BUY
TP: Rs 323 | ▲ 15%

ITC | Consumer Staples | 04 November 2026

Non-cigarette business drive growth

- **FMCG-Other recorded highest growth in 14 quarters; margins expanded despite input cost inflation.**
- **Cig business remained impacted by steep tax hikes, with continued focus on protecting market share through calibrated interventions.**
- **Paper recovery continued; Agri stayed resilient, despite disruptions in West Asia and volatile operating conditions.**

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Result highlights: ITC delivered a mixed Q2FY27 performance, with strong momentum across non-cigarette businesses partly offset by Cigarettes. FMCG-Others remained the key growth driver, with revenue/PBIT rising **16%/28% YoY**, led by broad-based growth across Foods, Homecare and Personal Care, alongside **50bps margin expansion**. Paperboards business reported robust performance with **revenue/PBIT growth of 36%/48% YoY** (10%/52% ex-CPP), supported by strong operating leverage and margin improvement. Agri business delivered **12%/11% YoY revenue/PBIT growth**, driven by value-added agri products and leaf tobacco exports, despite continued West Asia-related disruptions. Meanwhile, Cigarettes remained under pressure following the sharp tax hike, although calibrated portfolio interventions and new launches drove sequential improvement.

Key takeaway summary: ITC's non-cigarette portfolio continued to deliver broad-based growth, supported by improving FMCG momentum and recovery in Paperboards, Paper & Packaging. FMCG growth was led by strong performance across multiple categories, while digital-first and organic products continued to scale, with annualised revenue exceeding Rs18bn. The Paper business benefited from improved demand and pricing actions, although elevated wood costs and import competition remain key monitorables. Agri business sustained growth despite export disruptions arising from the West Asia conflict, supported by value-added agri products and leaf tobacco exports. Meanwhile, the Fresh Food business recorded 53% YoY GMV growth, with its cloud-kitchen network expanding to over 80 kitchens across five cities. The company also completed the acquisition of Century Pulp and Paper, which is expected to strengthen its Paperboards, Paper & Packaging portfolio

Our View: We expect slow recovery in Cigarettes segment and expect non cigarette segment to grow ahead of it. We tweak our margins estimates building revenue/eps of 8/3% over FY26-FY29E. We maintain our Buy rating with SOTP based TP of Rs 323 and upside of 15%.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ITC IN/Rs 280
Market cap	US$ 37.0bn
Free float	76%
3M ADV	US$ 46.9mn
52wk high/low	Rs 415/Rs 253
Promoter/FPI/DII	0%/34%/49%

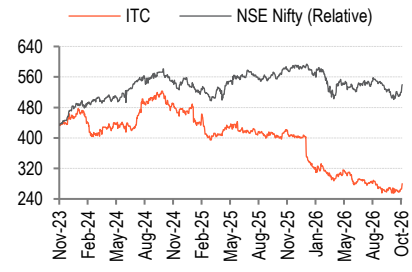
Source: NSE | Price as of 4 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	8,16,401	8,56,363	9,46,098
EBITDA (Rs mn)	2,52,082	2,16,031	2,54,236
Adj. net profit (Rs mn)	2,04,703	1,78,769	2,07,174
Adj. EPS (Rs)	16.3	14.3	16.5
Consensus EPS (Rs)	16.2	14.1	16.1
Adj. ROAE (%)	29.0	24.9	25.2
Adj. P/E (x)	17.1	19.6	16.9
EV/EBITDA (x)	13.9	16.2	13.8
Adj. EPS growth (%)	1.7	(12.6)	15.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Takeaways

Cigarettes: Calibrated strategy drives sequential improvement amid tax-led disruption

- The Cigarettes business continued to navigate the unprecedented tax increase, with legal industry volumes remaining under pressure. Gross cigarette revenue increased 78% YoY to Rs155.4bn, while net revenue and segment PBIT declined 21%/27% YoY, respectively, reflecting the impact of the revised tax structure. Management indicated an improvement in sequential performance, supported by calibrated pricing actions and focused execution to protect the consumer franchise and minimise disproportionate migration towards illicit trade.
- ITC continued to implement multiple interventions to re-architect its cigarette portfolio, reinforce market standing and counter the growing presence of global smuggled brands. The strategy focuses on balancing the interests of all stakeholders through calibrated responses, leveraging its strong trademark portfolio and introducing value-accretive offerings across price points.
- During the quarter, the company introduced several new variants across key brands, including Classic Balance Taste Sleek, Gold Flake Indie Deluxe, American Club Magic Mix Sleek, Players Magic Mix RSFT and Rothmans GT & XT, alongside portfolio extensions under Bristol, Wave, Scissors and Flake Special.
- Management highlighted a sharp increase in seizures of smuggled cigarette consignments by enforcement agencies across the country, indicating increasing exploitation of the widening tax arbitrage opportunity. The company remains focused on execution speed, innovation and portfolio fortification to protect its market position amid continued pressure on the legal industry.

FMCG–Others: 14-quarter high revenue growth with sustained margin expansion

- The FMCG–Others segment delivered its fourth consecutive quarter of double-digit revenue growth, with standalone/consolidated revenue increasing 16%/19% YoY to Rs69.7bn, marking the highest revenue growth in 14 quarters. Like-to-like growth stood at 17.3%, while revenue growth excluding atta was stronger at 23%, reflecting broad-based momentum across categories.
- Growth was led by biscuits, snacks, noodles, spices, salt, frozen snacks, homecare and notebooks, all of which recorded growth of over 20%, supplemented by high-teens growth in dairy and personal wash. The segment also witnessed sustained momentum across NewGen channels (e-commerce, quick commerce and modern trade), alongside a strong rebound in General Trade.
- Segment PBIT increased 28% YoY to Rs5.6bn, with EBITDA margin expanding over 50bps YoY and QoQ, despite sharp input cost escalation across categories. Margin improvement was supported by portfolio mix enrichment, cost management initiatives and calibrated pricing actions, while trade and marketing investments remained at competitive levels to support growth and market standing.

- The Digital-first and Organic portfolio continued its strong growth trajectory, increasing over 70% YoY, with ARR exceeding Rs18bn. Within the portfolio, Aashirvaad's value-added atta and adjacencies grew over 30%, with the portfolio having grown three-fold over the last five years. Sunfeast delivered healthy volume growth and higher realisations through mix enrichment and pricing, while YiPPee! sustained its volume-led growth trajectory and Bingo! continued to strengthen its leadership in the Bridges segment. Frozen snacks maintained accelerated growth with a portfolio of over 80 products, while Aashirvaad Svasti, Fiama, Savlon and Nimyle sustained healthy growth momentum.

Agri business: Value-added portfolio and leaf tobacco exports drive growth

- Agri business delivered resilient performance despite West Asia-led trade disruptions, with segment revenue increasing 12% YoY to Rs44.5bn and segment PBIT growing 11% YoY to Rs5.1bn. Performance was supported by strong growth in the Value Added Agri Products (VAAP) portfolio, led by spices and fruits & vegetables, along with healthy performance in leaf tobacco exports.
- Agri commodity exports continued to remain impacted by West Asia-led disruptions, including delayed customer call-offs, constrained availability of shipping lines and a sharp escalation in ocean freight costs. Management indicated that market development initiatives are being stepped up to diversify exports into newer geographies and mitigate the impact of these disruptions.
- The domestic leaf tobacco business continued to face pressure due to lower demand following the unprecedented increase in cigarette taxes. However, leaf tobacco exports performed well, supported by strong customer relationships, crop development and processing expertise, and globally recognised sustainability credentials. Management also highlighted that the reduction in FCV tobacco crop size announced by the Tobacco Board could adversely affect Indian tobacco farmers' earnings and livelihoods.
- The value-added agri portfolio remains a key growth priority, with the company accelerating investments across multiple value chains, including spices, coffee, frozen marine products and processed fruits. Exports of nicotine and nicotine derivative products through ITC IndiVision continued to scale up, with the business remaining PBIT positive for the last three consecutive quarters.

Paperboards, Paper & Packaging: Strong recovery with improved profitability

- The Paperboards, Paper & Packaging segment reported strong recovery momentum, with revenue increasing 36% YoY to Rs30.2bn and segment PBIT growing 48% YoY to Rs2.8bn. Excluding the Century Pulp & Paper (CPP) acquisition, like-to-like segment revenue and PBIT grew 10% and 52%, respectively, with PBIT margin expanding 320bps YoY.
- Performance was supported by an improving demand environment, pricing actions and robust traction across anchor grades of value-added paperboards and exports. The acquisition of the Century Pulp & Paper undertaking at Lalkuan, Uttarakhand,

was successfully completed on 1 August 2026, further strengthening the company's manufacturing capabilities.

- Despite severe input cost inflation, pricing actions helped mitigate the impact on profitability. Wood prices remained elevated during the quarter due to lower-than-expected harvest amid adverse weather conditions and demand from competing industries, although management expects moderation going forward. The company continues to focus on accelerating plantations, developing new sourcing areas and implementing satellite-based plantation monitoring systems.

- The Packaging and Printing business delivered resilient performance across Flexibles and Cartons, while continuing to provide strategic support to the Cigarettes business through agile execution and faster turnaround of new launches. The sustainable paperboards and packaging solutions portfolio maintained strong growth momentum and has expanded 3.9x over the last five years. Further, the Minimum Import Price (MIP) on virgin multi-layer paperboard has been extended until 31 March 2027, while the industry continues to seek sustained safeguard measures against low-priced imports.

Fresh Food business: Expanding footprint with sustained growth momentum

- ITC's Fresh Food business continued its strong growth trajectory, with GMV increasing 53% YoY and annual revenue run rate exceeding Rs320cr. The business continues to leverage its full-stack platform and existing brand portfolio across ITC Master Chef Creations, ITC Aashirvaad Soul Creations, ITC Sunfeast Baked Creations and Sansho by ITC Master Chef.

- The company's cloud kitchen footprint expanded to over 80 kitchens across five cities, with seven new kitchens added during Q2FY27. The platform is being progressively introduced across India, enabling ITC to scale its presence across multiple food categories and consumption occasions.

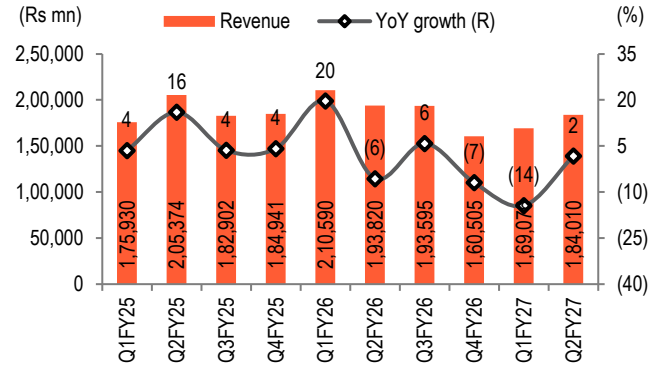
- During the quarter, ITC expanded its portfolio with the launch of 'Prasuma Chilli Chow', leveraging Prasuma's brand equity to introduce a street-style Chinese cuisine offering. The business continues to build its presence across premium North Indian, Pan-Asian, home-style Indian, premium bakes and desserts, and street-style Chinese offerings.

Fig 1 – Quarterly table

Consolidated (mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)
Total Revenues	**1,84,010**	**1,69,076**	**8.83**	**1,80,808**	**1.77**
COGS	1,91,103	1,86,576	2.43	92,919	105.67
as % of sales	103.9	110.4	(650bps)	51.4	5246bps
Gross Profit	**92,073**	**82,857**	**11.12**	**1,01,496**	**(9.28)**
Gross margin (%)	50.0	49.0	103bps	56.1	(610bps)
Employee costs	9,545	9,786	(2.47)	8,800	8.46
as % of sales	5.2	5.8	(60bps)	4.9	32bps
Other expenses	30,934	27,927	10.77	27,274	13.42
as % of sales	16.8	16.5	29bps	15.1	173bps
EBITDA	**51,595**	**45,143**	**14.29**	**65,422**	**(21.13)**
EBITDA margin (%)	28.0	26.7	134bps	36.2	(814bps)
D&A	4,279	3,665	16.75	3,736	14.53
Interest cost	318	338	(5.98)	168	89.50
PBT	**55,074**	**47,594**	**15.72**	**70,513**	**(21.90)**
Tax	13,446	11,806	13.89	17,225	(21.94)
Reported PAT	**41,371.3**	**35,788.2**	**15.60**	**58,568.3**	**(29.36)**
PAT margin	**22**	**21**	132bps	**32**	(991bps)
Adj. PAT	**41,114.7**	**35,788.2**	**14.88**	**53,288.7**	**(22.85)**
Adj. PAT margin	**22**	**21**	118bps	**29**	(713bps)

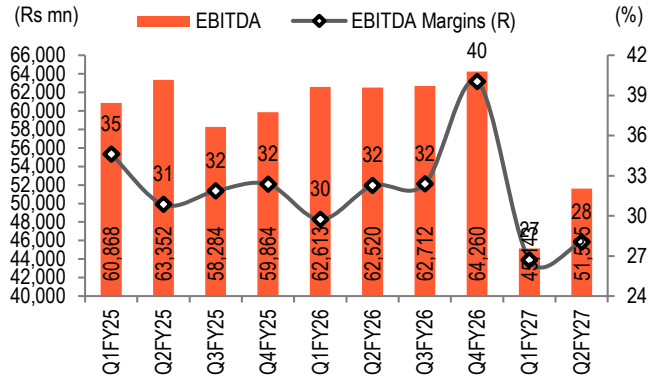
Source: Company, BOBCAPS Research

Fig 1 – Revenue & its growth



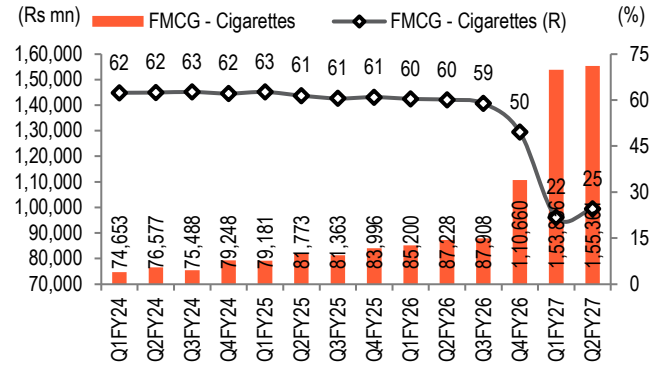
Source: Company, BOBCAPS Research

Fig 2 – EBITDA & its margins



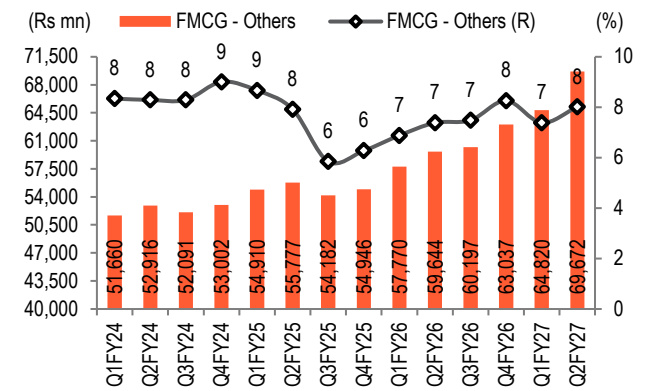
Source: Company, BOBCAPS Research

Fig 3 – FMCG- Cigarette & its margins



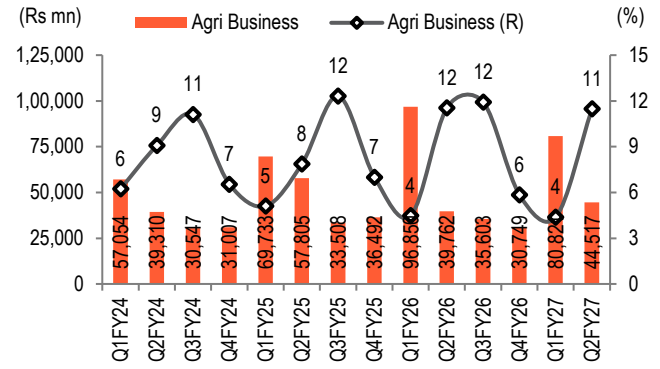
Source: BOBCAPS Research, Company

Fig 4 – FMCG- others & its margins



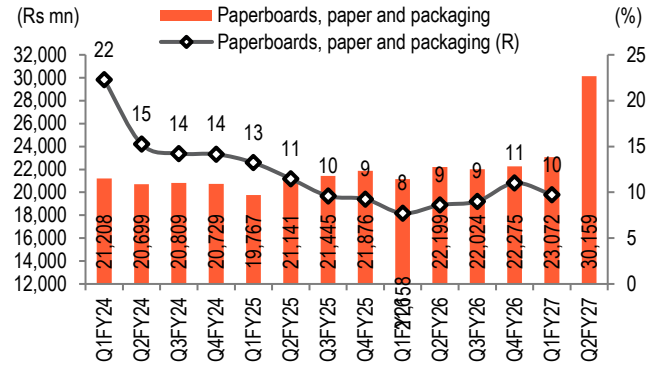
Source: BOBCAPS Research, Company

Fig 5 – Agri business & its margins



Source: Company, BOBCAPS Research

Fig 6 – Paperboards & packaging business & its margins



Source: Company, BOBCAPS Research

Valuation methodology

We expect slow recovery in Cigarettes segment and expect non cigarette segment to grow ahead of it. We tweak our margins estimates building revenue/eps of 8/3% over FY26-FY29E. We maintain our Buy rating with SOTP based TP of Rs 323 and upside of 15%.

Fig 7 – Actual vs Estimates

Rs mn	Q2FY27A	Q2FY27E	Deviation (%)
Revenue	1,69,076	1,65,085	2.42
EBITDA	45,143	47,654	-5.27
EBITDA Margin (%)	26.7	28.9	-217 bps
PAT	35,788	37,452	-4.44

Source: Company, BOBCAPS Research

Fig 8 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	8,56,363	9,46,098	10,31,984	8,42,642	9,17,604	9,99,055	1.63	3.11	3.30
EBITDA	2,16,031	2,54,236	2,76,283	2,58,864	2,84,860	3,14,142	(16.55)	(10.75)	(12.05)
EBITDA Margin	25.2	26.9	26.8	30.7	31.0	31	(549bps)	(417bps)	(467bps)
Adjusted PAT	1,78,769	2,07,174	2,23,399	2,11,235	2,30,530	2,52,245	(15.37)	(10.13)	(11.44)
Adjusted EPS	14.28	16.55	17.84	16.87	18.41	20	(15.37)	(10.12)	(11.45)

Source: BOBCAPS Research

Fig 9 – SOTP Valuation

Segmental	Valuation Method	EBITDA Sep28 (Rs bn)	EV/EBITDA	EV
Cigarettes	EV/EBITDA	258	11	2,942
FMCG	EV/EBITDA	40	15	604
Agri	EV/EBITDA	20	10	197
Paper	EV/EBITDA	20	10	157
Total EV				4,018
Cash + Inv				21
Debt				-
Market Cap				4,039
Num of Shares				13
Equity Value				323

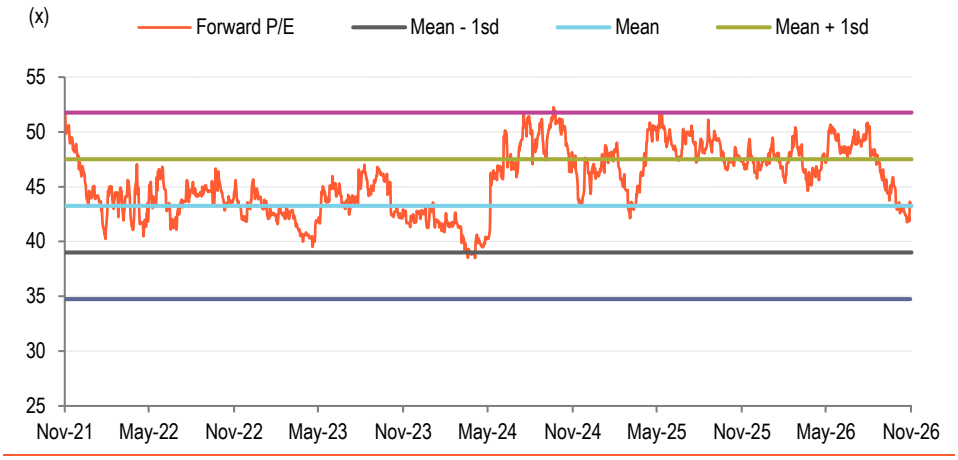
Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates:

- Weaker-than-expected rural/urban recovery
- Further increase in duty on cigarettes
- Continued input cost inflation

Fig 10 – ITC 1Yr Fwd PE Band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**7,42,381**	**8,16,401**	**8,56,363**	**9,46,098**	**10,31,984**
EBITDA	2,40,269	2,52,082	2,16,031	2,54,236	2,76,283
Depreciation	14,419	14,740	14,130	15,347	16,547
EBIT	2,25,850	2,37,342	2,01,901	2,38,888	2,59,736
Net interest inc./(exp.)	364	699	769	846	931
Other inc./(exp.)	34,543	32,872	35,648	36,361	37,088
Exceptional items	1,51,038	(1,839)	0	0	0
EBT	2,60,029	2,69,515	2,36,780	2,74,403	2,95,893
Income taxes	64,370	58,222	58,011	67,229	72,494
Extraordinary items	1,51,038	(1,839)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**3,51,977**	**2,02,864**	**1,78,769**	**2,07,174**	**2,23,399**
Adjustments	1,51,038	(1,839)	0	0	0
Adjusted net profit	**2,00,939**	**2,04,703**	**1,78,769**	**2,07,174**	**2,23,399**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	44,898	52,719	73,257	80,778	87,943
Other current liabilities	85,840	96,166	96,166	96,166	96,166
Provisions	465	3,034	3,034	3,034	3,034
Debt funds	1,175	4,500	4,500	4,500	4,500
Other liabilities	28,712	33,453	33,453	33,453	33,453
Equity capital	12,514	12,530	12,530	12,530	12,530
Reserves & surplus	6,66,487	6,86,757	7,05,535	8,09,122	9,20,822
Shareholders' fund	6,79,001	6,99,286	7,18,064	8,21,651	9,33,351
Total liab. and equities	**8,40,092**	**8,89,159**	**9,28,475**	**10,39,583**	**11,58,447**
Cash and cash eq.	31,844	21,355	10,245	56,801	1,06,065
Accounts receivables	39,108	29,256	30,981	34,228	37,335
Inventories	1,50,610	1,79,319	1,91,758	2,11,446	2,30,200
Other current assets	10,437	2,11,900	2,43,685	2,80,237	3,22,273
Investments	4,14,840	2,43,730	2,43,730	2,43,730	2,43,730
Net fixed assets	1,64,455	1,65,017	1,66,554	1,68,238	1,70,052
CWIP	10,678	14,726	14,726	14,726	14,726
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	47,743	44,111	47,052	50,433	54,322
Total assets	**8,40,092**	**8,89,159**	**9,28,475**	**10,39,583**	**11,58,447**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**1,67,510**	**1,70,950**	**1,48,375**	**1,50,740**	**1,62,631**
Capital expenditures	(17,886)	(20,200)	(15,667)	(17,031)	(18,361)
Change in investments	6,79,921	5,99,615	0	0	0
Other investing cash flows	(5,91,759)	(56,545)	2,142	2,185	2,228
Cash flow from investing	**1,415**	**(15,384)**	**1,275**	**249**	**(736)**
Equities issued/Others	7,973	4,049	0	0	0
Debt raised/repaid	(15)	19,094	0	0	0
Interest expenses	(448)	(409)	(769)	(846)	(931)
Dividends paid	(1,74,967)	(1,79,676)	(1,59,991)	(1,03,587)	(1,11,700)
Other financing cash flows	(199)	0	0	0	0
Cash flow from financing	**(1,67,656)**	**(1,56,942)**	**(1,60,760)**	**(1,04,433)**	**(1,12,631)**
Chg in cash & cash eq.	**1,269**	**(1,376)**	**(11,111)**	**46,556**	**49,265**
Closing cash & cash eq.	**2,221**	**848**	**(10,010)**	**36,546**	**85,810**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.2	16.2	14.3	16.5	17.8
Adjusted EPS	16.1	16.3	14.3	16.5	17.8
Dividend per share	14.4	14.5	12.8	8.3	8.9
Book value per share	54.3	55.8	57.3	65.6	74.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.7	4.3	4.1	3.7	3.4
EV/EBITDA	14.6	13.9	16.2	13.8	12.7
Adjusted P/E	17.4	17.1	19.6	16.9	15.7
P/BV	5.2	5.0	4.9	4.3	3.8

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	135.4	75.3	75.5	75.5	75.5
Interest burden (PBT/EBIT)	115.1	113.6	117.3	114.9	113.9
EBIT margin (EBIT/Revenue)	30.7	29.3	23.6	25.2	25.2
Asset turnover (Rev./Avg TA)	87.5	90.9	92.2	91.0	89.1
Leverage (Avg TA/Avg Equity)	1.2	1.3	1.3	1.3	1.2
Adjusted ROAE	51.8	29.0	24.9	25.2	23.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	5.8	10.1	5.9	10.5	9.1
EBITDA	(1.8)	4.9	(14.3)	17.7	8.7
Adjusted EPS	(1.9)	1.7	(12.6)	15.9	7.8
Profitability & Return ratios (%)					
EBITDA margin	32.7	31.2	25.2	26.9	26.8
EBIT margin	30.4	29.1	23.6	25.2	25.2
Adjusted profit margin	27.1	25.1	20.9	21.9	21.6
Adjusted ROAE	51.8	29.0	24.9	25.2	23.9
ROCE	31.9	32.2	26.7	27.8	26.7
Working capital days (days)					
Receivables	16	16	12	12	17
Inventory	150	156	156	156	156
Payables	161	75	59	55	61
Ratios (x)					
Gross asset turnover	2.4	1.8	2.0	1.9	1.9
Current ratio	1.9	3.0	2.9	3.4	3.9
Net interest coverage ratio	621.3	339.4	262.4	282.3	279.0
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Grievance Officer: Mr. Nilesh Mehta
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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

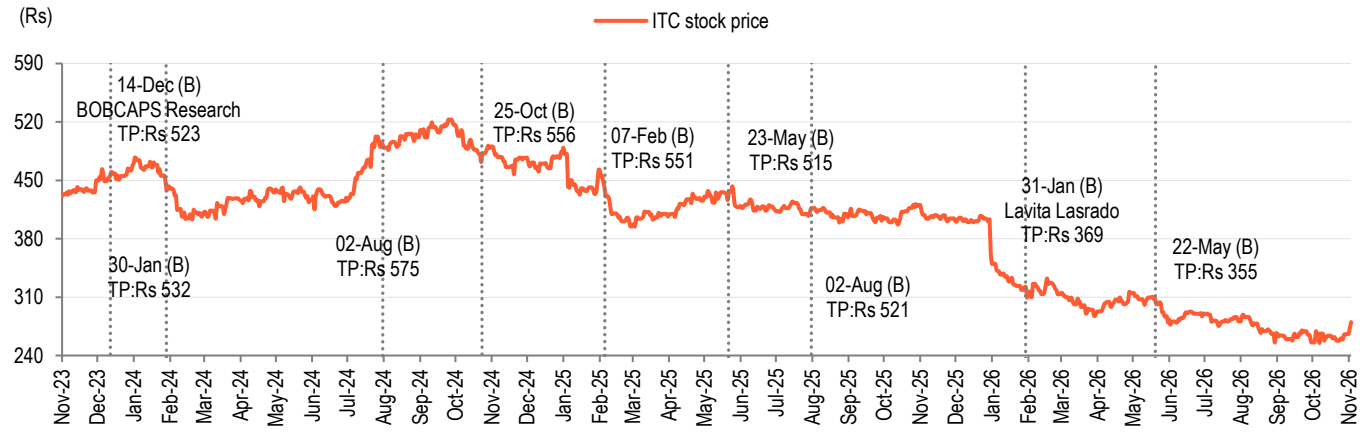
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ITC (ITC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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