



ITC
Hold

CMP Rs.260 (FV 1)
Date: 24 Oct 09

Financial Highlights

Rs. Crore	Q2 FY09	Q2 FY10	% Y-o-Y	Q1 FY10	% Q-o-Q	H1 FY09	H1 FY10	% Change	FY 09	FY10E	% Chnge
Net Sales	3763	4293	14.08	4082	5.17	7663	8375	9.29	15388	17081	11.00
Other Income	210	121	-42.38	138	-12.32	324	259	-20.06	534	495	-7.30
Total Income	3973	4414	11.10	4220	4.60	7987	8634	8.10	15922	17576	10.39
Oprt. Exp.	2648	2756	4.08	2744	0.44	5420	5500	1.48	10529	11102	5.45
PBDIT	1325	1658	25.13	1476	12.33	2567	3134	22.09	5393	6473	20.03
Depreciation	133	148	11.28	152	-2.63	260	300	15.38	549	625	13.84
Interest	3	18	500.00	6	200.00	4	24	500.00	18	55	205.56
PBT	1189	1492	25.48	1318	13.20	2303	2810	22.01	4826	5793	20.04
Tax	386	482	24.87	439	9.79	751	921	22.64	1562	1894	21.28
Net Profit	803	1010	25.78	879	14.90	1552	1889	21.71	3264	3899	19.45
Equity (FV 1)	378	378		378		378	378		378	378	
EPS Rs.	2.12	2.67		2.33		4.11	5.00		8.63	10.31	
CMP Rs.	260	260		260		260	260		260	260	
PE X EPS (Annldz)	30.60	24.33		27.95		31.66	26.01		30.11	25.21	
PBDIT (%)	35.21	38.62		36.16		33.50	37.42		35.05	37.90	
NPM (%)	20.21	22.88		20.83		19.43	21.88		20.50	22.18	

Segment Performance

Net Sales Rs. Cr.	Q2 FY09	Q2 FY10	% Y-o-Y	Q1 FY10	% Q-o-Q	H1 FY09	H1 FY10	% Change	FY 09	FY10E	% Chnge
Cigarettes	1812	2200	21.41	2145	2.56	3552	4345	22.33	7557	9068	20.00
FMCG	757	863	14.00	758	13.85	1449	1621	11.87	3006	3367	12.00
Hotels	228	174	-23.68	173	0.58	467	347	-25.70	935	748	-20.00
Agri Business	864	1028	18.98	941	9.25	2699	1969	-27.05	3846	4038	5.00
Paper	701	790	12.70	703	12.38	1306	1493	14.32	2647	3044	15.00
Less: Int Segment	599	763	27.38	636	19.97	1810	1399	-22.71	2603	3184	22.32
Total Rs. Cr.	3763	4292	14.06	4084	5.09	7663	8376	9.30	15388	17081	11.01

PBIT Rs. Cr.	Q2 FY09	Q2 FY10	% Y-o-Y	Q1 FY10	% Q-o-Q	H1 FY09	H1 FY10	% Change	FY 09	FY10E	% Chnge
Cigarettes	1007	1252	24.33	1125	11.29	1968	2377	20.78	4184	5146	23.00
FMCG	-117	-85		-100		-239	-185		-483	-350	
Hotels	69	32	-53.62	30	6.67	154	62	-59.74	316	125	-60.44
Agri Business	76	174	128.95	100	74.00	153	274	79.08	256	424	65.63
Paper	122	186	52.46	128	45.31	246	314	27.64	508	625	23.03
Total Rs. Crore	1157	1559	34.75	1283	21.51	2282	2842	24.54	4781	5970	24.88

PBIT Margins

PBIT (%)	Q2 FY09	Q2 FY10	% Y-o-Y	Q1 FY10	% Q-o-Q	H1 FY09	H1 FY10	% Change	FY 09	FY10E	% Chnge
Cigarettes	55.57	56.91	1.34	52.45	4.46	55.41	54.71	-0.70	55.37	56.75	1.38
FMCG	-15.46	-9.85		-13.19		-16.49	-11.41		-16.07	-10.40	
Hotels	30.26	18.39	-11.87	17.34	1.05	32.98	17.87	-15.11	33.80	16.71	-17.09
Agri Business	8.80	16.93	8.13	10.63	6.30	5.67	13.92	8.25	6.66	10.50	3.84
Paper	17.40	23.54	6.14	18.21	5.34	18.84	21.03	2.20	19.19	20.53	1.34
Overall (%)	30.75	36.32	5.58	31.42	4.91	29.78	33.93	4.15	31.07	34.95	3.88

Highlights

- Company has shown good results in Q2 FY10. Margins have improved in all its business Q-o-Q basis. In Y-o-Y, margin slide is seen in hotels, in other business, there is improvement in margins.
- ITC is able to reduce the losses in FMCG business.
- It has recently increased the prices of Cigarettes across categories, in Q2 cigarettes PBIT margins reached 57%, robust margins are likely to continue in H2 FY10 also.
- Agri business and Paper are also expected to show robust performance in coming quarters. Although, FMCG is likely to show losses and hotel business to show decline in remaining part of FY10.

Valuation

ITC has showed better than expected results. We revise EPS target upwards from Rs.9.6/Share to Rs.10.3/Share. At CMP Rs.260, it trades at 25.2 PE. Given the strong position ITC enjoys in its businesses, Long term investors may accumulate on declines.

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