7	18153.2	15388.1	18.0
Other operational Income	30.7	50.2	-38.9	30.7	77.8	-60.5	229.1	194.6	17.7
Total Oper. Income(TOI)	4847.3	4132.9	17.3	4847.3	5131.6	-5.5	18382.2	15582.7	18.0
Raw Materials Cons.-	1568.5	1339.3	17.1	1568.5	1562.4	0.4	5798.0	5315.8	9.1
% to TOI	32.4%	32.4%	-	32.4%	30.5%	-	31.5%	34.1%	-
Stock adj. (-)Inc / (+)Dec-	-99.8	53.3	PL	-99.8	202.8	PL	175.2	-123.7	LP
% to TOI	-2.1%	1.3%	-	-2.1%	4.0%	-	1.0%	-0.8%	-
Net Raw Mat adj. for stock	1468.8	1392.6	5.5	1468.8	1765.2	-16.8	5973.2	5192.1	15.0
% to TOI	30.3%	33.7%	-	30.3%	34.4%	-	32.5%	33.3%	-
Other expenses	1399.6	1070.8	30.7	1399.6	1492.6	-6.2	5103.2	4446.6	14.8
% to TOI	28.9%	25.9%	-	28.9%	29.1%	-	27.8%	28.5%	-
Contribution Net_Sales	1979.0	1669.5	18.5	1979.0	1873.8	5.6	7305.8	5944.0	22.9
Personnel	341.9	282.2	21.2	341.9	255.8	33.7	1002.8	890.9	12.6
% to TOI	7.1%	6.8%	-	7.1%	5.0%	-	5.5%	5.7%	-
Total expenditure	3210.3	2745.6	16.9	3210.3	3513.7	-8.6	12079.2	10529.6	14.7
Operating Profit	1637.1	1387.3	18.0	1637.1	1618.0	1.2	6303.1	5053.2	24.7
<i>% to TOI</i>	<i>33.8%</i>	<i>33.6%</i>	<i>-</i>	<i>33.8%</i>	<i>31.5%</i>	<i>-</i>	<i>34.3%</i>	<i>32.4%</i>	<i>-</i>
Non-Operating Income	98.5	87.6	12.5	98.5	59.2	66.4	374.3	340.3	10.0
Interest	5.8	5.8	-0.7	5.8	18.5	-68.7	53.4	18.3	191.3
Exceptional Items			-			-	0.0	0.0	0.0
Gross Profit	1729.8	1469.1	17.8	1729.8	1658.7	4.3	6624.0	5375.2	23.2
Depreciation	159.7	151.6	5.3	159.7	153.9	3.8	608.7	549.4	10.8
PBT before Extra-ord	1570.1	1317.5	19.2	1570.1	1504.8	4.3	6015.3	4825.7	24.7
% to TOI	32.4%	31.9%	-	32.4%	29.3%	-	32.7%	31.0%	-
Extraordinary Items			-			-	0.0	0.0	0.0
PBT	1570.1	1317.5	19.2	1570.1	1504.8	4.3	6015.3	4825.7	24.7
Tax Rate	31.8%	33.3%	-	31.8%	31.7%	-	32.5%	32.4%	-
Prov. for Tax	499.8	438.8	13.9	499.8	476.6	4.9	1954.3	1562.2	25.1
% to TOI	10.3%	10.6%	-	10.3%	9.3%	-	10.6%	10.0%	-
Profit after Tax	1070.3	878.7	21.8	1070.3	1028.2	4.1	4061.0	3263.6	24.4
<i>% to TOI</i>	<i>22.1%</i>	<i>21.3%</i>	<i>-</i>	<i>22.1%</i>	<i>20.0%</i>	<i>-</i>	<i>22.1%</i>	<i>20.9%</i>	<i>-</i>
Face Value	1.0	1.0	0.0	1.0	1.0		1.0	1.0	0.0
Equity Share capital	381.8	377.4	1.2	381.8	381.8	0.0	381.8	377.4	1.2
EPS (Rs.)	2.8	2.3	20.4	2.8	2.7	4.1	10.6	8.7	23.0
CEPS (Rs.)	3.2	2.7	18.0	3.2	3.1	3.9	12.2	10.1	21.1

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