

ITC's Annual Report FY20 showcases three aspects of its diversified business a) Continued headwinds faced by the Cigarette business b) strength and scale of its non-cigarette portfolio and its potential to drive long term earnings c) continued focus on sustainability of its business on three parameters: financial, environmental, and social. ITC's strategic response to the evolving pandemic situation has been 'Survive, Revive and Reimagine'. The speedy interventions demonstrate ITC's resilience and innovative business capabilities.

Legal cigarette business continues to be in doldrums

The tax incidence on cigarettes has nearly trebled during FY12-18. In July 2017, the industry was further impacted by a sharp increase of 13% in tax incidence under the GST regime. While relative stability in taxation up to January'20 provided some relief to the legal cigarette industry, with growth in tax revenue from cigarette >10%, volumes continued to be below June 2014 levels. Moreover, sharp increase of 13% in cigarette tax announced in Feb'20 coupled with Covid induced lockdown, led to increase in growth of smuggled cigarette. This added tremendous pressure on ITC's cigarette volume growth. On account of illegal cigarettes alone, the revenue loss to the Government is more than ` 150bn pa.

Rapid scale up of FMCG business amidst lockdown

ITC aspires to generate Rs 1tn sales from its FMCG business by 2030. Over 60 new products were launched in FY20. The company's robust pipeline mainly comprises packaged foods and hygiene segments. In response to the surge in demand of packaged food (staples, noodles, biscuits, dairy) and hygiene products post Covid threat, company has scaled up manufacturing manifold in these products. Ashirvaad atta, Yippee noodles have grown >30% YoY; Sunfeast biscuits and Bingo grew >7% from FY19. Savlon and Nimyle brands also witnessed exceptional growth due to the pandemic. In keeping with the times, a slew of innovative products like Savlon surface disinfectant spray, Savlon Hexa hand sanitising liquid, Savlon germ protection wipes etc. were launched.

Extensive Distribution network

ITC's robust supply chain and distribution network covers +6mn retail outlets across various trade channels in rural and urban. ITC's FMCG products reach >140mn households in India. The company sustained its strong growth momentum in the MT channel and increased presence in E-com through ITC e-Store. In order to ensure availability of its products during lockdown, ITC developed direct-to-home distribution models like 'ITC Store on wheels' and partnerships with food aggregators like Dominos, Swiggy, Zomato etc.

Gradual recovery post pandemic

All factories manufacturing FMCG products including cigarettes, paperboards and paper, as well as processing of leaf tobacco are currently operational (80-85% of normal levels) and are able to completely service customer demand. The only dampener now is localised lockdowns. Agri-operations of the company and engagement with farmers for sourcing various commodities driven by e-Choupal commenced during lockdown itself. To reassure guests at iconic Hotels, the "WeAssure" programme has been launched to reinforce ITC Hotels' commitment towards health, hygiene and safety. ITC has a strong balance sheet and continues to focus on strategic cost management across each element of its value chain.

CMP	Rs 196
Target / Upside	Rs 213 / 9%
BSE Sensex	38,047
NSE Nifty	11,214

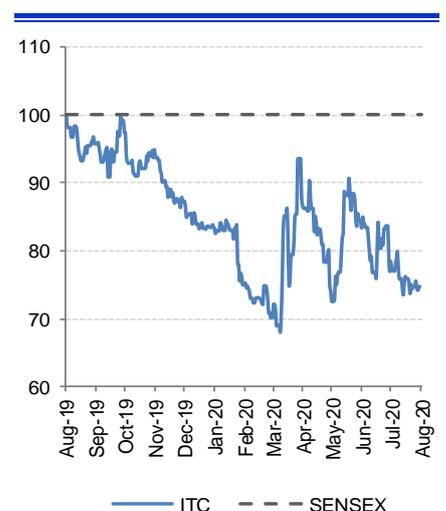
Script Details

Equity / FV	Rs 12,292mn / Rs 1
Market Cap	Rs 2,410bn
	US\$ 32bn
52-week High/Low	₹ 266/₹ 135
Avg. Volume (no)	29,278,000
NSE Symbol	ITC
Bloomberg Code	ITC IN

Shareholding Pattern Jun'20(%)

Promoters	0.0
MF/Banks/FIs	42.4
FIs	14.6
Public / Others	43.0

ITC Relative to Sensex



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Annual Report Macro View

Key Management	No changes		
Board of Directors	During the year, Mr. Sumant Bhargavan was appointed, as a Whole-time Director of the company.		
Auditors	S R B C & CO LLP continue to be the auditors of the company		
Pledged Shares	No pledged shares		
Remuneration	Average remuneration of employees increased by 12% YoY. Average remuneration of employees excluding Key Managerial Personnel (KMP) increased by 12% YoY. Remuneration paid to KMPs increased by 14% YoY. The number of permanent employees as on 31st March, 2020 was 28,115.		
Macroeconomic factors	As per the IMF, the global economy is expected to contract 4.9% in 2020, much worse than the drift during the FY08-09 financial crisis, as a result of the pandemic. The global economy is projected to grow by 5.4% in 2021, on the back of favorable policies as economic activity normalizes. Indian economy is projected to contract sharply by 4.5% in 2020 following a longer period of lockdown. The pandemic is having a severe impact on economic activity through supply disruption, lack of export opportunities, fall in travel and tourism, labour force displacement and erosion of consumer and investor confidence. The short period of relative stability in cigarette taxes after Jul'17 was halted in Feb'20 with a sharp increase of 13% in tax incidence consequent to significant increases in the rates of National Calamity Contingent Duty announced in the Union Budget.		
Key Holders	Categories of Shareholders	FY20	FY19
	Institutional Shareholding		
	Financial Institutions, Insurance Companies, Mutual Funds, Banks and Others	42.4	38.1
	Foreign Portfolio Investors and Foreign Institutional Investors	14.6	17.0
	Sub-Total (A)	57.0	55.1
	Non-Institutional Shareholding		
	Foreign Companies	29.5	29.5
	NRIs, OCIs and Foreign	0.7	0.6
	Bodies Corporate	1.0	4.1
	Public and Others	11.6	10.4
	Sub-Total (B)	42.5	44.7
	Public Shareholding (A+ B)	99.9	99.8
Shares underlying Global Depository Receipts	0.1	0.2	
Total	100.0	100.0	

Source: Company, DART

ITC's initiative to multiply farmer's income

In line with the Government's vision of significantly enhancing farmer income, recognising the potential multiplier effect on the economy, ITC has implemented a pilot 'Baareh Mahine Hariyali' programme to build capacity of farmers in certain districts of Uttar Pradesh.

ITC has covered 2 lakh farmers in UP under the programme and plans to roll out to over 10 lakh farmers, progressively. Around 30,000 farmers who adopted all initiatives reported doubling of incomes, while those who implemented the programme partially have reported 30% to 75% growth in income

The programme focuses on specific interventions such as crop intensification, income diversification, capability building with appropriate market linkages leveraging ITC's e-Choupal network and Choupal Pradarshan Khets (demonstration farms).

ITC e-Choupal ecosystem has empowered +4 mn farmers. Newly initiated project e-Choupal 4.0 (digitally-enabled platform), helps to enhance rural engagement programmes with customised end-to-end services for the farmers on weather and markets on a real-time basis.

ITC has also partnered with NITI Aayog to boost agricultural and allied activities in 27 aspirational districts of eight states. Over 15 lakh farmers have so far been trained for adopting practices appropriate for the dominant crop of the region.

Financial Analysis

Profit and Loss Statement Analysis

- **Revenue-** Gross Sales Value (net of rebates/discounts) for FY20 stood at ₹ 761bn, up 1.0% YoY in FY20. Net revenue (excl excise duty) increased 1.4% YoY to ₹ 456bn.
- Gross margin expanded by 70bps to 62.2%. A 20bps decline in employee expenses was completely offset by 20bps increase in selling/other expenses. Consequently, EBITDA margin expanded 70bps to 39.2%. EBITDA increased by 3.5% YoY to ₹ 179bn.
- Profit Before Tax at ₹ 193bn and PAT at ₹ 153bn grew 4.6% and 22.5% YoY respectively during the year. Strong growth in PAT is attributed to lower corporate tax rate during the year.
- EPS stood at ₹ 12.5 in FY20 compared to ₹ 10.2 in FY19.

Balance Sheet and Cash Flow Analysis

- During the year, 3,35,99,640 Ordinary Shares of ₹ 1/- each, fully paid-up, were issued and allotted upon exercise of 33,59,964 Options under the Company's Employee Stock Option Schemes. Consequently, the Issued and Subscribed Share Capital of the company, as on 31st March, 2020, stands increased to ₹ 12,292mn/- divided into 12,292mn Ordinary Shares of ₹ 1/- each. Share premium stood at Rs 92.1bn in FY20 from Rs 85.2bn in FY19.
- **Dividend-** The BOD recommend an Ordinary Dividend of Rs 10.15 per share of face value ₹ 1 each for FY20 (FY19: Ordinary Dividend of Rs 5.75 per share). Total dividend paid (including taxes) increased to 12.5% to Rs 84.2bn in FY20. The Dividend Distribution Policy was amended to provide that effective FY20, in the medium term, the D/P ratio of the company is expected to be ~ 80-85% of its net profit.
- **Net block** increased 5.1% YoY to Rs 202bn in FY20. Fixed asset turnover remained stable at 2.3x.
- **Working Capital-** Inventory increased by 5.9% YoY to ₹ 80.3bn in FY20. Inventory days increased from 62 days in FY19 to 64 days in FY20. Receivables declined 42.6% YoY to Rs 20.9bn in FY20. Debtor days reduced from 30 days to 17 days during FY20. Debtor turnover increased from 12x to 22x largely attributable to lower year-end credit sales. Creditors grew 2.3% YoY to Rs 34.5bn in FY20. Creditor days remained stable at 28 days. As a result, working capital turnover stood at 3.7x in FY20 from 4.1x in FY19.
- **Cash flow from Operations** increased 19.0% YoY to Rs 139.3bn in FY20. Capex stood at Rs 17.4bn, down 46.5% YoY. However, FCF improved 44.2% YoY to ₹ 121.9bn. Going forward, we believe that cumulative OCF of ₹ 412bn during FY20-22E would be sufficient to fund WC and capex requirement.
- During FY20, ROE and ROCE stood at 24.8% (22.8% in FY19) and 24.4% respectively (22.1% in FY19).

Segment Annual Performance

Particulars (₹ mn)	FY20	FY19	YoY (%)	Comments
Cigarettes				
Revenue	212,017	207,130	2.4	Subdued demand environment, tight market liquidity conditions coupled with growth in illicit cigarette trade dented performance. Steep increase in taxes (+13%) w.e.f. 1st February 2020 and disruptions in operations in March'20 exacerbated the situation.
EBIT	148,526	145,511	2.1	
EBIT Margin %	70.1	70.3		
FMCG Others				
Revenue	128,442	125,053	2.7	Comparable revenue growth at 5% due to strong momentum in the essential consumer goods space, i.e. staples (Aashirvaad atta), noodles(Yippee), biscuits (Sunfeast), dairy etc. The pandemic led to a surge in demand for 'Health and Hygiene' portfolio such as hand sanitizers, handwash, antiseptic liquids (Salon) and floor cleaners (Nimyle). Demand in Fragrancing products categories was relatively subdued.
EBIT	4,231	3,157	34.0	Margin expansion driven by enhanced scale, product mix enrichment and strategic cost management initiatives. Rise in input costs, brand building investments, gestation costs of new categories, start-up costs of new facilities and incremental costs due to Covid restricted margin expansion.
EBIT Margin %	3.3	2.5		
Hotels				
Revenue	18,373	16,655	10.3	During 9MFY20, Hotels segment delivered robust growth of ~19% driven mainly by the newer properties in the portfolio. Reduction in GST rates in Sept 2019 also led to pick up in growth momentum. However, business was severely impacted by COVID-19 pandemic in Q4FY20 due to restrictions on travel and hotel operations.
EBIT	1,578	1,777	(11.2)	During 9M, margin performance was driven by higher RevPar and operational leverage, notwithstanding gestation costs of the new properties. However, negative operating leverage weighed on segment profits in Q4 leading to margin contraction in FY20.
EBIT Margin %	8.6	10.7		
Agri Business				
Revenue	102,407	93,965	9.0	Strong revenue growth of ~15% in 9MFY20 driven by trading opportunities in oilseeds & pulses and scale-up of the value-added portfolio, especially spices, frozen shrimps and frozen snacks. Growth was restricted due to supply chain disruptions in March.
EBIT	7,889	7,766	1.6	Subdued demand for leaf tobacco in international markets, relatively steeper currency depreciation and adverse business mix led to margin contraction.
EBIT Margin %	7.7	8.3		
Paper & Packaging				
Revenue	61,072	58,602	4.2	Revenue was driven by capacity addition in Value Added Paperboards segment, however, slowdown in customer offtake due to sluggish demand in end-user industries like Liquor, Pharma FMCG, weighed on performance of the packaging segment.
EBIT	13,053	12,392	5.3	Despite Covid led supply chain disruptions in Q4, EBIT performance improved due to higher in-house pulp production, enhanced operating efficiencies and benign input costs.
EBIT Margin %	21.4	21.1		
Gross Revenue*	522,312	501,405	4.2	
EBIT	175,276	170,603	2.7	
EBIT Margin %	33.6	34.0		

Source: DART, Company

* Includes intersegment revenue

Key Developments

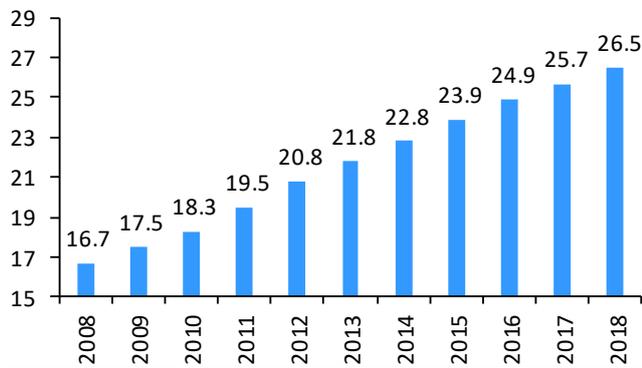
FMCG-Cigarettes

- Despite accounting for merely 10% of the tobacco consumed in the country, duty-paid cigarettes contribute more than 80% of the tax revenue generated from the tobacco sector.
- On account of illegal cigarettes alone, the revenue loss to the Government is more than ₹ 150bn pa. About 68% of the tobacco consumed in the country remains outside the tax net.
- The tax incidence on cigarettes has nearly trebled (on a comparable basis) between FY12-18 and taxes on cigarettes are effectively about 55x higher than taxes on other tobacco products (on a per kg basis).
- In July 2017, the industry was further impacted by a sharp increase of 13% in tax incidence under the GST regime.
- While relative stability in taxation up to January 2020 provided some relief to the legal cigarette industry, with growth in tax revenue from cigarette >10% , volumes continued to be below June 2014 levels. Sharp increase of 13% in cigarette tax announced in the Union Budget in Feb'20 provide further fillip to the large and rapidly growing illicit cigarette trade in the country.
- The disparity in taxation on tobacco products has caused a progressive migration from consumption of duty-paid cigarettes to other lightly taxed / tax-evaded forms of tobacco products, comprising illegal cigarettes and bidi, chewing tobacco, gutkha, zarda, snuff, etc.
- During FY20 ITC launched innovative and differentiated offerings at the premium end such as Gold Flake Indie Mint & Gold Flake Luxury and extended Gold Flake Neo and Classic Rich & Smooth to other markets. It also deployed focused offers under the 'American Club', 'Wave', 'Player's Gold Leaf', 'Pall Mall', 'Navy Cut', and 'Flake' trademarks in strategic markets towards strengthening its market share.
- **Covid-19 impact-** Shutdown of manufacturing facilities and closure of markets and outlets across the country due to the pandemic led to considerable supply chain disruptions and significant decline in volume growth. However, after receiving permissions, ITC was able to resume operations and swiftly ramp up production and availability of its brands across markets.

DART View

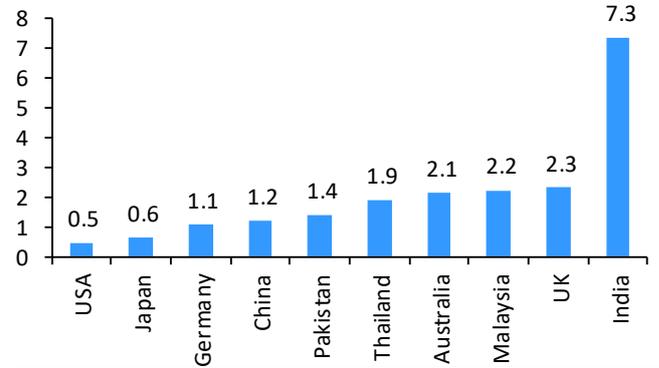
ITC's cigarette portfolio has been consistently declining from 63% in FY16 to 41% in FY20 as the company focusses on its diversification strategy. During FY20, cigarette volume growth has been flattish. Since FY14, ITC's cigarette volumes have declined significantly, due to a continuous increase in duties and rise in the contribution of smuggled cigarettes in the market. In FY20, government further increased duty on cigarettes, which has widened price gap between ITC and smuggled cigarettes. (Gold flake King size at Rs 330 vs Esse Light (smuggled) Rs 150 max). We believe that the market share would continue to shift from ITC, in favor of these smuggled cigarette players, until government comes up with some plans to curb illegal trades.

Exhibit 1: Illegal Cigarette Volumes (bn sticks p.a.)



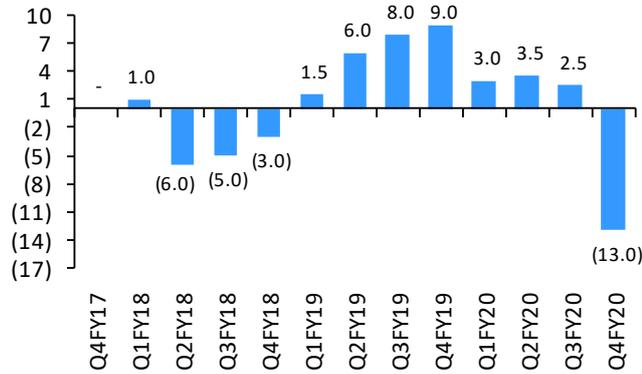
Source: DART, Company

Exhibit 2: Tax per 2000 cigarettes as % of per capita GDP



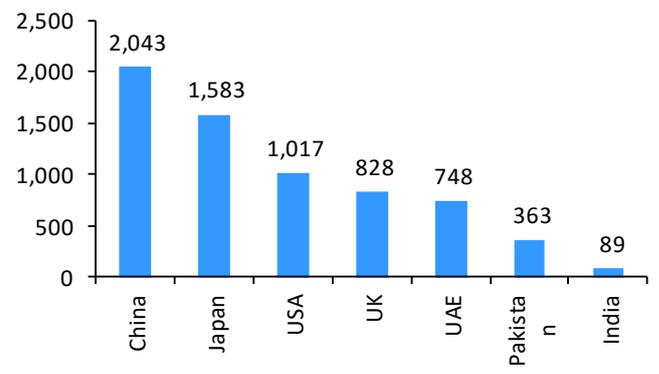
Source: DART, Company

Exhibit 3: Volume growth (%)



Source: DART, Company

Exhibit 4: Number of cigarettes per capita per annum



Source: DART, Company

FMCG-Others

Over the last 10 years, ITC's Non Cigarette FMCG business has grown ~3x at a CAGR of 13% to Rs 128bn. During the year, ITC sustained its market standing as the 3rd largest food company in the country (publicly listed) driven by sustained focus on innovation, brand building and expansion of distribution reach, both in traditional trade as well as e-commerce. During the year, more than 60 new products were launched across geographies.

Strong growth from Branded Packaged Foods

- ITC is the market leader in packaged atta (Aashirvaad), premium cream biscuits (Sunfeast), and the bridges segment in snacks (Bingo). In terms of annual consumer spend, 'Aashirvaad' is ~Rs 60bn; 'Sunfeast' is over ₹ 40bn; 'Bingo!' ~Rs 27bn; 'Classmate' + ₹ 14bn; 'YiPPee!' ~ Rs 13bn, 'Mangaldeep' + Rs 8bn and 'Vivel' ~ ₹ 5bn.
- ITC's core portfolio of these eight brands represents an annual consumer spend of > ₹ 197bn in FY20 from ₹ 180bn in FY19.
- Staples business continued to focus on growing the value-added portfolio, consisting of Multigrain, Select and Sugar Release Control atta, which posted robust growth driven by higher salience in Modern Trade and e-Commerce channels. ITC also launched Gluten Free Flour, Ragi Flour and Multi-Millet Mix.
- In the Spices category, the company expanded its geographical footprint to 17 states and recorded healthy volume growth. In May 2020, ITC entered into a share purchase agreement on 23 May 2020 to acquire 100% of the equity share capital of Kolkata based Sunrise Foods Private Limited (SFPL), which is primarily engaged in the business of spices under the trademark 'Sunrise'. The acquisition is aligned to ITC's aspiration to significantly scale up its spices business and expand its footprint across the country.
- Aashirvaad salt gained traction in key geographies and posted strong performance during the year.
- 'Bingo!' Potato Chips and Tedhe Medhe continued to drive growth in the Snacks Business. The Tedhe Medhe range was augmented with the launch of two innovative variants – 'Herby Spin' and 'Chatpata Swing'. Starters', a baked snack, launched during the year, received encouraging response. Bingo! No Rulz Curlz, a corn-based baked snack was launched in Masala and Cheese flavours.
- YiPPee! Noodles sustained its overall market standing as a strong, competitive No. 2 brand in the noodles space.
- Dark Fantasy Choco Fills witnessed strong growth driven by improved offerings, distribution reach and focused communication. The recently launched Bounce Cake variants continue to receive excellent response from consumers and are now available in all target markets. The Biscuits Business augmented its portfolio with 'Sunfeast' Veda Marie Light.
- Fabelle' chocolates range was augmented with the launch of Fabelle Choco Deck Milk & Ruby Chocolate.
- In the Dairy & Beverages Business, the 'B Natural' juices, Aashirvaad Svasti' fresh dairy portfolio, Aashirvaad Svasti Ghee witnessed good traction. Sunfeast Wonderz Milk' range of milk shakes received encouraging response and is being extended to other markets.
- During the year, the company ramped up capacity utilisation at the recently commissioned facilities at Trichy, Guwahati, Panchla, Haridwar & Pune.

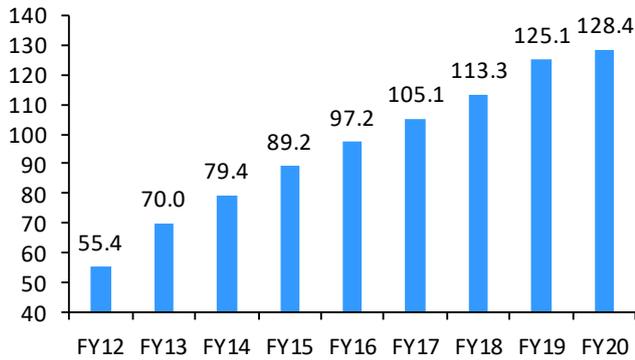
Personal Care Products

- In the Personal Wash & Hygiene category, the business augmented the 'Fiama' bodywash range with the launch of 'Fiama' Scents.
- Due to heightened awareness for personal hygiene owing to Covid19, the business rapidly expanded manufacturing capacity manifold and enhanced availability of the 'Savlon' antiseptic liquid, soap, handwash, hand sanitizer and 'Fiama' handwash products in the market. Two innovative products were launched in record time - 'Savlon Surface Disinfectant Spray' and 'Savlon Hexa' hand sanitizing liquid.
- Engage' sustained its clear market leadership position in the Pocket Perfume segment despite intense competition. During the year, ITC introduced a range of innovative 2-in-1 pocket perfume variants.
- During the year, Nimyle floor cleaner witnessed strong growth in the East and also expanded its geographical footprint to the South, to become the 3rd largest brand nationally in a relatively short span of time.
- ITC continued to strengthen its presence in the premium skincare space through its 'Dermafique' brand and in the popular space through 'Charmis'. During the year, Dermafique's Hydration range was extended with launch of summer skincare variants.

DART View

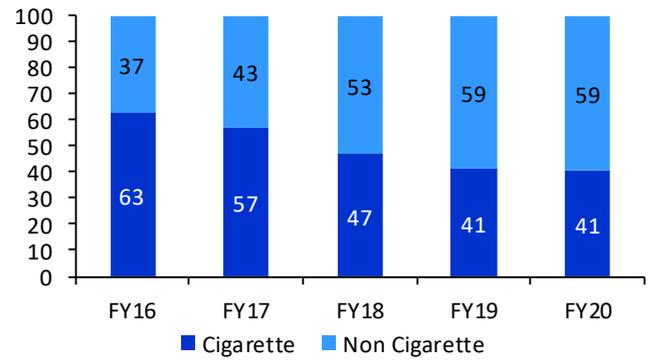
We believe ITC's FMCG portfolio will continue to register strong performance led by strength of core brands across mass/ mid/ premium segments coupled with robust distribution network. Surge in demand for hygiene products and rising trend of in-home consumption due to Covid threat, will augur well for the company. Further, growing consumer awareness, favourable demographics and increasing urbanization is likely to boost FMCG growth in the long term.

Exhibit 5: FMCG-Non Cigarette Business (₹ bn)



Source: Company, DART

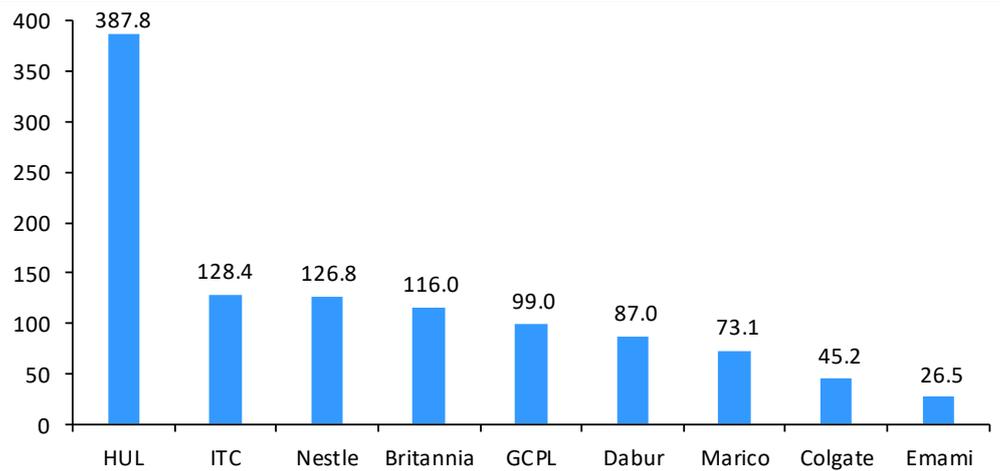
Exhibit 6: Declining contribution of Cigarette Business (%)



Source: Company, DART

ITC continues to be the second largest FMCG company after HUL. It is the third largest Food company in the country after Nestle and Britannia (publicly listed).

Exhibit 7: Revenue from FMCG in FY20 (₹ bn)



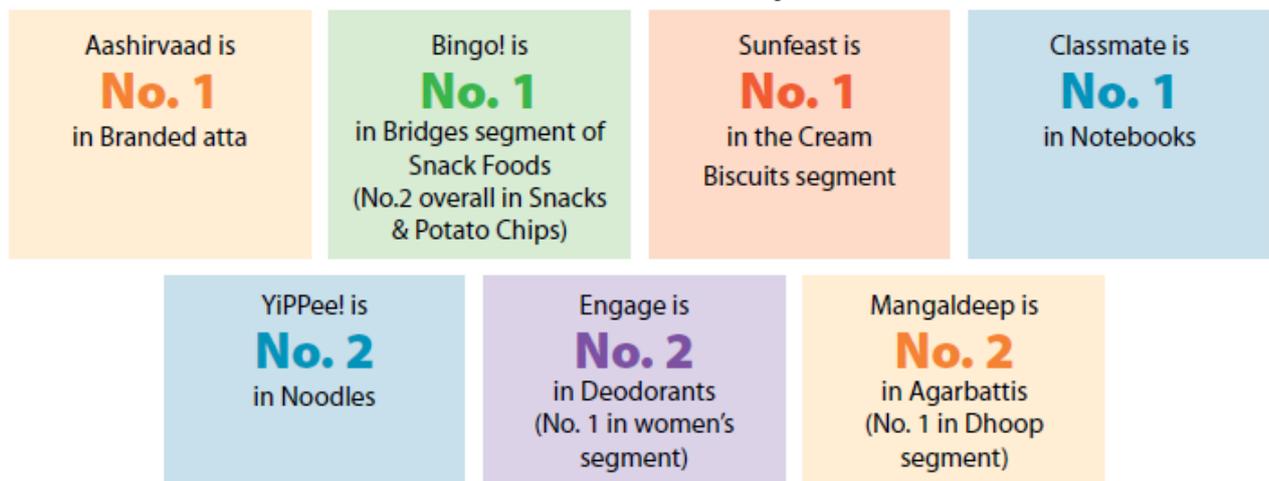
Source: Company, DART (Note that we have considered ITC's FMCG revenue only)

Exhibit 8: Consumer Spend



Source: Company, DART

Exhibit 9: Brand leadership



Source: Company, DART

Exhibit 10: ITC's New launches during lockdown



Zero contact effective clean for surfaces

Savlon Disinfectant Spray



Savlon Hexa Range

Advanced hygiene solutions



Savlon Wipes & Savlon Sanitizer Sachet

Hygiene innovations



100% Natural Action Vegetable & Fruit Wash

Nimwash



ITC Master Chef Snacks

Unique range of Frozen Snacks

ITC MASTER CHEF FROZEN SNACKS



With immunity offerings

B Natural+ Juices



Aashivaad Svasti Lassi

Value added Dairy product



Premium Ball Pens

Paperkraft

Source: Company, DART

Agri Business

- Apart from severely impacting the domestic legal Cigarette industry, discriminatory and regulatory regime on cigarette has also resulted in significant pressure on the leaf tobacco crop grown in India.
- Indian exports between FY17 and FY20 exhibit a sharp drop in offtake by global tobacco majors due to decline in cigarette volumes and increased sourcing from cheaper origins. Covid-19 pandemic aggravated the situation.
- Despite such challenging market conditions, ITC consolidated its leadership position as the largest Indian exporter of unmanufactured tobacco.
- The company focused on acquisition of new customers by leveraging long term supply arrangements and collaborative crop development.
- Several initiatives were implemented during the year including digitally enabled tobacco procurement decisions for better efficiency, IoT interventions at the processing facilities, logistics cost optimization, etc
- During the year, the Business also strengthened its milk procurement network for 'Aashirvaad Svasti' dairy products. It expanded its network in West Bengal and Bihar to support the growing requirement for fresh dairy products and in Punjab towards meeting the requirements of 'Sunfeast Wonderz' dairy beverages.
- The business leveraged its extensive sourcing network and infrastructure in key growing areas to secure supplies of fruit pulp for 'B Natural' juices brand and wheat/spices for Aashirvaad brand.
- ITC enhanced its presence in the high value-added Agri segment like Branded frozen prawns and packaged frozen snacks. During the year, the 'ITC Master Chef' range of frozen snacks was augmented with the launch of kebabs for the retail segment.

Hotel Business

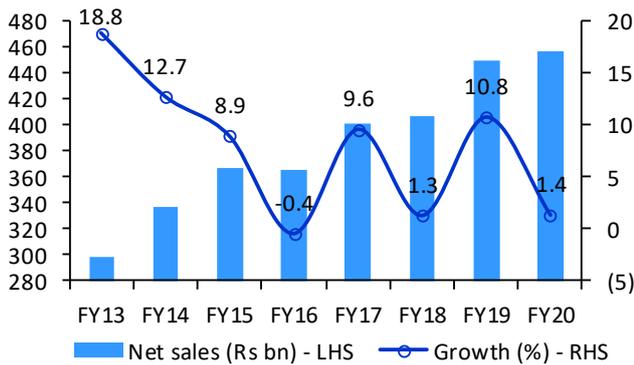
- During the year, the business commissioned ITC Royal Bengal, Kolkata which gained positive response. It also made steady progress during the year in the construction of ITC Narmada, a Luxury Collection hotel in Ahmedabad.
- Recently commissioned hotels - ITC Kohenur, Hyderabad and ITC Grand Goa Resort & Spa, Goa - scaled up operations rapidly and strengthened customer franchise.
- During the year, the Welcomhotel portfolio was augmented with the addition of Welcomhotel Amritsar.
- The 'Fortune' brand maintained its prominent position in the Mid-market to Upscale segment.
- Bukhara at ITC Maurya regained its coveted place in Asia's 50 Best Restaurants 2020.
- While there are significant near-term challenges with respect to restrictions on travel and tourism on account of the COVID-19 pandemic, the sector continues to hold immense long term potential.

Paperboard, Paper and Packaging Business

- Paper and Paperboard industry remained relatively muted in FY20 due to economic slowdown, sharp fall in rural demand and tight liquidity conditions impacting end-user demand across segments.

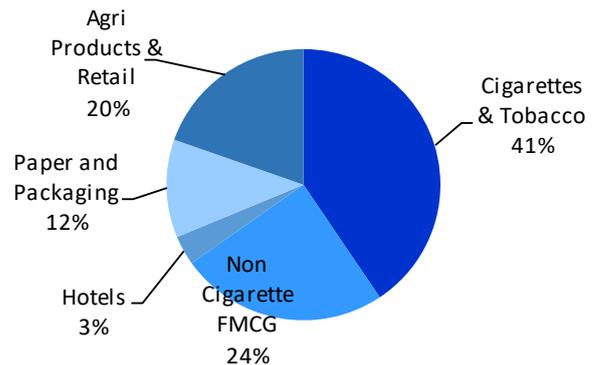
- Going forward, demand recovery is expected to be led by the packaging segment (FMCG, Liquor, Pharma, E-com) while demand for writing & printing and newsprint segments is expected to decline.
- ITC's strategic investments in pulp import substitution, proactive capacity addition in value-added paperboard (VAP), process innovations and a cost-competitive fibre chain supported by go-to-market strategies helped exhibit decent revenue growth and improvement in profitability.
- ITC maintained leadership in the VAP segment and continues to consolidate its preferred supplier position amongst leading end-use customers and brands. The business achieved its highest ever volume of production and sales, crossing 8 lakh tonnes.
- Recent capacity augmentation in the VAP segment at Bhadrachalam mill has been fully absorbed and the line is operating at full capacity.
- The Business continues to be a leading quality player in the Writing & Printing paper segment. In the Specialty Papers segment, the business enhanced its presence in the Pharma leaflets and publishing segments. The décor papers portfolio came under pressure from cheap imports, especially from China.

Exhibit 11: Net Sales and growth (%)



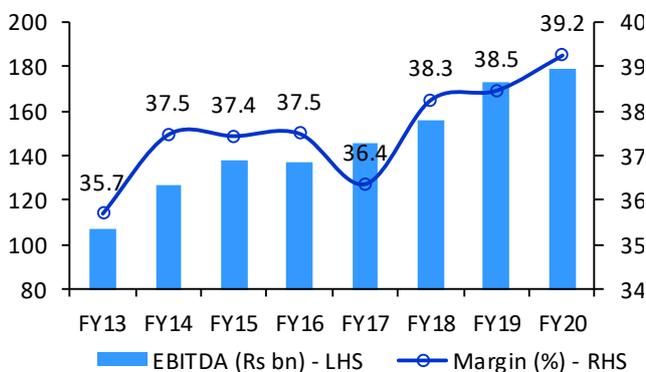
Source: DART, Company

Exhibit 12: FY20 Gross Sales breakup



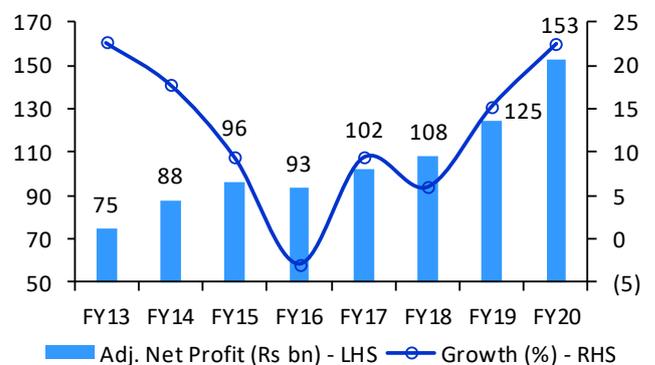
Source: DART, Company

Exhibit 13: EBITDA and Margin



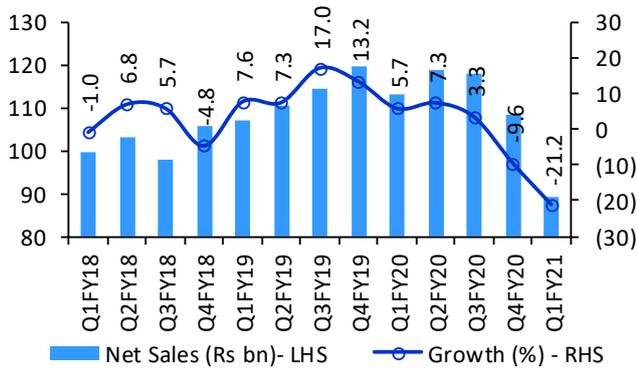
Source: DART, Company

Exhibit 14: Adj. Net Profit and growth



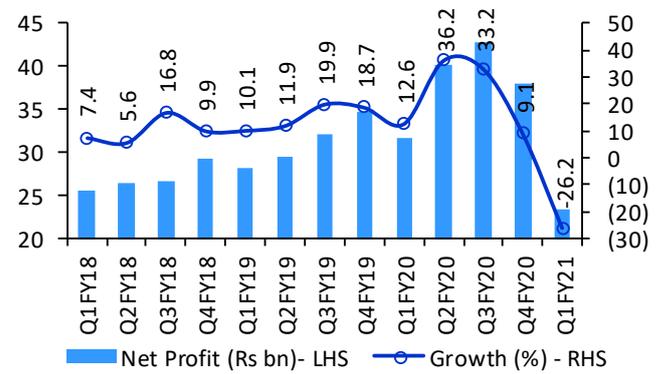
Source: DART, Company

Exhibit 15: Quarterly Trend in Net Sales



Source: DART, Company

Exhibit 16: Quarterly Trend in Net Profit



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	449,957	456,197	420,423	465,958
Total Expense	276,901	277,155	271,976	294,991
COGS	173,052	172,351	171,230	187,983
Employees Cost	27,284	26,582	27,315	28,707
Other expenses	76,566	78,221	73,431	78,300
EBIDTA	173,055	179,043	148,447	170,967
Depreciation	13,117	15,633	14,882	14,988
EBIT	159,938	163,410	133,564	155,979
Interest	342	557	585	614
Other Income	24,845	30,137	35,148	34,784
Exc. / E.O. items	0	(1,321)	0	0
EBT	184,442	191,668	168,127	190,149
Tax	59,798	40,308	37,601	42,526
RPAT	124,643	151,361	130,526	147,623
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	124,643	152,682	130,526	147,623

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	12,259	12,292	12,292	12,292
Minority Interest	0	0	0	0
Reserves & Surplus	567,239	627,999	675,707	740,512
Net Worth	579,498	640,292	687,999	752,804
Total Debt	79	56	56	56
Net Deferred Tax Liability	20,441	16,177	21,200	21,200
Total Capital Employed	600,018	656,524	709,256	774,060

Applications of Funds

Net Block	192,147	201,976	209,094	214,106
CWIP	33,915	27,763	27,763	27,763
Investments	140,715	134,556	128,667	123,036
Current Assets, Loans & Advances	323,385	386,439	457,915	532,988
Inventories	75,872	80,381	87,467	95,473
Receivables	36,462	20,920	19,277	21,388
Cash and Bank Balances	37,687	68,432	165,457	230,414
Loans and Advances	41,437	36,479	31,779	31,779
Other Current Assets	6,861	8,477	3,934	3,934
Less: Current Liabilities & Provisions	90,144	94,210	114,183	123,832
Payables	33,682	34,467	31,244	34,059
Other Current Liabilities	56,462	59,743	82,939	89,773
sub total				
Net Current Assets	233,242	292,229	343,732	409,156
Total Assets	600,018	656,524	709,256	774,060

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	61.5	62.2	59.3	59.7
EBIDTA Margin	38.5	39.2	35.3	36.7
EBIT Margin	35.5	35.8	31.8	33.5
Tax rate	32.4	21.0	22.4	22.4
Net Profit Margin	27.7	33.2	31.0	31.7
(B) As Percentage of Net Sales (%)				
COGS	38.5	37.8	40.7	40.3
Employee	6.1	5.8	6.5	6.2
Other	17.0	17.1	17.5	16.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	467.8	293.3	228.3	253.9
Inventory days	62	64	76	75
Debtors days	30	17	17	17
Average Cost of Debt	360.1	824.3	1039.2	1091.1
Payable days	27	28	27	27
Working Capital days	189	234	298	321
FA T/O	2.3	2.3	2.0	2.2
(D) Measures of Investment				
AEPS (Rs)	10.1	12.4	10.6	12.0
CEPS (Rs)	11.2	13.7	11.8	13.2
DPS (Rs)	6.1	6.9	6.7	6.7
Dividend Payout (%)	60.1	55.2	63.4	56.1
BVPS (Rs)	47.1	52.1	56.0	61.2
RoANW (%)	22.8	24.8	19.7	20.5
RoACE (%)	22.1	24.4	19.2	20.0
RoAIC (%)	29.9	28.4	23.6	28.7
(E) Valuation Ratios				
CMP (Rs)	196	196	196	196
P/E	19.3	15.8	18.5	16.3
Mcap (Rs Mn)	2,409,886	2,409,886	2,409,886	2,409,886
MCap/ Sales	5.4	5.3	5.7	5.2
EV	2,247,212	2,169,760	2,094,485	2,029,528
EV/Sales	5.0	4.8	5.0	4.4
EV/EBITDA	13.0	12.1	14.1	11.9
P/BV	4.2	3.8	3.5	3.2
Dividend Yield (%)	3.1	3.5	3.4	3.4
(F) Growth Rate (%)				
Revenue	10.8	1.4	(7.8)	10.8
EBITDA	11.4	3.5	(17.1)	15.2
EBIT	11.1	2.2	(18.3)	16.8
PBT	9.4	3.9	(12.3)	13.1
APAT	15.3	22.5	(14.5)	13.1
EPS	15.3	22.5	(14.5)	13.1
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	117,118	139,313	169,765	162,758
CFI	(64,377)	(57,950)	5,639	(14,369)
CFF	(41,002)	(50,618)	(78,380)	(83,432)
FCFF	84,549	121,889	147,765	142,758
Opening Cash	25,948	37,687	68,432	165,457
Closing Cash	37,687	68,432	165,457	230,414

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-19	Buy	300	249
Feb-20	Reduce	238	219
Mar-20	Reduce	170	176
Mar-20	Reduce	170	156
Jun-20	Reduce	213	195
Jul-20	Reduce	213	200

*Price as on recommendation date

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