Twitter Thread by Shreyans Salecha

Shreyans Salecha
@shreyanscb29

Few days back, I shared my investment thesis for ITC.

Today, I want to share the detailed presentation.

Focus is on explaining & analyzing the ITC 'business' and not the divided opinions about its 'stock price'.

Thread ■

@finbloggers @dmuthuk @FinMedium @ITCCorpCom

1/ Financial Performance

- Decent overall growth.
- Weak revenue growth in recent years.
- PAT growth > EBIT growth > revenue growth.

2/ Financial Position

- NCA have almost tripled.
- Equity has almost quadrupled.
- Negligible debt / insignificant liabilities.

3/ Cash Management

- CFO growth < PAT growth.
- CFO enough to cover both re-investments & dividend.
- Consistent re-investment & increasing shareholder payouts.

4/ Key Metrics

- ROCE/ROE near minimum but still healthy.
- Margins at decade highs.
- Asset utilizations at decade lows.
- Comfortable solvency, minimal leverage.
- Strong cash conversion.

5/ Business Portfolio Analysis

Based on BCG matrix:

- Cash cow: Cigarettes
- Star: FMCG, Agriculture, Paper & Packaging
- Question Mark: IT
- Dog: Hotels

6/ TTM Segment Performance

- Cigarettes: profit bedrock
- FMCG: highest asset allocation
- Agriculture: ~40% inter-segment revenue
- Hotels: too much capital, drag on profit
- Paper: 4th in revenue but 2nd in profit
- IT: decent standalone performance

7/ Future Outlook

- Cigarettes: stable
- FMCG: strong
- Agriculture: strong
- Paper: average
- Hotels: questionable
- IT: strong

8/ Value Drivers & Major Challenges

Drivers: Integrated business model, FMCG business, e-Choupal, Cash generation.

Challenges: Sales growth, Cigarettes regulation

9/ Cigarettes

- Decent growth despite regulations
- Insane financial metrics (margins, ROA)
- Increasing illegal trade
- Depressed/declining volumes

10/ FMCG

- Unique product portfolio (leader or low competition)
- Decent growth
- Improvements expected in asset utilizations & margins
- Strong distribution
- Continuous new product launches

11/ Agriculture

- Volatile growth & financial performance
- e-Choupal shifting from kiosks to mobile app
- Backward integration for FMCG
- Creating organized ecosystem for farmers

12/ Paper & Packaging

- Stable but low growth
- Decent financial performance
- Market leader
- Product innovation (bio-degradable board, recycled paper)

13/ Hotels

- Volatile & declining EBIT trend
- Low revenue growth vs asset growth
- Declining margins & low asset utilizations
- Catering to various segments
- Shift to asset-light model (can only evaluate impact after few years)

14/ IT Services

- Solid growth & improving financial performance
- Niche & differentiated offerings
- Partnerships with large industry players
- Can be good value addition to the group (similar to other conglomerates)

15/ Disclaimer

Please do your own research before making any investment decisions. Do not make any decisions based on this.

I'm invested so obviously biased.

Thanks for reading.

If you found this helpful, please RT & follow for more investment research & analysis.

Watch the video here: https://t.co/auPvwEClxz

Link to presentation: https://t.co/fGN7em2STT

Thanks!