

INDUSTRY: FMCG

CAPITALIZATION: LARGE-CAP

FAIR VALUE¹: INR 254.41

THE COMPANY

ITC Ltd. is an Indian conglomerate with that operates in Fast-Moving Consumer Goods (FMCG), Hotels, Paperboards & Packaging, Agri Business & Information Technology space. *ITC commands 79% market share in the cigarette market, its chief product.* For FY18, ITC reported a net profit growth of 10%, and the Board of Directors recommended a dividend of INR 5.15 per share, compared to INR 4.75 per share earlier. Cigarette segment contributed 52.08% to the revenue.

THE FUNDAMENTAL WEB

VALUATION	P/E: 28.91	 D-SCORE^X: 5.92	DIV. YIELD: 1.93%	RETURN
	P/B: 6.30		CAPM RETURN ² : 12%	
	EV/EBITDA: 20.89		5 YEAR CAGR: 6.63%	
	UNDER-VALUED	FAIRLY-VALUED	OVER-VALUED	

DEBT LEVELS AND MARGIN ANALYSIS

SOLVENCY	MARGIN
Debt/ Equity: 0.213	EBITDA Margin: 40.79%
Assets/Liabilities : 5.68	Return on Equity: 22.57%
Interest Coverage Ratio: 190 Times	Net Profit Margin: 36.26%

FUTURE

- ❖ Long-term strategy to build a cost effective cold-chain that will lend a new growth driver to Agri Business.
- ❖ Setting up the **Integrated Consumer Goods Manufacturing and Logistics facilities (ICML)** across the length and breadth of the country.
- ❖ Aims to launch multiple new products every year to address more closely, preferences of the discerning Indian consumer.
- ❖ Invested in enlarging its agri-sourcing capabilities by building new competitive fruit value-chains.
- ❖ Partnered with farmers to grow food safe spices with an '**Integrated Crop Engagement**' approach that ensures complete traceability from seed to plate.

RATING:

HOLD

Disclaimer:

- The ratings and call are a result of a rigorous analysis by D-Street SRCC. We (D-Street SRCC) are not responsible for any repercussions of investment decisions taken on the basis of this report as prices might move oppositely due to market sentiments. This report is a work of extensive research and effort, and the calls and the ratings given in this report are the final product of our research, however we do not advocate for the extreme swings that might happen in the real market due to unforeseen factors. The reader should clearly understand that such unforeseen circumstances can moderately or drastically affect the company so covered in this report.
- "D-Score" and this "Report" are the original works of D-Street, Shri Ram College of Commerce. Any plagiarism will be condemned and dealt accordingly.

NOTES

1. Courtesy: Morningstar.in
2. Capital Asset Pricing Model is used to determine the expected return on any security considering the risk that accompanies it.
 - CAPM: $R_f + b(R_m - R_f)$
 - The yield on the 10-year government bond maturing in 2028 has been taken as the risk free-rate (R_f) while the expected market return (R_m) is taken as 13% considering the 5-year of CAGR of Nifty 50 at 12.68%.
 - Beta values have been calculated by D-Street comparing the returns of the benchmark (Nifty 50) with the company over a period of 5 years.
3. The following formulas have been used for calculating the ratios:
 - P/E Ratio: Price of the stock / Earnings Per share (as per the latest result)
 - P/B Ratio: Price of the stock / Book Value per share (as per the latest result)
 - EV/EBITDA: Enterprise Value / Earnings before interest, tax, depreciation and amortization
 - Enterprise Value: Market capitalisation of equity and preferred shares + market value of debt + minority interest - cash and cash equivalents
 - Dividend yield: Annual dividend rate / price of the stock (as per the latest result)
 - The price of the stock has been taken as on the date of the latest result declaration.
 - Debt/Equity: Non-current liabilities / equity
 - Assets/Liabilities: Total assets / total liabilities
 - Interest coverage ratio: Earnings before interest and tax / Interest expenses
 - EBITDA Margin: Earnings before interest, tax, depreciation and amortization / Revenue from operations
 - Return on Equity: Net Profit / Equity
 - Net profit Margin: Net Profit / Revenue from operations
4. Our ratings are based on the value of D-Score.
5. Whether a security is “Under-valued”, “Fairly-valued” or “Over-valued” is determined by its deviation from fair value, P/E, P/B and EV/EBITDA ratio.

X. D-Score is the crux of this report and is used by us (D-Street, Shri Ram College of Commerce) to determine the rating for a particular stock. D-Score's value is determined by the overall score each company has achieved in Valuation, Return, Solvency and Margin. Thus, the value of the D-Score reflects the values of 13 multiples which we have used in this report thereby giving a strong view/opinion on the company we have initiated coverage on.

However, it is worth noting that a strong view and call are merely opinions in front of the larger market where a plethora of forces operate. This report in no way “guarantees” anything.