

# Pick of the week



## ITC Ltd

### Recommendation

**BUY**

### Time Period

**12 Months**

### Current Price

**₹ 208**

### Target Price

**₹ 257**

### Potential Upside

**23.6%**

## Investment Argument

- Revenues grew 23% yoy to Rs13,295 cr in Q4FY21, 16% ahead of our estimate on account of a significant beat in Agri business.
- Cigarette business witnessed month-on-month recovery during Q4FY21 with easing of restrictions and improved mobility until the second wave of the pandemic.
- Cigarette volume grew 7% yoy (11% decline in base quarter) as per our estimate & cigarette EBIT grew 8% yoy.
- FMCG business witnessed continued recovery for Q4FY21 in Discretionary/'out-of-home' categories (sales up 23% yoy off a weak base) and normalization of demand in staples, convenience foods, health & hygiene products (sales up 13% yoy).
- Hotel segment registered good sequential recovery led by pick-up in weddings, getaways, staycations and robust recovery in F&B sales, while Agri business registered 79% yoy (KIE 7%) growth.
- ITC offers a combination of (1) inexpensive valuations (cigarettes business trading at 8-9X PE at CMP), (2) healthy dividend yield (5% at CMP), and (3) the promise of robust Long Term growth in FMCG.