



ITC will continue to outperform the sector

Notwithstanding improving business performance ITC went through painful price underperformance and high disbelief on the street regarding its food business, which prompted us to initiate ITC as our **'Lionheart Series' stock in September'20**. It had all the right ingredients for our 'Lionheart series' i.e. cigarette business with strong moat (cash-cow), high FCF among FMCG peers, yet high disbelief on its diversification and huge valuation discount to its peers. In our deep dive analysis into ITC's foods business we conclude that it is at the cusp of a take-off both in terms of top-line and margins, hitherto concerns on cigarette business are overdone. Three months into our report ITC's share price has already started rewarding our judgement with valuation (P/E) multiple expanding ~20% from 12.1x to 14.5x FY23E. With improved disclosures from ITC on ESG and 2QFY21 performance (pointed by us in our report) the Investors are now warming up to invest in ITC, whilst few remain sideways. We are of the strong opinion that ITC is far below its fair value and will exhibit strong outperformance to its peers.

Past share price underperformance relating to core business are overdone

ITC's share price loss had prompted investors to question its core business model, however, the company's strong business model, controlling market share in cigarettes and tailwinds for FMCG (81% added by foods) provides confidence that re-rating for ITC will continue to play ahead. We opine cigarette taxation could weigh high, yet ITC has all ammunition to control volume. Given the high valuation discount to FMCG peers and consistent focus towards growing the foods business (both organic and inorganic) we expect ITC will reward investors.

Improved disclosures on ESG should wane out investor's concerns

After talking to investors we reckon that the ESG buzzword had created a perception that all sin good companies are in the ESG negative list for FII's. However, as the dust is settling and meaning of ESG is becoming transparent, investors are acknowledging ITC's achievements on the ESG front and revisiting earlier perceptions. It is important that ITC has been Carbon/Water/Solid Waste Recycling positive for 15/18/13 years in a row and is rated AA by MSCI-ESG (Highest among global tobacco companies) and is included in the Dow Jones Sustainability Emerging Market Index should win investor's confidence.

All four growth drivers propelling FMCG segment margins

We have argued in our Lionheart report earlier, food segment (forms ~81% of revenues) is driving other-FMCG business, which supports our research, suggesting all four growth drivers (1) optimizing brand spends (2) improving product mix (3) realization led improvement and (4) operating leverage; have started propelling FMCG segmental margins. Notably, SQ'20 EBITDA margin expanded 300bps to 9.7% as high margin products (noodles, biscuits) grew faster and benefits from scale aided margins. Further we expect margins to inch-up in-line with industry.

ITC's inexpensive valuation leaves enough runway for stock re-rating

We believe, with improved disclosures recommended by us (ESG roadmap, 2QFY21 results presentation) should gain confidence, and yet renewed focus on maintaining cigarette market share, tailwinds from foods business, strong FCF, high dividend yield and compelling valuations proved to be attractive for long term investors. We move to FY23E estimates and reiterate strong Buy rating with DCF-based Target price of Rs.353, implying 23.6x FY23E EPS. Key risks are sharp increase in any form of taxation & higher leaf tobacco prices.

Financial and valuation summary

YE Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenues	4,44,327	4,51,361	4,12,322	5,04,090	5,55,085
EBITDA	1,67,425	1,74,206	1,38,710	1,93,985	2,11,671
EBITDA margin (%)	37.7	38.6	33.6	38.5	38.1
Adj. Net profit	1,24,643	1,52,682	1,26,109	1,69,869	1,83,841
Adj. EPS (Rs)	10.1	12.4	10.3	13.8	14.9
EPS growth (%)	13.6	22.5	(17.4)	34.7	8.2
PE (x)	21.4	17.5	21.2	15.7	14.5
EV/EBITDA (x)	14.3	13.4	16.7	11.9	10.8
PBV (x)	4.6	4.2	4.0	3.9	3.7
RoE (%)	22.8	25.0	19.4	25.3	26.3
RoCE (%)	22.8	25.0	19.4	25.2	26.3

Source: Bloomberg, Centrum Broking

Buy

Target Price: Rs353
Current Price: Rs216
Forecast return: 64%

Market Data

Bloomberg:	ITC IN
52 week H/L:	248/135
Market cap:	Rs2661.6bn
Shares outstanding:	12305mn
Free float:	56.3%
Avg. daily vol. 3mth:	32039380

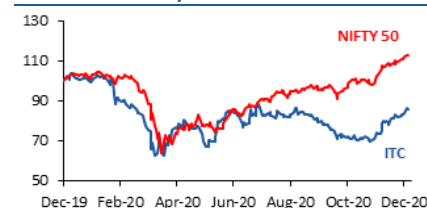
Source: Bloomberg

Changes in the report

Rating:	Unchanged
Target Price:	Unchanged
EPS:	Unchanged

Source: Centrum Broking

ITC relative to Nifty 50



Source: Bloomberg

Shareholding pattern

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	0.0	0.0	0.0	0.0
FII's	13.0	14.6	14.7	15.2
DII's	39.6	39.2	39.7	36.4
Public/other	47.4	46.2	45.7	48.5

Source: BSE



Shirish Pardeshi

Analyst, Consumer Staples and Discretionary
+91 22 4215 9634
shirish.pardeshi@centrum.co.in

Thesis Snapshot

Estimate revisions

YE Mar (Rs mn)	FY21E New	FY21E Old	% chg	FY22E New	FY22E Old	% chg
Revenue	4,12,322	4,12,322	-	5,04,090	5,04,090	-
EBITDA	1,38,710	1,38,710	-	1,93,985	1,93,985	-
EBITDA margin	33.6	33.6	0 bps	38.5	38.5	0 bps
Adj. PAT	1,26,109	1,26,109	-	1,69,869	1,69,869	-
Diluted EPS (Rs)	10.3	10.3	-	13.8	13.8	-

Source: Centrum Broking

ITC versus Nifty 50

	1m	6m	1 year
ITC IN	15.1	11.6	(9.3)
Nifty 50	6.0	36.5	13.5

Source: Bloomberg, NSE

Key assumptions

	FY21E	FY22E	FY23E
Cigarette Volume Growth (%)	(22.0)	26.5	3.0

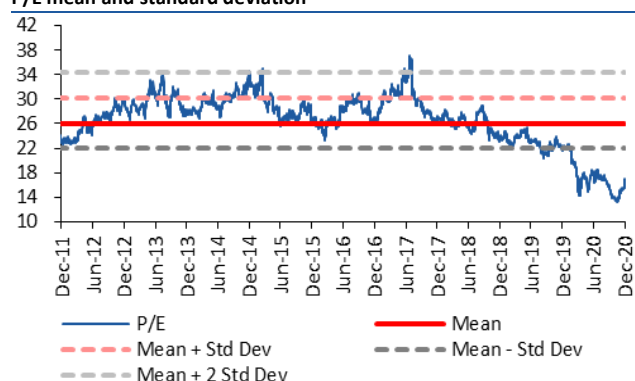
Source: Centrum Broking

Valuations

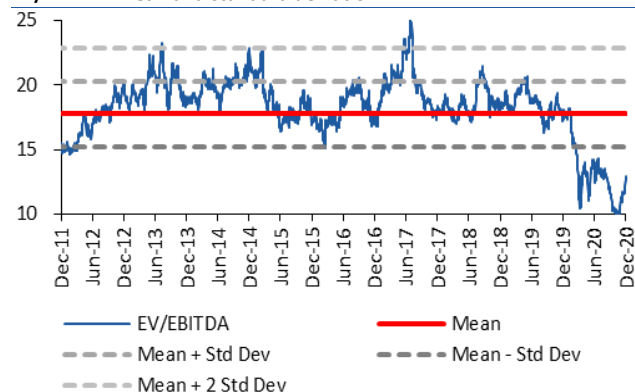
We believe, with improved disclosures recommended by us (ESG roadmap, 2QFY21 results presentation) should gain confidence, and yet renewed focus on maintaining cigarette market share, tailwinds from foods business, strong FCF, high dividend yield and compelling valuations proved to be attractive for long term investors. We move to FY23E estimates and reiterate strong Buy rating with DCF-based Target price of Rs.353, implying 23.6x FY23E EPS. Key risks are sharp increase in any form of taxation, higher leaf tobacco prices and reinitiated lockdowns.

Valuations	Rs/share
DCF-based target price (Rs)	353
WACC (%)	9.0
Terminal growth (%)	3.0

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

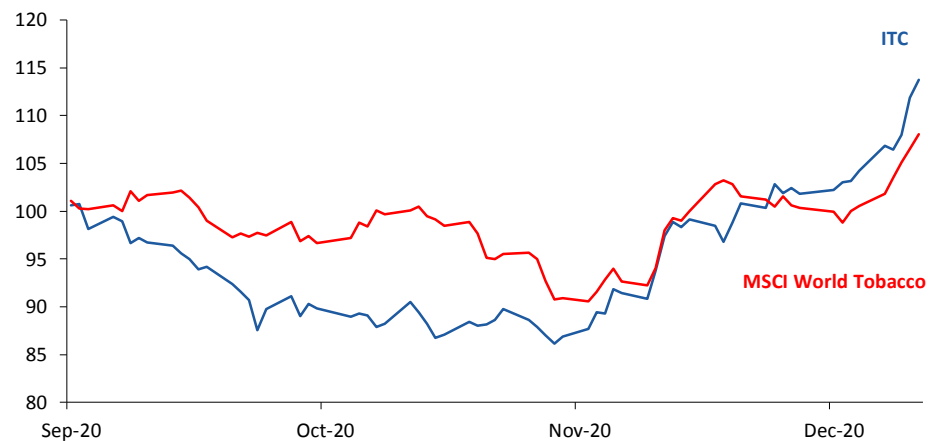
Company	Mkt Cap (Rs mn)	CAGR (FY19-23E)			P/E (x)			EV/EBITDA (x)			FY19		
		Sales	EBITDA	PAT	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
ITC	2,655	5.7	5.5	5.5	17.4	21.1	15.6	17.2	21.6	15.4	25.0	19.4	25.3
Godfrey Phillip	53	1.4	0.7	2.3	13.6	15.2	13.0	9.1	9.5	7.9	19.6	16.0	16.8
VST Industries	61	1.5	3.9	4.6	20.1	19.8	18.4	13.0	12.9	12.0	40.0	33.9	32.4

Source: Company, Centrum Broking

Cigarette Is driving sentiments, yet investors are eyeing delivery by other segments to justify stock rerating

ITC is the market leader with a lion's share in the legal cigarette industry. Given the high base Cigarette business is likely to continue posting a single digit EBIT growth retaining its volume share. We believe ITC is well positioned and focused to maintain its market position, with cigarette segment continuing to support dividend yield as other businesses march towards their full potential. Given these factors will see ITC demanding better valuation than global peers.

Exhibit 1: ITC has started outperforming global peers



Source: Bloomberg

Investors justified share price underperformance by sounding off ESG concerns

After talking to investors we reckon that the ESG buzzword had created a perception that all sin good companies are in the ESG negative list for Foreign Institutional Investors (FIIs). However, as the dust is settling and meaning of ESG is becoming transparent, investors are acknowledging ITC's achievements on the ESG front and revisiting earlier perceptions. ITC has been Carbon/Water/Solid Waste Recycling positive for 15/18/13 years and is rated AA by MSCI-ESG (Highest among global tobacco companies) and is included in the Dow Jones Sustainability Emerging Market Index. Given its strong credentials on ESG parameters and road map to improve further by 2030 it is evident to check re-rating for ITC.

Exhibit 2: An Exemplar In Triple Bottom Line Performance

Carbon Positive
15 years

Water Positive
18 years

Solid Waste Recycling Positive
13 years

Sustainable Livelihoods for 6 million people

ITC e-Choupal - Empowering 4 million farmers

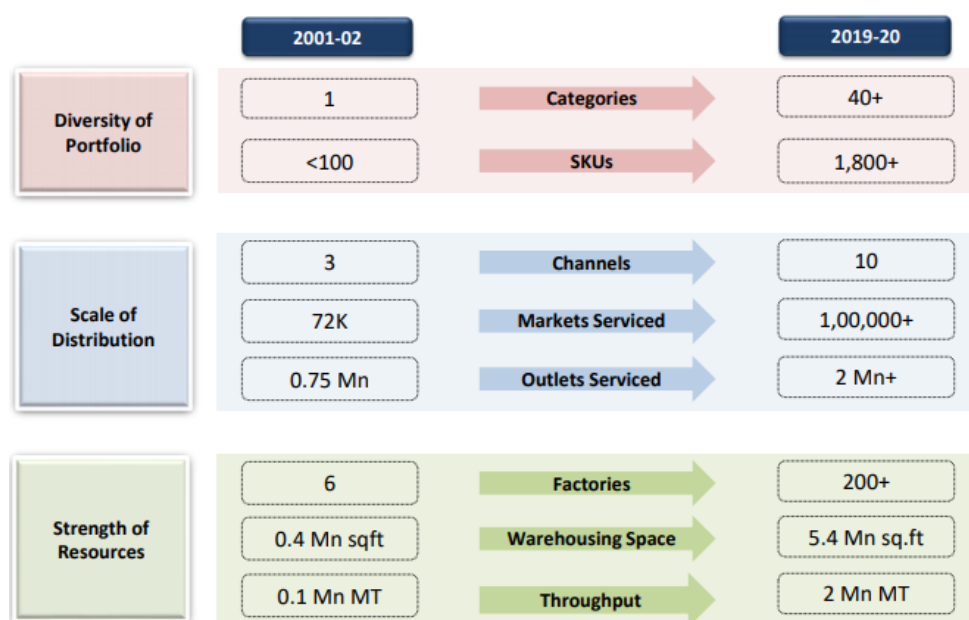
41% of Total Energy consumed from renewable sources

Trailblazer as a luxury green hotel chain

Source: Company

Exhibit 3: ITCs Social Investment Initiatives


Source: Company

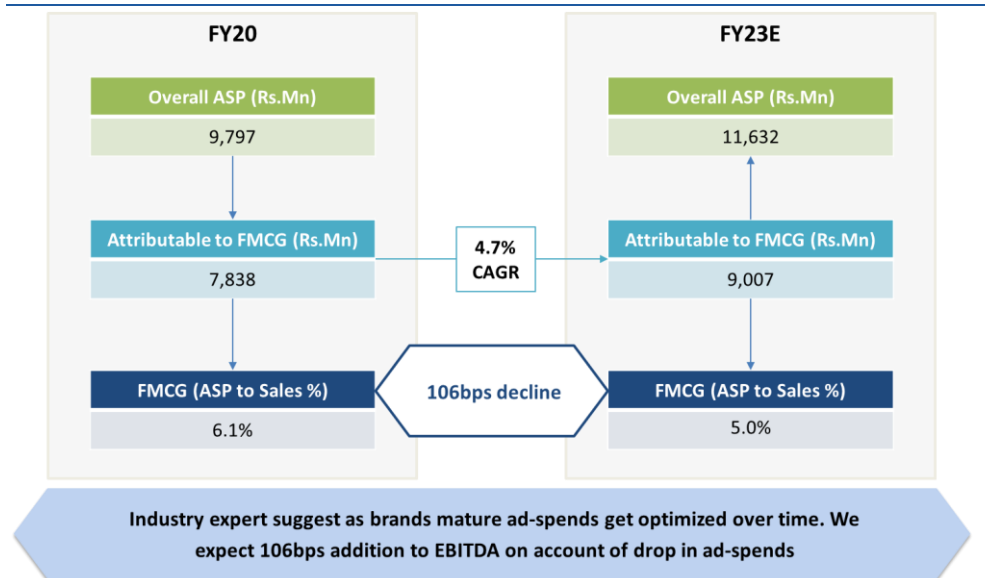
Exhibit 4: ITCs FMCG Business Transformation


Source: Company

All four growth drivers propelling FMCG segment margins

We have argued in our Lionheart report earlier, food segment (forms ~81% of revenues) is driving other-FMCG business, which supports our research, suggesting all four growth drivers (1) optimizing brand spends (2) improving product mix (3) realization led improvement and (4) operating leverage; have started propelling FMCG segmental margins. Notably, SQ'20 EBITDA margin expanded 300bps to 9.7% as high margin products (noodles, biscuits) grew faster and benefits from scale aided margins. We expect strong double digit margin delivery from ITC could result in change in investor sentiments.

Exhibit 5: Maturing brands lead to decline in advertising spends to sales %



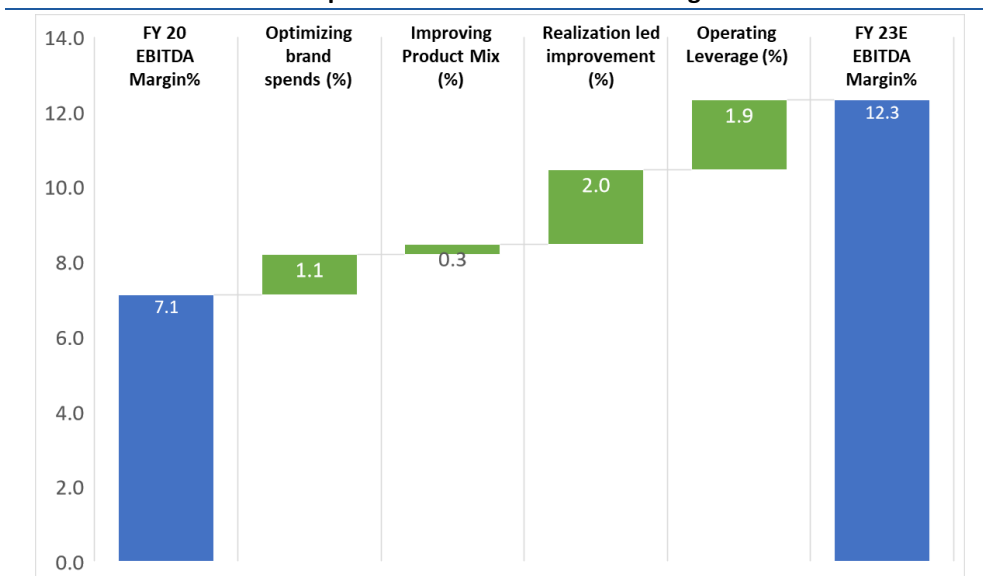
Source: Centrum Research

Exhibit 6: Operating leverage to lift EBITDA Margin

Particulars		FY20 (Rsmn)	FY23E (Rsmn)
FMCG Revenue		128,442	178,504
Total FMCG Gross Margin		36,009	54,156
Less: Reported EBITDA		9,140	22,038
Implied Opex of FMCG Segment		26,869	32,118
Less: ASP Attributable to FMCG		7838	9,007
Opex exclu.ASP		19,032	23,111
Fixed	45%	8,564	8,564
Variable	55%	10,467	14,547
		14.8%	12.9%

We assume variable costs will increase in tandem with revenue growth, however, fixed costs will drive operating leverage and lift EBITDA margin by 187bps

Source: Centrum Broking

Exhibit 7: We estimate 519 bps increase in FMCG EBITDA margin over FY20-FY23E

Source: Centrum Broking

Exhibit 8: Segment financial summary

Segmental	FY19	FY20	FY21	FY22	FY23
Gross revenues (post inter-segment eliminations)					
Cigarettes	207,130	212,017	185,157	238,905	247,335
% Growth	-9.5	2.4	-12.7	29.0	3.5
Other FMCG	124,878	128,442	142,299	159,634	178,504
% Growth	10.4	2.6	10.8	12.2	11.8
Hotels	16,482	18,166	8,562	17,956	25,246
% Growth	17.4	10.6	-52.9	109.7	40.6
Agri business	60,670	62,421	66,524	74,852	83,890
% Growth	33.3	-2.7	6.6	12.5	12.1
Paperboards, paper, and packaging	43,054	42,400	35,797	45,596	54,263
% Growth	13.5	6.4	-15.6	27.4	19.0
Total	452,214	463,447	438,339	536,944	589,238
% Growth	2.9	2.4	-5.4	22.5	9.7
Revenue Salience					
Cigarettes	45.8	45.7	42.2	44.5	42.0
Other FMCG	27.6	27.7	32.5	29.7	30.3
Hotels	3.6	3.9	2.0	3.3	4.3
Agri business	13.4	13.5	15.2	13.9	14.2
Paperboards, paper, and packaging	9.5	9.1	8.2	8.5	9.2
EBIT margin (on net revenues-net of ED, %)					
Cigarettes	73.0	74.2	70.8	74.3	74.8
Other FMCG	3.1	3.3	4.6	6.6	8.6
Hotels	10.7	8.6	-28.0	9.2	9.7
Agri business	8.3	7.7	7.7	9.2	9.4
Paperboards, paper, and packaging	21.1	21.4	21.5	21.9	22.2
Total	38.6	38.8	33.0	37.8	37.3
EBIT Salience					
Cigarettes	84.9	84.7	82.9	80.3	77.1
Other FMCG	2.3	2.4	4.8	5.5	7.4
Hotels	1.0	0.9	-1.8	0.9	1.2
Agri business	4.5	4.5	6.5	6.3	6.6
Paperboards, paper, and packaging	7.2	7.4	7.5	7.0	7.8

Source: Company, Centrum Broking

P&L					
YE Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenues	4,44,327	4,51,361	4,12,322	5,04,090	5,55,085
Operating Expense	1,73,052	1,72,351	1,56,826	1,91,226	2,10,571
Employee cost	27,284	26,582	23,871	28,881	31,525
Others	76,566	78,221	92,916	89,999	1,01,319
EBITDA	1,67,425	1,74,206	1,38,710	1,93,985	2,11,671
Depreciation & Amortisation	13,117	15,633	14,109	17,312	20,056
EBIT	1,54,308	1,58,574	1,24,601	1,76,673	1,91,615
Interest expenses	342	557	557	557	557
Other income	30,475	34,973	35,357	38,598	41,317
PBT	1,84,442	1,92,989	1,59,401	2,14,715	2,32,375
Taxes	59,798	40,308	33,292	44,845	48,534
Effective tax rate (%)	32.4	20.9	20.9	20.9	20.9
PAT	1,24,643	1,52,682	1,26,109	1,69,869	1,83,841
Minority/Associates	0	0	0	0	0
Recurring PAT	1,24,643	1,52,682	1,26,109	1,69,869	1,83,841
Extraordinary items	3,626	(15,139)	0	0	0
Reported PAT	1,28,269	1,37,542	1,26,109	1,69,869	1,83,841

Ratios					
YE Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Growth (%)					
Revenue	10.4	1.6	(8.6)	22.3	10.1
EBITDA	10.4	4.1	(20.4)	39.8	9.1
Adj. EPS	13.6	22.5	(17.4)	34.7	8.2
Margins (%)					
Gross	61.1	61.8	62.0	62.1	62.1
EBITDA	37.7	38.6	33.6	38.5	38.1
EBIT	34.7	35.1	30.2	35.0	34.5
Adjusted PAT	28.1	33.8	30.6	33.7	33.1
Returns (%)					
ROE	22.8	25.0	19.4	25.3	26.3
ROCE	22.8	25.0	19.4	25.2	26.3
ROIC	32.9	38.4	30.2	41.3	44.3
Turnover (days)					
Gross block turnover ratio (x)	2.0	1.8	1.5	1.7	1.8
Debtors	25	23	20	19	20
Inventory	156	165	175	149	155
Creditors	71	72	77	68	72
Net working capital	253	301	342	295	286
Solvency (x)					
Net debt-equity	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage ratio	489.7	312.6	248.9	348.1	379.9
Net debt/EBITDA	(1.6)	(1.9)	(2.5)	(1.9)	(1.8)
Per share (Rs)					
Adjusted EPS	10.1	12.4	10.3	13.8	14.9
BVPS	47.1	52.1	53.6	55.7	57.9
CEPS	11.2	13.7	11.4	15.2	16.6
DPS	5.7	10.1	8.7	11.7	12.7
Dividend payout (%)	55.0	90.7	85.0	85.0	85.0
Valuation (x)					
P/E	21.4	17.5	21.2	15.7	14.5
P/BV	4.6	4.2	4.0	3.9	3.7
EV/EBITDA	14.3	13.4	16.7	11.9	10.8
Dividend yield (%)	2.6	4.7	4.0	5.4	5.9

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Equity share capital	12,259	12,292	12,292	12,292	12,292
Reserves & surplus	5,67,239	6,27,999	6,46,911	6,72,391	6,99,968
Shareholders fund	5,79,498	6,40,292	6,59,203	6,84,684	7,12,260
Minority Interest	0	0	0	0	0
Total debt	79	3,298	3,298	3,298	3,298
Non Current Liabilities	1,745	2,343	2,140	2,616	2,881
Def tax liab. (net)	20,441	16,177	16,177	16,177	16,177
Total liabilities	6,01,764	6,62,108	6,80,817	7,06,774	7,34,615
Gross block	2,21,765	2,55,847	2,76,022	2,96,197	3,16,671
Less: acc. Depreciation	(42,309)	(55,866)	(69,975)	(87,287)	(1,07,343)
Net block	1,79,457	1,99,981	2,06,047	2,08,910	2,09,328
Capital WIP	33,915	27,763	27,763	27,763	27,763
Net fixed assets	2,18,878	2,32,978	2,39,043	2,41,906	2,42,325
Non Current Assets	27,518	19,751	19,223	20,464	21,154
Investments	47,030	36,736	36,736	36,736	36,736
Inventories	75,872	80,381	70,407	85,387	93,265
Sundry debtors	36,462	20,920	24,142	29,170	31,741
Cash & Cash Equivalents	2,71,617	3,38,003	3,52,441	3,68,248	3,92,513
Loans & advances	13,653	15,108	13,801	16,873	18,580
Other current assets	6,949	8,477	7,744	9,468	10,426
Trade payables	33,683	34,467	31,769	39,185	43,529
Other current liab.	62,280	54,599	49,876	60,977	67,146
Provisions	252	1,179	1,077	1,317	1,450
Net current assets	3,08,338	3,72,643	3,85,814	4,07,667	4,34,400
Total assets	6,01,763	6,62,108	6,80,817	7,06,774	7,34,615

Cashflow					
YE Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit Before Tax	1,84,442	1,91,668	1,59,401	2,14,715	2,32,375
Depreciation & Amortisation	13,117	15,633	14,109	17,312	20,056
Net Interest	(16,243)	(19,343)	(19,727)	(22,968)	(24,276)
Net Change – WC	(4,997)	4,180	1,593	(6,811)	(2,892)
Direct taxes	(54,859)	(46,501)	(33,292)	(44,845)	(48,534)
Net cash from operations	1,17,491	1,38,062	1,22,084	1,57,402	1,76,729
Capital expenditure	(27,595)	(21,136)	(20,175)	(20,175)	(20,475)
Acquisitions, net	0	0	0	0	0
Investments	(38,514)	(53,945)	0	0	0
Others	15,291	19,914	20,284	23,525	24,834
Net cash from investing	(50,818)	(55,167)	110	3,351	4,359
FCF	66,673	82,895	1,22,193	1,60,752	1,81,088
Issue of share capital	9,691	6,253	0	0	0
Increase/(decrease) in debt	39	(44)	0	0	0
Dividend paid	(74,869)	(84,222)	(1,07,192)	(1,44,389)	(1,56,265)
Interest paid	(867)	(896)	(557)	(557)	(557)
Others	0	0	0	0	0
Net cash from financing	(66,006)	(78,909)	(1,07,750)	(1,44,946)	(1,56,822)
Net change in Cash	667	3,986	14,444	15,806	24,266

Source: Company, Centrum Broking

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. 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. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors.

or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Shirish Pardeshi, research analyst and and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance

While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum 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 Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, 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 or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Ratings definitions

Our ratings denote the following 12-month forecast returns:

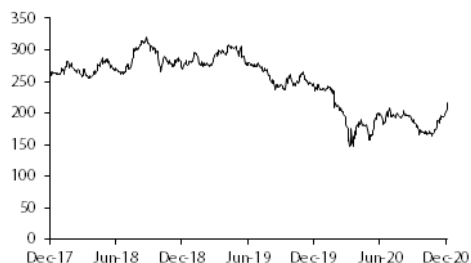
Buy – The stock is expected to return above 15%.

Add – The stock is expected to return 5-15%.

Reduce – The stock is expected to deliver -5-+5% returns.

Sell – The stock is expected to deliver <-5% returns.

ITC Ltd



Source: Bloomberg

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)
		ITC Ltd
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No

Member (NSE and BSE). Member MSEI (Inactive)

Single SEBI Regn No.: INZ000205331

Depository Participant (DP)

CDSL DP ID: 120 – 12200

SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrum.co.in**Investor Grievance Email ID:** investor.grievances@centrum.co.in**Compliance Officer Details:**

Ashok D Kadambi

(022) 4215 9937; Email ID: compliance@centrum.co.in**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)****Registered Office Address**Bombay Mutual Building ,
2nd Floor, Dr. D. N. Road,
Fort, Mumbai - 400 001**Corporate Office & Correspondence Address**Centrum House
6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E),
Mumbai 400 098.
Tel: (022) 4215 9000 Fax: +91 22 4215 9344

Centrum Broking Institutional Equities Team Details

Nischal Maheshwari	CEO	nischal.maheshwari@centrum.co.in	+91-22-4215 9841
Research Analyst	Sector	E-mail	Phone number
Gaurav Jani	BFSI	gaurav.jani@centrum.co.in	+91-22-4215 9110
Milind S Raginwar	Cement & Metals	milind.raginwar@centrum.co.in	+91-22-4215 9201
Shirish Pardeshi	FMCG	shirish.pardeshi@centrum.co.in	+91-22-4215 9634
Ashish Shah	Infra & Aviation	shah.ashish@centrum.co.in	+91-22-4215 9021
Madhu Babu	IT	madhu.babu@centrum.co.in	+91-22-4215 9855
Probal Sen	Oil & Gas	Probal.sen@centrum.co.in	+91-22-4215 9001
Cyndrella Carvalho	Pharma	cyndrella.carvalho@centrum.co.in	+91-22-4215 9643
Sparsh Chhabra	Economist	sparsh.chhabra@centrum.co.in	+91-22-4215 9035
Joaquim Fernandes	Quant	Joaquim.Fernandes@centrum.co.in	+91-22-4215 9363
Equity Sales	Designation	Email	Phone number
Rajesh Makharia	Director	rajesh.makharia@centrum.co.in	+91-22-4215 9854
Paresh Shah	MD	paresh.shah@centrum.co.in	+91-22-4215 9617
Anil Chaurasia	Sr. VP	anil.chaurasia@centrum.co.in	+91-22-4215 9631
Himani Sanghavi	AVP	himani.sanghavi@centrum.co.in	+91-22-4215 9082
Saahil Harwani	Associate	saahil.harwani@centrum.co.in	+91-22-4215 9623

