

Pick of the week



ITC Ltd

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 208

Target Price

₹ 265

Potential Upside

27.4%

Investment Argument

- ITC's numbers for Q3FY21 were on expected lines with cigarettes business reporting 92% recovery in net sales and EBIT, marginally ahead of estimates.
- In 9MFY21, ITC introduced health soaps, disinfectant sprays, body wash, wipes and masks under Savlon brand. It remains to be seen how ITC capitalizes on this and scales up.
- For Q4FY21, we expect 9% yoy growth in cigarette volumes, 14% yoy growth in cigarette gross sales with 5% price-mix impact. We forecast 10% yoy growth in cigarette EBIT.
- In the FMCG portfolio for Q4FY21, we expect sequential demand trends to hold, with some moderation in health & hygiene portfolio and recovery in discretionary segment. We model 15.2%/70% yoy growth in FMCG revenue/EBIT.
- ITC offers a good combination of inexpensive valuations, healthy dividend yield and the promise of solid Long term growth in FMCG.