

ITC Limited

Sector: Tobacco

10th November, 2025

BUY

Data as of: 07-Nov-2025, 18:00 hrs

Strong momentum in challenging times

- In Q2FY26, ITC's standalone revenue declined 2.7% YoY to Rs. 19,148cr, due to a sharp drop in agri business exports. However, core segments—cigarettes and FMCG—sustained strong growth momentum.
- The agri business segment's revenue fell 31.2% YoY to Rs. 3,976cr, due to timing difference, high base effect and subdued value-added export call-offs amid US tariff uncertainty.
- The cigarettes segment's revenue rose 6.7% YoY to Rs. 8,723cr, led by differentiated and premium offerings. The FMCG-other segment's revenue increased 6.9% YoY to Rs. 5,964cr, driven by staples, dairy, premium personal wash and agarbattis, despite Goods and Services Tax (GST) transition and excessive rains.
- The paperboards, paper and packaging segment's revenue rose 5% YoY to Rs. 2,220cr, driven by volume growth and speciality paper demand.
- EBITDA grew 2.1% YoY to Rs. 6,252cr, resulting in EBITDA margin expansion of 160bps to 32.7%, driven by a 6.8% decline in overall cost of sales to Rs. 9,546cr.

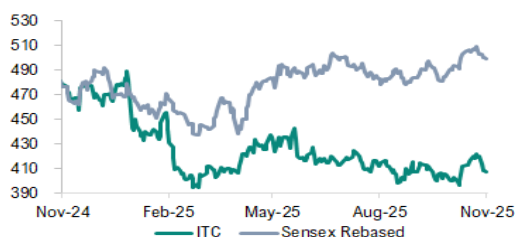
Outlook & Valuation

ITC delivered steady performance, driven by resilient core operations, continued portfolio premiumisation and sustained traction across key FMCG categories. The company's strategic focus on innovation, digital-first brands and value-added offerings, coupled with expansion in FoodTech sustainable packaging and agri-to-consumer integration, positions the business for multi-vector growth. Management's initiatives to enhance operational efficiency, strengthen rural reach and accelerate premium product launches remain supportive. Meanwhile normalisation post-GST transition is expected to aid volume recovery and stability in trade channels. Hence, we **reiterate our BUY rating on the stock with a revised target price of Rs. 462, based on SOTP valuation methodology.**

Quarterly Financials Standalone

Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales	19,148	19,686	-2.7	20,911	-8.4	40,059	37,143	7.9
EBITDA	6,252	6,123	2.1	6,261	-0.1	12,513	12,210	2.5
Margin (%)	32.7	31.1	160bps	29.9	280bps	31.2	32.9	-170bps
EBIT	5,881	5,755	2.2	5,896	-0.2	11,777	11,486	2.5
PBT	6,851	6,617	3.5	6,545	4.7	13,397	13,038	2.7
Rep. PAT	5,180	4,976	4.1	4,912	5.4	10,092	9,796	3.0
Adj PAT	5,092	4,976	2.3	4,912	3.7	10,004	9,796	2.1
Adj. EPS (Rs)	4.1	4.0	2.2	3.9	3.6	8.0	7.8	2.0

*over or under performance to benchmark index

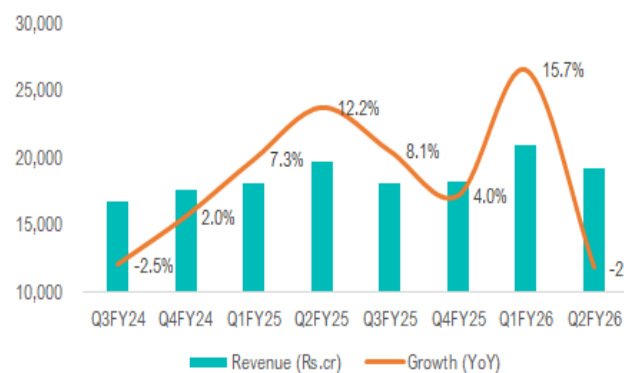


Y.E March (cr)	FY25A	FY26E	FY27E
Sales	74,236	77,072	83,640
Growth (%)	10.3	3.8	8.5
EBITDA	24,025	26,307	29,207
EBITDA Margin (%)	32.4	34.1	34.9
PAT Adjusted	19,564	21,103	23,325
Growth (%)	-1.7	7.9	10.5
Adjusted EPS	15.6	16.9	18.6
Growth (%)	-2.0	7.9	10.5
P/E	26.2	24.0	21.7
P/B	7.6	7.4	7.2
EV/EBITDA	21.3	19.2	17.3
ROE (%)	29.6	30.8	33.3
D/E	0.0	0.0	0.0

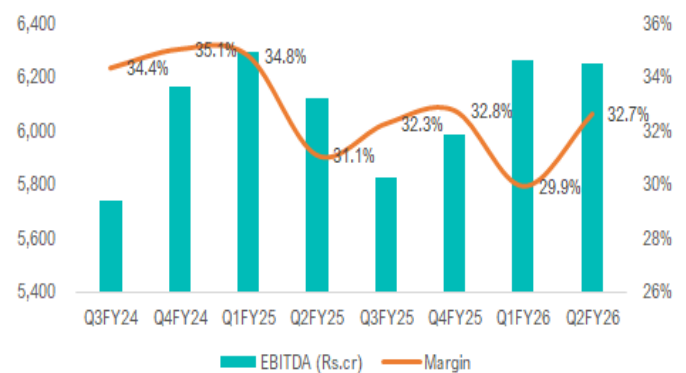
Key concall highlights

- ITC is expanding its NewGen channel play, sharpening its assortment and joint business plans for e-commerce, quick commerce and modern trade to scale its premium and digital-first brands.
- The company is driving portfolio adjacencies, such as snacking, bakery and premium staples, with new launches and hyperlocal supply chains, aiming to capture urban and quick commerce demand.
- Management highlighted the company's operational agility during the GST transition, focusing on systems reconfiguration, trade support, SKU rationalisation and rapid execution to minimise transitory disruptions.
- ITC is making targeted investments in ITC Infotech to build digital, cloud and engineering capabilities, positioning the subsidiary for larger contract wins and capability exports.
- Under its paperboards, paper and packaging business, ITC has introduced sustainable and customised packaging solutions in response to customer demand for value-added segments.
- ITC is expanding its cloud kitchen and the FoodTech business, under its newer brands, to capture on-demand food ser-

Revenue



EBITDA



Sum of the Parts (SOTP Valuation)

Particulars	Basis	Multiple	EBITDA/Sales (Rs Cr)	Year	Value (Rs Cr)	Value/share (Rs)
Cigarettes	EV/EBITDA	13.5x	23,499	FY27E	317,240	253
FMCG - others	EV/Sales	8.5x	24,927	FY27E	211,880	169
Paperboards , Paper & Packaging	EV/EBITDA	13.0x	1,030	FY27E	13,386	11
Agri Business	EV/EBITDA	9.5x	1,874	FY27E	17,807	14
Investment in ITC Hotels	Market Cap	40% ownership			18,007	14
Enterprise Value					578,321	462
Net Debt					-42	-0
Equity Value					578,363	462

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	76,715	83,156	77,072	83,640	0.5	0.6
EBITDA	27,730	30,228	26,307	29,207	-5.1	-3.4
Margins (%)	36.1	36.4	34.1	34.9	-200bps	-150bps
Adj. PAT	22,155	24,016	21,103	23,325	-4.7	-2.9
EPS	17.7	19.2	16.9	18.6	-4.8	-2.9



Standalone Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	70,251	67,293	74,236	77,072	83,640
% change	17.6	-4.2	10.3	3.8	8.5
EBITDA	23,944	23,494	24,025	26,307	29,207
% change	26.5	-1.9	2.3	9.5	11.0
Depreciation	1,663	1,357	1,442	1,639	1,644
EBIT	22,282	22,137	22,583	24,669	27,563
Interest	42	34	36	55	57
Other Income	2,510	3,530	3,982	3,523	3,594
PBT	24,750	25,632	26,529	28,137	31,100
% change	24.8	3.6	3.5	6.1	10.5
Tax	5,997	5,722	6,437	7,034	7,775
Tax Rate (%)	24.2	22.3	24.3	25.0	25.0
Reported PAT (Cont. Op)	18,753	19,910	20,092	21,103	23,325
PAT att. to common shareholders	18,753	19,910	20,092	21,103	23,325
Adj.*	-73	-	-528	-	-
Adj. PAT	18,680	19,910	19,564	21,103	23,325
% change	24.1	6.6	-1.7	7.9	10.5
No. of shares (cr)	1241.1	1248.5	1251.4	1251.4	1251.4
Adj EPS (Rs.)	15.1	15.9	15.6	16.9	18.6
% change	23.2	6.0	-2.0	7.9	10.5
DPS (Rs.)	15.5	13.8	14.4	15.3	16.4

Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	20,416	21,558	21,761	22,742	24,969
Non-cash adj.	-2,060	-2,382	-2,808	-2,788	-3,012
Other adjustments	-	-	-	-	-
Changes in W.C	-444	-3,058	-2,202	-2,778	-1,458
C.F. Operation	17,912	16,118	16,751	17,176	20,499
Capital exp.	-1,809	-2,546	-1,631	-2,130	-2,244
Change in inv.	-12,099	-1,777	-6,151	1,542	-29
Other invest.CF	8,750	6,452	7,923	1,281	1,153
C.F - Investment	-5,158	2,128	141	693	-1,119
Issue of equity	2,477	1,443	797	-	-
Issue/repay debt	-53	-58	-49	246	17
Dividends paid	-15,130	-19,606	-17,497	-17,958	-19,204
Other finance.CF	-25	-34	-17	-66	-57
C.F - Finance	-12,730	-18,255	-16,766	-17,778	-19,244
Chg. in cash	23	-8	127	91	135
Closing Cash	207	198	222	211	244

Balance Sheet

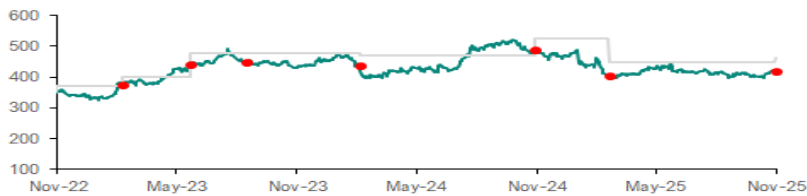
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	207	198	222	211	244
Accts. Receivable	2,321	3,311	3,911	5,377	5,879
Inventories	10,594	12,632	15,061	16,786	18,143
Other Cur. Assets	22,081	19,930	20,562	18,517	18,013
Investments	16,364	22,822	20,701	21,221	21,768
Gross Fixed As-sets	31,384	34,366	34,366	36,497	38,740
Net Fixed Assets	21,559	23,110	17,387	17,665	18,348
CWIP	1,681	1,078	1,068	1,014	964
Intangible Assets	2,630	2,642	2,604	2,977	3,049
Def. Tax -Net	-	-	-	-	-
Other Assets	4,824	1,605	2,493	2,541	2,592
Total Assets	82,262	87,328	84,009	86,309	88,999
Current Liabilities	12,414	12,414	13,120	14,320	15,092
Provisions	202	221	225	227	232
Debt Funds	157	113	90	336	352
Other Liabilities	1,895	2,346	2,674	2,900	3,194
Equity Capital	1,243	1,248	1,251	1,251	1,251
Res. & Surplus	66,351	70,985	66,649	67,275	68,877
Shareholder Funds	67,594	72,233	67,900	68,527	70,129
Minority Interest	-	-	-	-	-
Total Liabilities	82,262	87,328	84,009	86,309	88,999
BVPS	54	58	54	55	56

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	34.1	34.9	32.4	34.1	34.9
EBIT margin (%)	31.7	32.9	30.4	32.0	33.0
Net profit mgn.(%)	26.7	29.6	27.1	27.4	27.9
ROE (%)	27.7	27.6	29.6	30.8	33.3
ROCE (%)	32.9	30.6	33.2	35.8	39.1
W.C & Liquidity					
Receivables (days)	12.1	18.0	19.2	25.5	25.7
Inventory (days)	116.9	146.9	150.0	172.3	173.4
Payables (days)	48.0	52.2	44.7	50.3	50.7
Current ratio (x)	2.8	2.9	3.0	2.9	2.8
Quick ratio (x)	1.8	1.7	1.7	1.5	1.4
Turnover & Leverage					
Gross asset T.O (x)	2.3	2.0	2.2	2.2	2.2
Total asset T.O (x)	0.9	0.8	0.9	0.9	1.0
Int. covge. ratio (x)	532.9	643.7	621.3	452.4	481.4
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	6.8	7.8	6.9	6.6	6.0
EV/EBITDA (x)	19.9	22.4	21.3	19.2	17.3
P/E (x)	25.3	25.7	26.2	24.0	21.7
P/BV (x)	7.0	7.3	7.6	7.4	7.2



Recommendation Summary (Last 3 years)



Dates	Rating	Target
01-Nov-22	HOLD	371
09-Feb-23	HOLD	400
25-May-23	BUY	478
17-Aug-23	HOLD	478
07-Feb-24	HOLD	472
31-Oct-24	HOLD	524
20-Feb-25	BUY	449
10-Nov-25	BUY	462




Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade  No Change  Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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