

A Project on
**“A STUDY OF EQUITY RESEARCH OF COMPANY OF ITC
LTD”**

A FINAL SIP REPORT SUBMITTED

**TO
BIJU PATNAIK UNIVERSITY OF TECHNOLOGY
ODISHA**

in the partial fulfillment of the requirement for the degree of
MBA

Of
**BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY &
MANAGEMENT, BHUBANESHWAR**



Estd. 1999

Submitted by
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UNDER THE GUIDANCE OF
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PREFACE

The course of MBA require one to undergo a summer internship with the end of the 2nd Semester, so as to get a practical knowledge and understanding the practical aspects of all the theories read. It helps us to make the best use of our skills and intelligence so as to make a better research report. It is really the most important thing during the course of our study. The purpose of my research project was to study the “***A Study Of Equity Research of Company of ITC Ltd***” & It was a continuous learning experience .

ACKNOWLEDGEMENT

With immense pleasure we are presenting “*A Study Of Equity Research of Company of ITC Ltd*” Project report as part of the curriculum of ‘Master of Business Administration’. We wish to thank all the people who gave us unending support.

I express my profound thanks to Prof. R. K. Mishra, project guide and all those who have indirectly guided and helped us in preparation of this project.

We also like to extend our gratitude to all staff and our colleagues, who provided moral support, a conducive work environment and the much-needed inspiration to conclude the project in time and a special thanks to my parents who are an integral part of the project.

Thanking You

SOUMYARANJAN MOHANTY

DECLARATION

I Soumyaranjan Mohanty hereby declare that the project report entitled “**A Study Of Equity Research of Company of ITC Ltd**” is an original work developed and submitted by me to the Biju Patnaik University of Technology, Odisha, in partial fulfillment of requirements for the award of Master of Business Administration under the guidance of **Prof. R. K. Mishra**.

The empirical findings in this project report are not copied from any report and are true and best of my knowledge.

Regd.No:-2006258207

Date:-

(Signature of the Student)

CERTIFICATE

This to certify that the project work titled, “**A Study Of Equity Research of Company of ITC Ltd**” is a bonafide work of. Soumyaranjan Mohanty Regd.No2006258207 carried out in partial fulfilment for the award of degree of Masters in Business Administration for the session (2020-2022) of Biju Patnaik University of Technology, Odisha under my guidance. This project work is original and not submitted earlier for the award of any degree/diploma or associateship of any other university/institution.



Soumyaranjan Mohanty

For Successful Completion of
Equity Advisor Internship
From 01 June to 15 July 2021

No : F/2021/00156

A handwritten signature in black ink, appearing to read "Aarti".

Aarti Khatri
Founder

A handwritten signature in black ink, appearing to read "Jayant Kwatra".

Jayant Kwatra
Founder

Signature of the Principal

Signature of the Guide

EXECUTIVE SUMMARY

ITC Ltd is one of Indias foremost private sector companies. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other FMCG products. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery. ITCs wholly owned Information Technology subsidiary, ITC Infotech India Ltd, provides IT services and solutions to leading global customers. ITC Infotech has carved a niche for itself by addressing customer challenges through innovative IT solutions. ITCs production facilities and hotels have won numerous national and international awards for quality, productivity, safety and environment management systems. ITC was the first company in India to voluntarily seek a corporate governance rating. ITC was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Ltd. As the companys ownership progressively Indianised, the name of the company was changed from Imperial Tobacco Company of India Ltd to India Tobacco Company Ltd in the year 1970 and then to I.T.C. Ltd in the year 1974. In recognition of the companys multi-business portfolio encompassing a wide range of businesses - Cigarettes & Tobacco, Hotels, Information Technology, Packaging, Paperboards & Specialty Papers, Agri-business, Foods, Lifestyle Retailing, Education & Stationery and Personal Care - the full stops in the companys name were removed effective September 18, 2001.

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CHAPTER -1

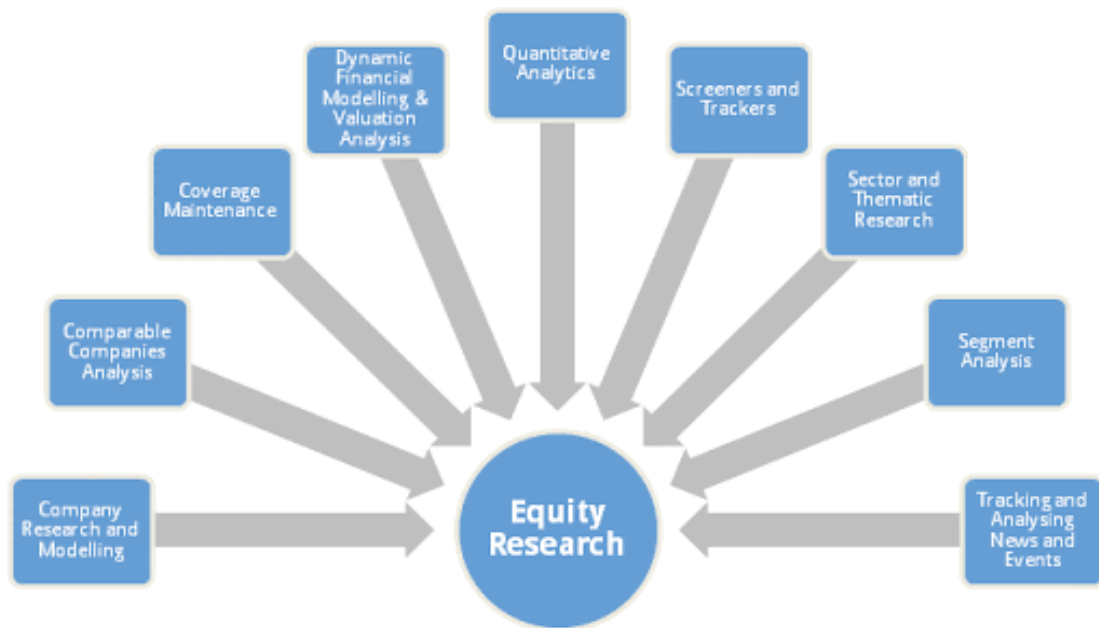
EQUITY RESEARCH

- Equity research is the study of a business and its environment in order to make a buy or sell decision about investing in its shares.
- Equity research professionals are responsible for producing analyses, recommendations, and reports on investment opportunities that investment banks, institutions, or their clients may be interested in. The equity Research Division is a group of analysts and associates at an investment banking (sell-side), an institution (buy-side), or an independent organization.
- The main purpose of equity research is to provide investors with detailed financial analysis and recommendations on whether to buy, hold, or sell a particular investment. Banks often use equity research as a way of “supporting” their investment banking and sales & trading clients, by providing timely, high-quality information and analysis.

This research can also be applied by an acquirer to a prospective acquisition deal, to determine the price at which to bid for the securities of a target company. Equity research can delve into many areas, but tends to concentrate on the following topics:

- **Financial analysis.** Calculate the various ratios associated with a company's financial statements and compare them on a trend line to determine the financial condition, financial results, and cash flows of the business. These results can also be compared to industry averages.
- **Disclosures.** Examine the disclosures that accompany the financial statements to see if there are any issues that could impact the future value of the company's equity.
- **Industry analysis.** Review the key leading indicators that may predict future conditions within the industry where the target company operates, as well as the impacts of changes in the legal, regulatory, and competitive environment on that industry.
- **Projections.** Combine the information in the company's financial statements with the projections and information gleaned from the industry analysis to arrive at projections for the next few years. This may involve modeling a variety of scenarios to see how they impact the company and the value of its shares.

EQUITY RESEARCH ORGANISATION STRUCTURE



COMPANY ANALYSIS

ITC Limited



- ITC was incorporated in 1910 under the name of Imperial Tobacco Company of India Limited (later changed to ITC Limited in 1974). It was initially in the cigarette and tobacco business and later diversified into multiple businesses including hotels, paperboards and speciality papers, packaging, agri-business, packaged foods and confectionery, branded apparel, greeting cards and other FMCG products.
- The company entered the hospitality business in 1975. In 1979 it entered the paperboards business by promoting ITC Bhadrachalam Paperboards Limited, which was later amalgamated with ITC. In 1992, leveraging its agri-sourcing competency, ITC set up the International Business Division for export of agricommodities. More new lines of businesses have followed since 2001 in the space of FMCG. The company's products are manufactured at multiple production facilities across the country. Certain initiatives of the company such as the ITC eChoupal, ITC ChoupalSaagar and the ITC social farm forestry programme have been recognised through internationally acclaimed awards for their impact on rural life.
- ITC's diversified status originates from its corporate strategy aimed at creating multiple drivers of growth, anchored on its core competencies of strong distribution reach, superior brand-building capabilities, effective supply chain management and service skills in hoteliering. Its distribution reach is one of the largest in India – the FMCG business has a retail network over 2 million retailers in the country, ranging from premium outlets in the metros to small shops in the interiors of rural India.
- Currently British American Tobacco Company (UK) controls 32 per cent equity stake in ITC. Domestic financial institutions hold 35 per cent share and foreign institutions have a 15 per cent share. Indian public and corporate bodies hold the balance 13 per cent stake.

Company	Products	Established	Founder	Distribution	Production plants
ITC	Cigarettes, foods, apparel, stationery, paper	1910	British American Tobacco	India, Americas , Europe, Middle East, Asia Pacific, Africa	India

NEED AND SIGNIFICANCE

EQUITY RESEARCH

To start any business capital plays major role. Capital can be acquired in two ways by issuing shares or by taking debt from financial institution or borrowing money from financial institution. The owners of the company have to pay regular interest and principal amount at the end.

Stock is ownership in a company, with each share of stock representing a tiny piece of ownership. The more shares you own, the more of the company you own. The more dividends you earn when the company makes a profit. In the financial world, ownership is called "Equity".

- A company can raise more capital than it could borrow.
- A company does not have to make periodic interest payments to creditors.
- A company does not have to make principal payments.

Stock /shares play a major role in acquiring capital to the business in return investors are paid dividends to the shares they own. The more shares you own the more dividends you receive.

The role of equity analysis is to provide information to the market. An efficient market relies on information: a lack of information creates inefficiencies that result in stocks being misrepresented (over or under valued). This is valuable because it fills information gaps so that each individual investor does not need to analyze every stock thereby making the markets more efficient.

In those days, rural market is one of the best opportunities in FMCG sector in Indian market. It is wider and less competitive market for FMCG. As the income level of rural consumers increasing, the demand of FMCG products is increasing continuously. The various needs of study are follows:

- To determine the rising demand of Soaps and Shampoos in rural India
- Know about the different choices of rural consumers
- Rural consumer's usage habits are deferent to urban
- Rural consumer's buying behaviour.

Nature and Scope

- The main aim of equity research is to analyze the market trend and observe how it is affecting companies' earnings and their stock value.
- It focuses on a particular stock or a sector as a whole and captures all the information of the stock (or companies in a sector).
- It includes a review of its historical financial performance, forecast of its future financial performance along with supporting arguments for the estimates and finally a recommendation whether to buy or sell the stock.
- Sell-side firms usually produce such detailed reports.

RESEARCH PROBLEMS

- The cigarette industry in India continues to be impacted by a discriminatory taxation and regulatory policy framework. The steep increase in the tax rates on cigarettes, both at the Central and at the State level, has led to the undesirable consequence of shifting consumption to lightly taxed (bidis etc) or tax evaded tobacco products, which constitute as much as 85% of the total tobacco consumption.
- The domestic legal cigarette industry is faced with the growing menace of illegal cigarettes. Independent research indicates that, in India, whilst there is a fall in volumes

of 'duty paid' cigarettes by 4.4% during the period 2005 to 2010, the 'duty-not-paid' volumes grew by 49.3% during the same period.

- India has now been recognised as one of the leading destinations for illegal cigarettes. Attractive tax arbitrage opportunities, as a result of the high level of taxes on the legal domestic cigarette industry in India, incentivises illegal flow of cigarettes into the Country.
- Another dangerous outcome of the increasing volume of illicit trade is that it encourages the entry of organised criminal syndicates, which can have serious law and order consequences for the country.

AIMS & OBJECTIVES

- The main objective of equity research is to study companies, analyze financials, and look at quantitative and qualitative aspects mainly for decisions: whether to invest or not.
- Suggestion and comments for holdings sell or buy position can be given to stockholders.
- Equity Research Report adds significant credibility to portfolio.
- It helps to predict value of the certain equity under the specific circumstances.
- It is analyzing stock, its industry and its peer group to provide earnings and valuation estimates.
- Research is valuable because it fills information gaps so that each individual investor does not need to analyze every stock. This division of labour makes the market more efficient.

ABOUT THE COMPANY

- ITC Ltd is one of India's foremost private sector companies. ITC has a diversified presence in Cigarettes Hotels Paperboards & Specialty Papers Packaging Agri-Business Packaged Foods & Confectionery Information Technology Branded Apparel Personal Care Stationery Safety Matches and other FMCG products.
- While ITC is an outstanding market leader in its traditional businesses of Cigarettes Hotels Paperboards Packaging and Agri-Exports it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery Branded Apparel Personal Care and Stationery.
- ITC's wholly owned Information Technology subsidiary ITC Infotech India Ltd provides IT services and solutions to leading global customers. ITC Infotech has carved a niche for itself by addressing customer challenges through innovative IT solutions. ITC's production facilities and hotels have won numerous national and international awards for quality productivity safety and environment management systems. ITC was the first company in India to voluntarily seek a corporate governance rating.
- ITC was incorporated on August 24 1910 under the name Imperial Tobacco Company of India Ltd. As the company's ownership progressively Indianised the name of the company was changed from Imperial Tobacco Company of India Ltd to India Tobacco Company Ltd in the year 1970 and then to I.T.C. Ltd in the year 1974. In recognition of the company's multi-business portfolio encompassing a wide range of businesses - Cigarettes & Tobacco Hotels Information Technology Packaging Paperboards & Specialty Papers Agri- business Foods Lifestyle Retailing Education & Stationery and Personal Care - the full stops in the company's name were removed effective September 18 2001.
- In the year 1975 the company launched its Hotels business with the acquisition of a hotel in Chennai which was rechristened 'ITC-Welcomgroup Hotel Chola'.
- In the year 1979 they entered the Paperboards business by promoting ITC Bhadrachalam Paperboards Ltd which today has become the market leader in India.
- In the year 1990 the company set up the Agri Business Division for export of agri-commodities. Today the Division is one of India's largest exporters.
- In the year 2000 the company spun off its information technology business into a wholly owned subsidiary ITC Infotech India Ltd to more aggressively pursue emerging opportunities in this area.
- Also the company forayed into the Greeting Gifting and Stationery products business with the launch of Expressions range of greeting cards. A line of premium range of notebooks under brand 'Paperkraft' was launched in 2002. To augment its offering and to reach a wider student population the popular range of notebooks was launched under brand 'Classmate' in the year 2003.
- The company also entered the Lifestyle Retailing business with the Wills Sportrange of international quality relaxed wear for men and women in the year 2000.
- In 2002 the company entered the confectionery and staples segments with the launch of the brands mint-o and Candyman confectionery and Aashirvaad atta (wheat flour). Also the company's philosophy of contributing to enhancing the competitiveness of the entire value chain found yet another expression in the Safety Matches initiative.
- In the year 2007 the company entered the fast growing branded snacks category with 'Bingo!'. The company launched 'Fama Di Wills' a premium range of Shampoos Shower

Gels and Soaps in September October and December 2007 respectively. The company also launched the 'Superia' range of Soaps and Shampoos in the mass-market segment at select markets in October 2007 and Vivel De Wills & Vivel range of soaps in February and Vivel range of shampoos in June 2008.

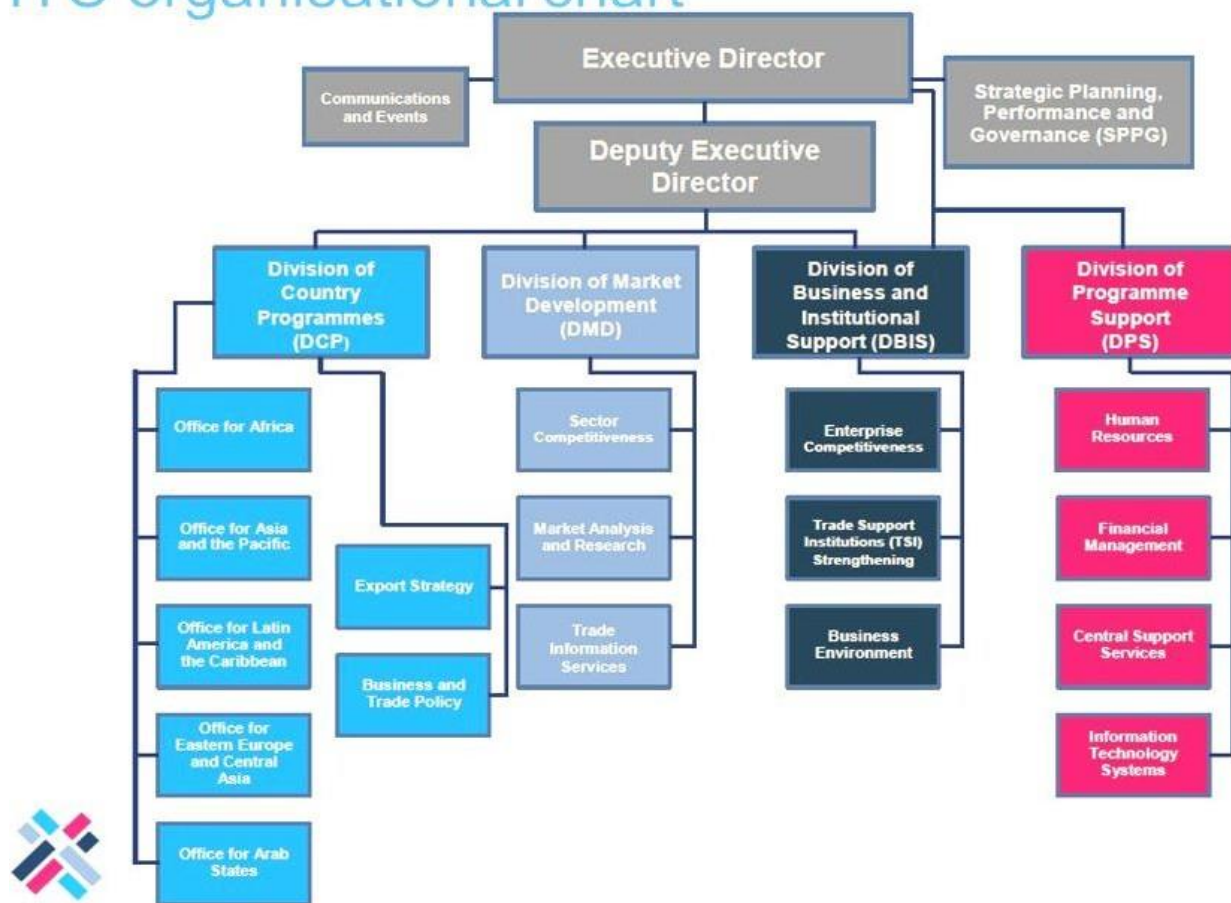
- In October 2009 the company launched the ITC Royal Gardenia a 292 room luxury offering in Bengaluru. It is the largest LEED (Leadership in Energy and Environmental Design) Platinum rated hotel in the world and the first in Asia to achieve this distinction.
- ITC enters e-cigarette business. ITC Hotels launches one of the largest ever foreign investments in Colombo. In 2015 ITC's paper boards and specialty papers division introduced grease-resistant paper boards. ITC acquired 87.06% equity share capital of Classic Infrastructure & Development Ltd. Russell Credit Ltd. a wholly owned subsidiary of the Company has acquired the entire equity share of Wills Corporation Ltd. (Wills).
- ITC also launches Vivel Ayurveda Essence in Kerala. On 13 February 2015 ITC announced that the company has entered into Asset Purchase Agreements with M/s. Johnson & Johnson Ltd. India & M/s. Johnson & Johnson Pte. Ltd. Singapore for purchase of 'Savlon' and 'Shower To Shower' trademarks and other intellectual property respectively primarily for use in India.
- The amalgamation of Sunrise Foods Private Limited and its subsidiaries with the Company was approved by the Board of Directors on 04 September 2020. The necessary petitions seeking sanction of the National Company Law Tribunal to the said amalgamation have been filed. As on 31 December 2020 the company has 28 subsidiaries 4 joint venture and 7 associate companies under its roof.

MISSION AND VISION

- To enhance the wealth generating capability of the enterprise in a globalising environment, delivering superior and sustainable stakeholdervalue.
- ITC's vision, according to CEO and Executive Director Chairman SanjivPuri, is to gain 1 Lakh crores from FMCG division by the year 2030.
- ITC will also invest 80% of its capital in the non-tobacco FMCG divisionof the company. In the year 2018 itself, ITC has put 30+ new products into the market, including frozen snacks and other consumer products.

ORGANISATION STRUCTURE

ITC organisational chart



➤ **Office of the Executive Director**

The Office of the Executive Director (OED) provides strategic leadership for the development and management of ITC. OED is responsible for determining ITC's strategic direction within the context of the 2030 Agenda for Sustainable Development and the global Aid for Trade arena. It ensures that appropriate policy and accountability mechanisms are in place, and secures resources to implement the strategy and expand the influence of ITC by raising awareness around its mission and key messages among stakeholders and the general public.

➤ **Division of Enterprises and Institutions**

The Division of Enterprises and Institutions (DEI) works to connect MSMEs to international value chains, strengthen trade and investment support institutions, and promote and mainstream inclusive and green trade. DEI focuses on innovative and inclusive market-driven approaches to strengthen the international competitiveness of MSMEs from developing countries and economies in transition.

➤ **Division of Country Programmes**

The Division of Country Programmes (DCP) ensures country ownership, coherence and impact of ITC's Aid for Trade offering across 153 programme countries and regions. DCP comprises five dedicated regional offices and ITC's Project Design Taskforce. DCP ensures strategic client-relationship management and coordination of ITC's technical assistance at the national and regional levels with key public and private sector stakeholders.

➤ **Division of Market Development**

The Division of Market Development (DMD) provides thought leadership on MSME competitiveness, delivers competitive intelligence services, and supports governments in the design and implementation of trade development strategies. DMD provides supports to enterprises and business associations to provide a business perspective in the formulation of trade strategies and reform of policies and regulations at national and regional levels. The division promotes an inclusive public-private dialogue to address obstacles to international trade an investment and to provide customised solutions to remove them.

➤ **Division of Programme Support**

The Division of Programme Support (DPS) is responsible for assisting the programme management of ITC in ensuring the efficient and effective management and utilization of human, financial, IT and other resources required to implement the ITC programme of work. DPS manages the administrative, legal and logistical support required by ITC.

Key Milestones	
Year	Particulars
1910	Incorporated on August 24, 1910 under the name of 'Imperial Tobacco Company of India Limited
1925	Packaging & Printing Business was set up as a strategic backward integration for ITC's Cigarettes Business
1975	Launched its hotel business by the name 'ITC-Welcomgroup Hotel Chola'.
1979	Entered into manufacturing paperboards, packaging & printing business
1985	Set up Surya Tobacco Co. in Nepal, now a subsidiary of ITC.
1990	Set up the Agri Business Division for export of agri-commodities based on partnership with farmers
2000	Launched a line of greeting cards under the brand name 'Expressions, further extension in stationery
	Entered in lifestyle retailing business with the Wills Sport
	ITC InfoTech India was set up in 2000 to provide outsourcing solutions
	Introduced e-Choupal initiative in 2000 with soya farmers in Madhya Pradesh
2001	Entered food business in 2001 with the introduction of 'Kitchens of India'
2002	Entered the confectionery and staples segments with the launch of the brands mint-o and Candyman confectionery and Aashirvaad Atta
	Entered in marketing of safety matches
2003	Entered the biscuits segment with Sunfeast

	Forayed into the marketing of Agarbattis (incense sticks)
2005	Entered personal care with Essenza Di Wills, an exclusive range of fine fragrances and bath & body care products
2007	Entered the fast growing branded snacks category with Bingo!
	Launched the 'Superia' range of Soaps and Shampoos in the mass-market segment followed by Vivel range
2010	Entered the Indian instant noodles market with Sunfeast Yippee!
	Expanded its product portfolio in personal care with the launch of Engage deodorants
	Expanded the tobacco portfolio with launch of its handrolled cigar, Armenteros, in the Indian market
2014	Entered e-cigarette business
2015	Acquired Savlon and 'Shower to Shower' from Johnson & Johnson Ltd., India
	Entered the Fruit-based juices and beverages market with the launch of B Natural Fruit beverages
	Forayed into the dairy segment with the launch of Aashirvaad Svasti Ghee in November 2015.
	Acquired the brand Nimyle to enter the floor cleaner space
2020	Acquired entire stake in Sunrise Foods

CHAPTER -2

LITERATURE REVIEW

A firm's international competitiveness (FIC) can be defined as the set of results of a firm (financial and non-financial) that has activities in foreign markets, obtained in comparison with other firms that also offer similar products and services (Lo'pez and Garcí'a, 2005; Toppinen et al., 2007; Zeng et al., 2008). The firm's results can be expressed in terms of international sales (exports), foreign direct investment (FDI), market share, satisfaction with the achievement of the firm's goals, and so on.

Currently, the resource-based view (RBV) (Barney, 1996) plays a very important role in international business management (Fahy, 2002; Hatch and Dyer, 2004; Lo'pez and Garcí'a, 2005) for the simple reason that it considers some resources of a firm as sources of competitive advantage (Barney, 1996; Lo'pez and Garcí'a, 2005). This is because not all firms have similar resources (i.e. firm size, skills of personnel, technology, etc.). ITC is a clear example of this. ITC varies greatly in each firm; it may be better, worse, or simply different (Powell and Dent-Micallef, 1997).

Moreover, ITCs are clearly considered a key element for business growth in this era of the present century (Okoli et al., 2010). This is especially so in a dynamic business with a highly competitive environment which requires the utilizing of advanced ITC to improve its efficiency and cost effectiveness, and also for offering high quality products and services for its customers (Mosleh and Shannak, 2009; Powell and Dent-Micallef, 1997). Hence, ITCs have only recently become one of the most important pillars for the FIC (Flor and Oltra, 2005; Hao-Sung, 2003; Jones and Crack, 2001).

Various researchers have found empirical evidence of the effects that the use of ITCs have on the FIC (Eraqi, 2006; Cho et al., 2007; Lo'pez and Garcí'a, 2005). Thus, MD 50,6 1046 firms that invest in technology show more international presence in terms of international sales (Eraqi, 2006; Jones and Crack, 2001; Lee et al., 2008).

On the other hand, there are firms that utilize ITC as a source of competitive advantage. This is because they have multiple plans and projects that make them able to adapt and compete in different sectors and areas (Elenurm, 2007; Jones and Crack, 2001). Flor and Oltra (2005) have shown that the use of ITC as a source of competitive advantage is not due to the management department assigned. It occurs because all of the personnel working in the firm have been implicated.

Concerning international competitiveness, it is currently almost impossible to speak of ITCs and not mention electronic commerce (e-commerce), especially in developing countries (Okoli et al., 2010). With respect to this topic, Drucker (2003) argued that e-commerce represents a new challenge for international companies. This is because the firms that are not really prepared to face it just die off, engulfed by this e-commerce. This requires a different mentality, different team management, and a new definition of performance. E-commerce not only overcomes the geographic distances between the buyer and seller, it simply eliminates them completely.

(Drucker, 2003). Clear examples of this are such companies as Amazon or Interflora. In New Zealand, the latter company sends flowers and plants around the world. But the truth is that their case is not unique; in fact many more exist (e.g. Sears in the USA, Inditex in Spain, etc.).

In this line of thinking, people play an important role in a hyper-competitive environment. The literature reviewed (see Pla-Barber, 2001), shows us that some relevant characteristics (age, education, fluency in foreign languages; knowledge of foreign markets; experience in other countries and cultures, and so forth) concerning the human resources (HR) of firms help achieve an improvement of the FIC. Hence, the use of ITC would not be possible if firms did not count on qualified personnel with international experience, language skills (Jones and Crack, 2001; Hatch and Dyer, 2004) and other specific characteristics. In this sense, the combination of technologies and the characteristics of human capital becomes a competitive advantage when firms utilize this as a marketing tool. This is because it allows them to establish contact with customers and clients located in different places around the world (Mosleh and Shannak, 2009), thus allowing, for example, better international performance in terms of sales. Abereijo et al. (2009) said that the use of ITC also lets firms train their human resources when these are abroad.

Therefore, the characteristics of human resources are an important factor in the effective use of ITC (Jones and Crack, 2001; Powell and Dent-Micallef, 1997)

It is important to mention that the sector variable is widely used as a control variable. In this research, however, the sector is studied from the point of view of the collaboration between companies belonging or related to similar activities (e.g. textiles, farm business, and chemicals). Their mere presence only indicates their position within an industrial group, not the role that they play within the FIC. In this sense, when we talk about their collaboration, we are referring to the mechanisms that, one way or another, allow firms to compete more successfully in foreign markets. This is due to firms needing the support or the assistance of their sector to grow and compete internationally (Cho et al., 2007; Nadvi, 1999). Enterprises get the maximum benefits from the local environment of their country of origin when their suppliers' industries are themselves global competitors. In this case, the necessary facilitating technology flows to their customers settled in foreign markets (Hao-Sung, 2003; Nadvi, 1999)

According to Porter (1998), firms need the collaboration of the industrial sector to grow and compete internationally, since at this time no company operates alone (Chen et al., 2009), especially in global markets. In the not too distant future, competition in international markets will not be between companies that operate alone, but between groups of firms (e.g. strategic alliances). In this sense, D'Cruz and Rugman (1992) have shown that those enterprises that have managed to achieve success in foreign markets (better performance), do so because they have enabled the exchange of technologies, knowledge transfer, research and development, and other activities. These affirmations coincide with studies done by Toppinen et al. (2007). To summarize up, ITC could be affected in a large part by the collaboration of the industrial sector (Hao-Sung, 2003; Powell and Dent-Micallef, 1997).

Moreover, Jarvenpaa and Leidner (1998) have shown, in a study done in Mexico, how firms have achieved a competitive advantage in terms of performance when they efficiently exploit environment factors, despite the fact that the environment in developing countries is usually chaotic (i.e. a lack of R&D, inefficient government, a lack of competitive suppliers). These authors have found that the skills and capabilities of human resources play a crucial role in this

task. This is because only people with talent, capabilities and knowledge can transform the chaotic and complex environment of developing countries into a favorable one. In this line of research, one can find a study carried out in the industrial surgical steel sector of Pakistan (Nadvi, 1999) that shows how the local environment of the country of origin of the firms, aids the firm's success

in international markets. Hence, some firm resources, such as ITC, would be affected by various environment factors, such as government policy, the presence of local suppliers with an international presence, R&D developed by the local centers of research and universities, and so on (Okoli et al., 2010; Lefebvre et al., 1998). Therefore, the literature reviews described above allow us to establish the following assumptions.

CHAPTER -3

RESEARCH METHODOLOGY

SOURCE OF DATA -:

- ✓ Secondary Source
 - ❖ The source of the data is collected from Annual Report.

TOOLS AND TECHNIQUES -:

- ✓ **Investment map:** It helps the investment agencies identify such as priority sector for foreign investments, competing countries and potential foreign investors.
- ✓ **Market asses' map:** It helps to find out the national tariff level of different countries.
- ✓ **Product map:** It is an online product context which includes the overall study of the market, price indications and product information of different organizations which helps to comparison of the services.
- ✓ **Trade map:** It is also an online data base which helps to find the flow of goods and services and the barriers in the international market.

CHAPTER - 4

DATA ANALYSIS

❖ SWOT Analysis



➤ Strengths in the SWOT Analysis of ITC Limited

- ❖ ITC's cigarette sector contributes a significant proportion of its sales to the FMCG.
- ❖ Increasing Revenue of ITC Limited in the year by year is its main strength.
- ❖ Portfolio of Companies: under its name, ITC has 6 large and diverse businesses that boost its total revenue and allow ITC to innovate and pursue other business opportunities.
- ❖ Powerful brand: ITC is a large brand house with most of its products leading the segments in which it works.
- ❖ Efficient Social Business Initiatives: The ITC has developed a three-pronged strategy that focuses on building national economic, social, and environmental resources.
- ❖ ITC has introduced initiatives such as E-Choupal, Choupal Pradarshan Khet (CPK) that support grass-roots people, i.e. farmers. Such initiatives have also enabled ITC to boost their brand reputation as a conventional tobacco producer.
- ❖ Inter and Intra-Divisional Synergy: ITC has effectively used the strengths of core companies to push into newer products or categories. ITC has leveraged the powerful distribution network of cigarette brands to build a market for its FMCG products.
- ❖ In addition, ITC has leveraged the experience of food and bakery items from its hotel company to become part of the Packaged Food group.
- ❖ ITC has a large and competent management team. Clear brand image, outstanding promotional goods, diversified range of products and services, including FMCG, hotel chains, paper & packaging, and agribusiness.
- ❖ Over 6500 E-Choupal CSR programs and sustainability projects improve the brand identity of ITC to more than 4 million farmers.

➤ Weaknesses in the SWOT Analysis of ITC Limited –

- ❖ High Proportion of Tobacco Product Revenues: ITC has made continuous efforts to separate the FMCG sector from over-dependence on tobacco products and has been successful in doing so to some degree.
- ❖ Nonetheless, tobacco products remain the biggest source of revenue contributing more than 60 percent to FMCG's overall revenue.

- ❖ Tobacco Products Association has an impact on the brand: ITC has made a great deal of effort to enhance its corporate image, but the fact that ITC has many tobacco products in its portfolio has an impact on its corporate image. The increase in the Tobacco Tax has an effect on revenue: due to the rise in the tax on tobacco products, rates and, subsequently, profits are affected.
- ❖ ITC is still dependent on its tobacco sales, and people have cheaper alternatives and other brands.
- ❖ The hotel industry has not been able to build an enormous market share.

➤ **Opportunities in the SWOT Analysis of ITC Limited –**

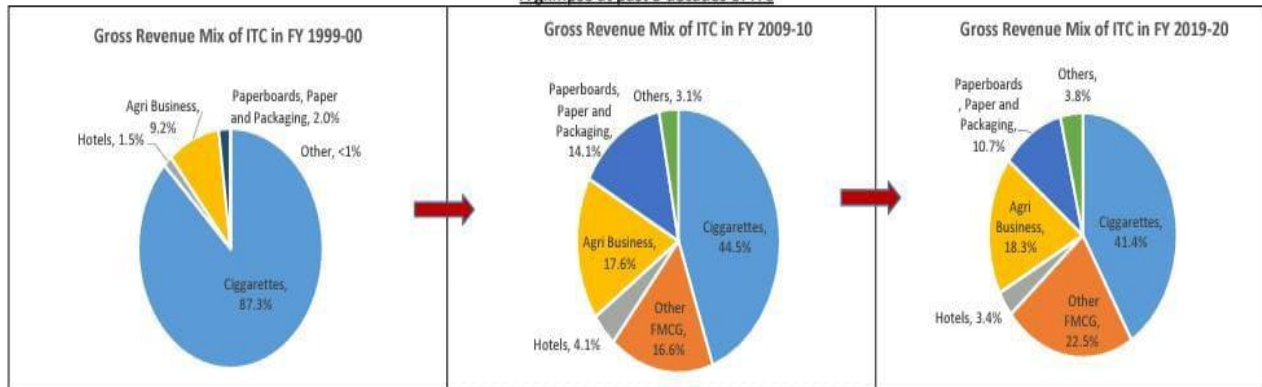
- ❖ Acquisitions: ITC will continue to make strategic acquisitions, as it has done in the past, by purchasing Savlon from Johnson & Johnson and B Natural from Balan Natural Foods. Keeping in mind that the product fits into the current distribution network, ITC will try to increase its product range and broaden its non-tobacco FMCG business and thus improve its revenue base.
- ❖ Growth in purchasing power and changing lifestyles: ITC can tap into rising buying power and changing customers' lifestyles in India. It will help to raise sales for all of its companies.
- ❖ Growing Personal Hygiene as well as Food Processing Industry in India: ITC should use its distribution channel in the Personal Hygiene and Food Processing Industry to capitalize on the growth of categories and thus increase revenue.
- ❖ Tap opportunities created in the rural sector: the rising rural sector in India and other developing nations are generating enormous opportunities to boost the company's bottom line.
- ❖ Mergers and acquisitions are planned to reinforce the brand.
- ❖ Increased people's buying power, thus rising competition. More exposure to hotel chains to increase market share.

➤ **Threats in the SWOT Analysis of ITC Limited –**

- ❖ Intensifying rivalry in FMCG companies: ITC is facing intense competition in its FMCG market from major MNCs such as HUL and P&G and Indian FMCGs such as Patanjali and Dabur. It limits the market share of the ITC. Regulations and Increased Taxation in Cigarette Business: The Tobacco and Cigarette Industry in India continues to be regulated by strict government regulations and the tax system. This poses a threat to the highly profitable ITC Cigarette company.
- ❖ Increasing health awareness: there has been an increase in health awareness, which has resulted in a decrease in the demand for tobacco products in India. Anti-smoking programs throughout the country also have an effect on cigarette sales.
- ❖ Intense and increasing competition among other FMCG companies and hotel chains.
- ❖ FDI in the retail sector, thereby allowing for international brands.

A GLIMPSE OF PAST 3 DECADES OF ITC

A glimpse at past 3 decades of ITC



FINANCIAL STATEMENTS AND RATIOS

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	19138.1	20018.9	18270.2	21378.8	24209.6
Non-operating & EO items	0	0	0	0	0
Interest Expenses	-1267.4	-1394.2	-1510.6	-1634.8	-1759
Depreciation	1396.6	1592.7	1707.3	1825.5	1943.7
Working Capital Change	-1052.1	1618.1	487.8	-13.1	-513.9
Tax Paid	-6191.6	-4791.4	-4640.3	-5469.4	-6298.5
OPERATING CASH FLOW (a)	12023.7	17044.1	14314.4	16087	17581.9
Capex	-2785.5	-2305.8	-1689.8	-2141.8	-2593.9
Free Cash Flow	9238.2	14738.3	12624.6	13945.2	14988
Investments	-2990.6	-1500	-1500	-1500	-1500
Non-operating income	1318.2	1417.8	1531.2	1653.7	1776.2
INVESTING CASH FLOW (b)	-4457.9	-2388	-1658.6	-1988.1	-2317.7
Debt Issuance / (Repaid)	-18.8	0.2	0.2	0.2	0.2
Interest Expenses	-45.4	-23.6	-20.6	-18.9	-17.3
FCFE	9174	14714.9	12604.2	13926.5	14971
Share Capital Issuance	5.4	0	0	0	0
Dividend	-7564.7	-8483.6	-12296	-11687.9	-11079.7
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	-7623.6	-8507.1	-12316.4	-11706.6	-11096.7
NET CASH FLOW (a+b+c)	-57.8	6149.1	339.4	2392.4	4167.5

Key Ratios

Particulars	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin (%)	38.1	39	35.5	37.2	38.6
EBIT Margin (%)	35.2	35.8	32	33.9	35.4
APAT Margin (%)	26.4	30.8	28.1	29.1	30
RoE (%)	23.2	24.9	20.7	23	24.8
RoCE (%)	23.1	24.8	20.6	23	24.7
Solvency Ratio					
Net Debt/EBITDA (x)	-1.5	-1.9	-2.2	-2.1	-2
Net D/E (x)	-0.5	-0.6	-0.6	-0.6	-0.6
PER SHARE DATA					
EPS (in Rs.)	10.4	12.4	11.1	12.9	14.7
CEPS (in Rs.)	11.6	13.8	13.3	14.5	15.7
BV (in Rs.)	47.1	52.7	54.6	58.1	61.5
Dividend (in Rs.)	5.8	8.3	9.5	10.4	11.3
Cash Conversion Cycle (days)	38.2	24.4	20	16.8	14.2
Debtor days	30.5	21.8	22.1	21.5	20.9
Inventory days	60	58.5	58.6	55.5	53
Creditors days	26.5	27.2	27.6	26.8	26.1
VALUATION					
P/E (x)	20.3	17.1	19.1	16.4	14.4
P/BV (x)	4.5	4	3.9	3.7	3.4
EV/EBITDA (x)	12.6	11.6	12.8	10.7	9.1
EV / Revenues (x)	4.8	4.6	4.6	4	3.5
Dividend Yield (%)	2.7	3.9	4.5	4.9	5.3

(Source: Company, HDB, C sec)

Financials

Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	48353	49404	48569	54600	60631
Growth (%)	11.3	2.2	-1.7	12.4	11
Operating Expenses	29946	30144	31326	34270	37215
EBITDA	18406	19260	17244	20330	23416
Growth (%)	11.7	4.6	-10.5	17.9	15.2
EBITDA Margin (%)	38.1	39	35.5	37.2	38.6
Depreciation	1397	1593	1707	1825	1944
EBIT	17010	17667	15536	18504	21472
Other Income	2174	2375	2755	2893	2755
Interest expenses	45	24	21	19	17
PBT	19138	20019	18270	21379	24210
Tax	6314	4791	4640	5469	6299
APAT	12786	15228	13630	15909	18189
Growth (%)	14	19.1	-10.5	16.7	14.3
EPS	10.4	12.4	11.1	12.9	14.7

Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	1226	1226	1226	1226	1226
Reserves	56855	63728	66026	70254	74411
Shareholders' Funds	58081	64954	67252	71480	75707
Long Term Debt	8	8	8	8	8
Short Term Debt	2	2	2	2	3
Net Deferred Taxes	1993	2125	2267	2421	256
Other Non-Current Liabilities	248	248	248	248	248
Total Source of Funds	60332	67337	69778	74160	78542
APPLICATION OF FUNDS					
Net Block	19153	20691	21334	22179	23033
CWIP	6362	5537	4876	4348	3800
Goodwill	231	231	231	231	231
Long Term Loans & Advances	1696	1835	1985	2148	2311
Total Non Current Assets	27442	28294	28427	28906	29345
Inventories	7944	7913	7800	8301	8843
Trade Receivables	4035	2947	2946	3212	349
Cash & Equivalents	27835	35745	38692	42744	46757
Other Current Assets	3085	3239	3401	3571	372
Total Current Assets	42900	49845	52839	57830	62811
Trade Payables	3510	3676	3674	4007	4340
Other Current Liab & Provisions	6501	7126	7814	8569	934
Total Current Liabilities	10010	10802	11488	12576	13644
Net Current Assets	32890	39043	41351	45254	49166
Total Application of Funds	60332	67337	69778	74160	78542

Industry	LTP	Base Case Fair Value	Bull Case Fair Value	Recommendation
FMC G	Rs. 212	Rs. 228	Rs. 250	Buy at LTP and add on dips to Rs.189

CHAPTER - 5

FINDINGS AND CONCLUSION

- ❖ With the liberalization and growth of the Indian economy since the early 1990s, the Indian customer witnessed an increasing exposure to new domestic and foreign products through different media, such as television and the Internet.
- ❖ Apart from this, social changes such as increase in the number of nuclear families and the growing number of working couples resulting in increased spending power also contributed to the increase in the Indian consumer's personal consumption.
- ❖ As a whole, these changes have the positive impact, leading to rapid growth in the retailing industry, and created a huge potential for the FMCG markets.

Future scope of research

- ✓ Board believes that as a first step, Company's portfolio should comprise four sectors, namely, tobacco, travel and tourism, packaging and paper. This portfolio will be subject to periodic review against the objective of international competitiveness.
- ✓ In this context, your Board recognises that international alliances can provide your Company with access to the latest developments in know-how, technology and best practice.
- ✓ Foreign exchange earnings will remain an area of focus, not only because it is a national priority, but also because it will enable your Company's businesses to test their competitiveness and prepare for the growing sophistication of the Indian market.
- ✓ Your Company also plans to realise full value from the real estate investments, taking advantage of the skills developed while growing the hotel business.
- ✓ Further, your Company's most valuable assets are its trademarks. These may not be separately valued in your Company's accounts, but remain the basis of future income streams. For many of your Company's customers, their only connection with your Company is through these trademarks.
- ✓ Research has shown that these trademarks carry considerable goodwill which can be more effectively exploited by entry into new lines of business. It is with the exploration of this new opportunity in mind that we have placed the Special Resolution for your sanction today.
- ✓ In respect of your Company's other businesses it is the intention to induct world-class

partners and thus reposition them for growth. This will also provide your Company the option to redeem its investments in these ventures in a responsible manner. In the first instance, this programme will cover ITC AgroTech, ITC Classic Finance and the Tribeni Tissues Division. ITC Global is already under judicial Management in Singapore, at the instance of the creditors of that company.

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