

BUY**TP: Rs 369 | ▲ 15%****ITC**

| Consumer Staples

| 31 January 2026

Sustained growth

- Cigarette volumes grew strongly by 7%, while Foods delivered a steady 11% YoY growth across most categories
- Margin pressures persisted in select segments due to cost headwinds and industry challenges, though underlying operating trends improved
- Sharp tax hikes and consequent price increases likely to hurt cigarette volumes. Revised estimates; maintain BUY with revised TP of Rs 369

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Steady growth across businesses: ITC continued its healthy performance with 6.2% YoY growth in revenue, driven by steady growth in the cigarettes segment and robust momentum in its FMCG businesses. EBITDA rose 7.6% YoY (up 8.3% YoY ex-of Paper business) to Rs62.7 bn, with margins improving by 63bps to 34.8%, supported by a favourable product mix and continued cost discipline. Net revenue from the cigarette segment rose 7.9% YoY, indicating volume growth of approximately 7%, supported by healthy consumer demand for premium offerings and differentiated variants. Cigarette EBIT margin contracted by 163 bps, primarily due to higher leaf tobacco costs and intensified competitive pressures. The FMCG segment delivered strong performance, with revenues growing 11.1% YoY, driven by staples, biscuits, noodles, dairy, premium personal care, and agarbattis. The company's digital-first and organic brands—including Yogabar, Mother Sparsh, Prasuma, and 24 Mantra—maintained strong momentum, recording 60% YoY growth. Core brands such as Aashirvaad atta, noodles, and biscuits posted robust gains, supported by the launch of differentiated noodle variant. Management remains cautiously optimistic, reiterating focus on innovation, premiumisation and disciplined cost control over the medium term.

GST & Excise Duty impact: The recently announced changes in GST and Excise Duty have resulted in a sharp hike in cigarette taxation, effective 1st Feb'26, materially altering the near-term earnings outlook for the cigarettes segment. Higher cigarette taxes are expected to weigh on volumes and profitability in the near term, offsetting earlier positives such as benign tobacco leaf prices, recovery in FMCG margins and stability in the paperboards business.

Our View: We tweak our estimates after the sharp hike in cigarette taxes and build in revenue/EBITDA/PAT CAGR of 5.5%/5.3%/6.1%. We maintain BUY with SoTP-based TP of Rs369 on Dec'27 estimates.

Key changes

	Target	Rating
▼	► ►	

Ticker/Price	ITC IN/Rs 322
Market cap	US\$ 43.9bn
Free float	76%
3M ADV	US\$ 86.4mn
52wk high/low	Rs 472/Rs 316
Promoter/FPI/DII	0%/36%/64%

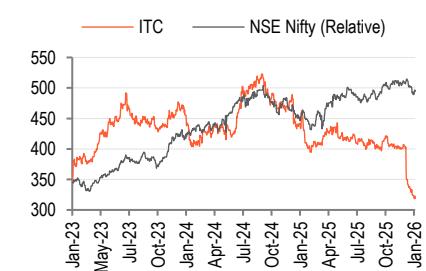
Source: NSE | Price as of 30 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	734,646	774,769	821,418
EBITDA (Rs mn)	240,248	256,448	266,139
Adj. net profit (Rs mn)	351,956	220,563	228,536
Adj. EPS (Rs)	16.1	17.6	18.3
Consensus EPS (Rs)	16.1	16.3	17.1
Adj. ROAE (%)	51.8	31.0	30.6
Adj. P/E (x)	20.0	18.3	17.6
EV/EBITDA (x)	16.8	15.7	15.2
Adj. EPS growth (%)	(1.9)	9.6	3.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Cigarettes: Volume recovery tempered by sharp tax hike

Cigarettes segment delivered a healthy volume-led performance during the quarter, with consolidated gross cigarette sales rising 8.2% YoY to Rs96.8bn, while standalone gross cigarette sales increasing 8.0% YoY to Rs87.9bn. Moreover, growth continued to be driven by differentiated and premium offerings, supported by targeted portfolio and market interventions in key competitive belts, aimed at countering illicit trade and strengthening ITC's market position. Cigarette volumes are estimated to have grown by ~6.5% YoY, aided by strong traction in differentiated and premium offerings. Segment EBIT increased 5.7% YoY to Rs54.9bn; however, EBIT margins contracted by 140bp YoY to 56.7%, primarily on elevated leaf tobacco consumption costs. Management highlighted that while input costs remained high during the quarter, procurement prices have started moderating in the ongoing crop cycle, which could provide partial margin relief.

FMCG–Others: Strong Revenue Growth With Sharp Margin Expansion

The FMCG–Others segment delivered a strong performance in Q3FY26, with consolidated sales growing 12.6% YoY to Rs61.1bn, supported by mid-to-high single-digit volume growth and broad-based strength across categories. Growth was led by snacks, noodles and biscuits, which reported double-digit revenue growth, while staples, dairy, premium personal wash, home care and agarbattis also contributed meaningfully. Early signs of recovery were visible in the notebooks business, despite continued pressure from low-priced imports and local competition, with GST-related trade disruptions normalising by late Oct' 25. Segment profitability improved materially, with EBIT rising 40% YoY to Rs4.5bn and EBIT margins expanding by 140bps YoY to 7.3%, driven by stable commodity prices, calibrated pricing actions, premiumisation and focused cost-management initiatives. Aashirvaad' Atta delivered strong growth, further reinforcing leadership in the branded atta market. The growth was supported by continued traction in value-added variants and staples adjacencies, which have scaled up ~1.7x over the last two years and now, account for over 16% of the Aashirvaad staples portfolio, highlighting successful premiumisation and portfolio diversification.

Paperboard and Agri: Margin Pressures Persist

Paperboard business reported revenue growth of 3% YoY to Rs22bn, impacted by a challenging industry environment. EBIT declined 4% YoY to Rs1.9bn, with EBIT margin contracting 60 bps YoY to 8.6%, reflecting planned maintenance shutdowns, elevated wood costs and continued pressure from low-priced imports. Despite reported weakness, underlying performance improved, with underlying EBIT rising 11% YoY and margins sustaining at double-digit levels (~10%). Following the Minimum Import Price (MIP) implementation, the early signs of improvement in net realisations were visible, while the packaging & printing business continued to deliver robust growth, driven by flexibles and cartons.

Agri business delivered steady revenue growth of 6% YoY, led by value-added agri products (VAAP) and leaf tobacco exports, supported by strong customer relationships and crop development expertise. Growth in VAAP led by aqua and coffee, with continued focus on scaling up across spices, processed foods and marine products.

Moreover, profitability remained stable as the business continued to provide strategic sourcing support to the FMCG and cigarettes segments, while investments in expanding the VAAP portfolio position the segment well for sustained medium-term growth.

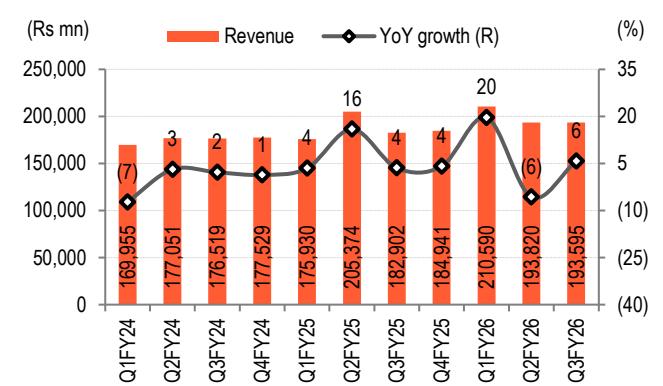
FoodTech Business (Strategic Update):

As part of the ITC Next strategy, the FoodTech business is being developed as a new growth vector, leveraging the company's strengths in food science & manufacturing, FMCG food brands and culinary expertise to address the growing online food services market. The business continues to scale its full-stack FoodTech platform, witnessing improving consumer traction, though it remains immaterial to near-term earnings.

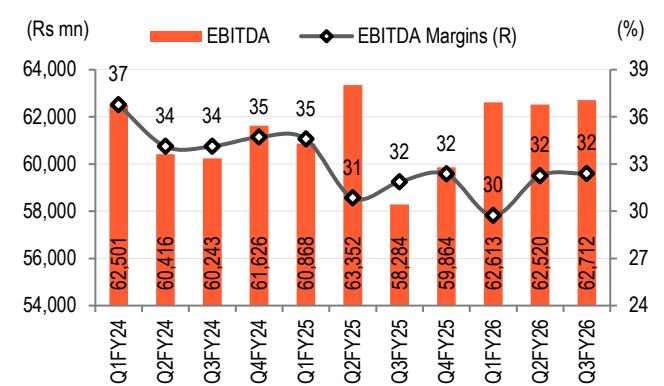
Fig 1 – Quarterly Table- Q3FY26

Standalone (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Total Revenues	193,595	182,902	5.8	182,902	5.8	587,087	564,206	4.1
COGS	94,684	90,075	5	90,075	5.1	298,574	276,570	8.0
as % of sales	48.9	49.2	(34bps)	49.2	(34bps)	50.9	49.0	184bps
Gross Profit	98,911	92,827	7	92,827	6.6	288,513	287,636	0.3
Gross margin (%)	51.1	50.8	34bps	50.8	34.0	49.1	51.0	(184bps)
Other expenses	27,174	25,865	5	25,865	5.1	78,047	78,234	(0.2)
as % of sales	14.0	14.1	(10bps)	14.1	(10bps)	13.3	13.9	(57bps)
EBITDA	62,712	58,284	8	58,284	7.6	183,608	182,503	0.6
EBITDA margin (%)	32	32	53bps	32	53	31	32	(107bps)
D&A	3,692	3,618	2.0	3,618	2.0	10,964	11,615	(5.6)
Interest cost	150	76	98	76	97.6	355	307	15.6
Other income	10,719	10,866	(1.4)	10,866	(1.4)	28,206	26,638	5.9
PBT	69,589	65,456	6	65,456	6.3	200,496	197,219	1.7
Reported PAT	50,888	56,383	(10)	54,214	(6.1)	154,226	155,365	(0.7)
PAT margin	26	31	(454bps)	30	(335bps)	26	28	(127bps)

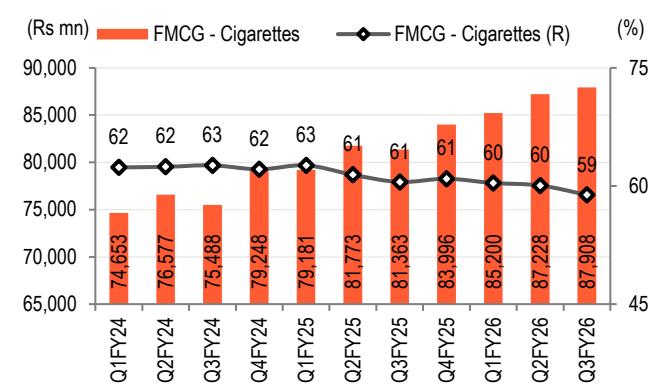
Source: Company, BOBCAPS Research

Fig 2 – Revenue and its growth

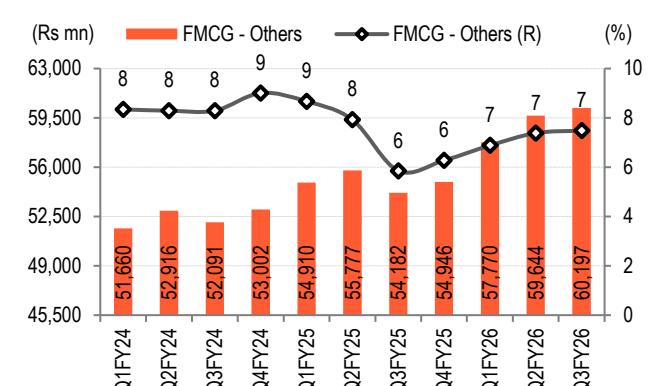
Source: Company, BOBCAPS Research

Fig 3 – EBITDA & EBITDA margins

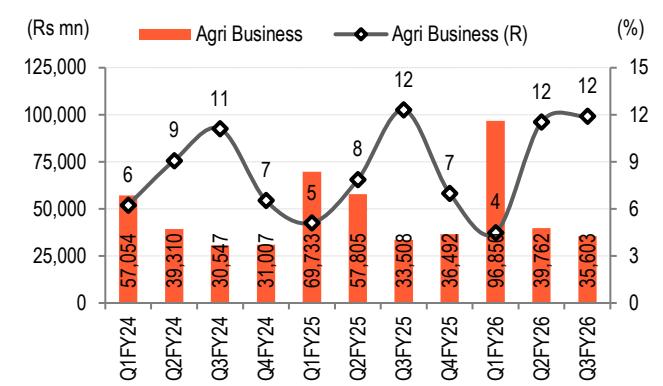
Source: Company, BOBCAPS Research

Fig 4 – FMCG Cigarettes (sales & margin)

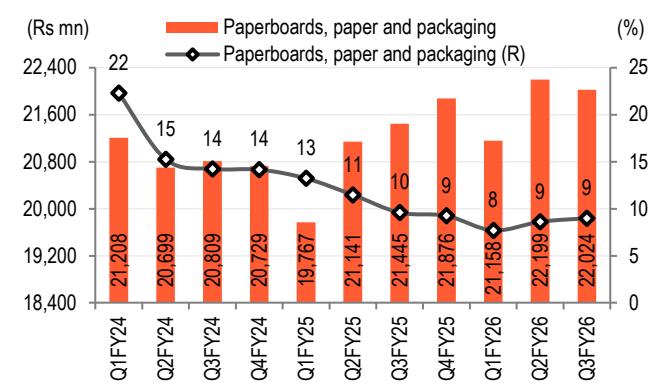
Source: Company, BOBCAPS Research

Fig 5 – FMCG Others (sales & margin)

Source: Company, BOBCAPS Research

Fig 6 – Agri business (sales & margin)

Source: Company, BOBCAPS Research

Fig 7 – Paperboards, Paper & Packaging (sales & margin)

Source: Company, BOBCAPS Research

Valuation Methodology

We tweak our estimates and build in revenue/EBITDA/PAT CAGR of 5.5%/5.3%/6.1% led by market leadership in the Cigarettes business and expected recovery in profitability, as high-cost inventory is utilised. We maintain BUY with SoTP-based TP of Rs369 on Dec27 estimates.

Fig 8 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	774,769	821,418	863,029	837,663	912,587	976,632	(7.51)	(9.99)	(11.63)
EBITDA	256,448	266,139	280,484	280,545	327,192	364,706	(8.59)	(18.66)	(23.09)
EBITDA Margin	33.1	32.4	32.5	33.5	35.9	37.3	(40bps)	(350bps)	(480bps)
Adjusted PAT	220,563	228,536	240,055	214,882	246,599	259,024	2.64	(7.32)	(7.32)
Adjusted EPS	17.62	18.25	19.17	17.17	19.7	20.69	2.59	(7.35)	(7.34)

Source: BOBCAPS Research

Fig 9 – ITC SOTP Valuation

Segmental	Valuation method	EBITDA (Rs mn) Dec 27	Multiples Dec 27	Value (Rs mn)	Price (Rs/share)
Cigarettes	PE	194,748	20	2,907,100	233
FMCG	EV/EBITDA	37,059	30	1,126,594	90
Agri	EV/EBITDA	20,528	7	151,907	12
Paper	EV/EBITDA	23,302	7	172,435	14
Infotech (Trailing)	PE	-	30	136,739	11
Hotels	20% Holdco discount to its stake at CMP			149,348	12
Total Enterprise value		275,637		4,644,123	
Debt				18	-
Cash				28,766	22
Equity Value				4,615,375	369

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- weaker than expected rural/urban recovery,
- a further increase in duty on cigarettes, and
- continued input cost inflation.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	694,462	734,646	774,769	821,418	863,029
EBITDA	244,786	240,248	256,448	266,139	280,484
Depreciation	16,478	14,419	(162)	(353)	(577)
EBIT	228,308	225,829	256,611	266,493	281,062
Net interest inc./exp.)	457	364	400	440	484
Other inc./exp.)	35,383	34,543	35,925	36,643	37,376
Exceptional items	0	151,038	0	0	0
EBT	263,233	260,009	292,136	302,696	317,954
Income taxes	58,938	64,370	71,573	74,161	77,899
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	204,220	200,919	220,563	228,536	240,055
Adjustments	0	151,038	0	0	0
Adjusted net profit	204,220	351,956	220,563	228,536	240,055

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	44,896	44,898	55,258	58,574	61,546
Other current liabilities	78,558	85,840	85,840	85,840	85,840
Provisions	687	465	465	465	465
Debt funds	2,637	1,175	1,175	1,175	1,175
Other liabilities	24,165	28,712	28,712	28,712	28,712
Equity capital	12,485	12,514	12,514	12,514	12,514
Reserves & surplus	709,848	666,487	699,572	733,852	769,860
Shareholders' fund	722,333	679,001	712,086	746,366	782,374
Total liab. and equities	873,276	840,092	883,536	921,133	960,112
Cash and cash eq.	1,976	2,221	15,983	21,904	28,766
Accounts receivables	33,115	39,108	41,244	43,727	45,942
Inventories	126,315	150,610	160,514	170,148	178,779
Other current assets	11,342	10,437	12,003	13,803	15,874
Investments	393,587	414,840	414,840	414,840	414,840
Net fixed assets	344,696	303,415	316,023	329,715	344,208
CWIP	10,780	10,678	12,079	13,600	15,210
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	76,007	47,743	49,649	51,840	54,359
Total assets	873,276	840,092	883,536	921,133	960,112

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	161,182	167,510	198,609	198,449	209,768
Capital expenditures	(26,472)	(17,886)	(14,008)	(15,214)	(16,104)
Change in investments	677,205	679,921	599,615	0	0
Other investing cash flows	(643,347)	(591,759)	2,100	2,142	2,185
Cash flow from investing	21,276	1,415	3,032	2,167	1,625
Equities issued/Others	14,428	7,973	0	0	0
Debt raised/repaid	(13)	(15)	0	0	0
Interest expenses	(460)	(448)	(400)	(440)	(484)
Dividends paid	(196,061)	(174,967)	(187,478)	(194,255)	(204,047)
Other financing cash flows	(445)	(199)	0	0	0
Cash flow from financing	(182,550)	(167,656)	(187,878)	(194,695)	(204,531)
Chg in cash & cash eq.	(93)	1,269	13,763	5,920	6,862
Closing cash & cash eq.	1,976	2,221	15,983	21,904	28,766

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.4	16.1	17.6	18.3	19.2
Adjusted EPS	16.4	16.1	17.6	18.3	19.2
Dividend per share	13.9	13.6	15.0	15.5	16.3
Book value per share	58.0	54.3	56.9	59.6	62.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.8	5.5	5.2	4.9	4.7
EV/EBITDA	16.5	16.8	15.7	15.2	14.4
Adjusted P/E	19.7	20.0	18.3	17.6	16.8
P/BV	5.6	5.9	5.7	5.4	5.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.6	135.4	75.5	75.5	75.5
Interest burden (PBT/EBIT)	115.3	115.1	113.8	113.6	113.1
EBIT margin (EBIT/Revenue)	32.9	30.7	33.1	32.4	32.6
Asset turnover (Rev./Avg TA)	79.5	87.4	87.7	89.2	89.9
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	28.3	51.8	31.0	30.6	30.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	0.0	5.8	5.5	6.0	5.1
EBITDA	2.2	(1.9)	6.7	3.8	5.4
Adjusted EPS	8.0	(1.9)	9.6	3.6	5.0
Profitability & Return ratios (%)					
EBITDA margin	34.9	32.7	33.1	32.4	32.5
EBIT margin	32.9	30.7	33.1	32.4	32.6
Adjusted profit margin	29.4	27.3	28.5	27.8	27.8
Adjusted ROAE	28.3	51.8	31.0	30.6	30.7
ROCE	30.5	31.9	34.6	34.3	34.6
Working capital days (days)					
Receivables	29	16	16	12	12
Inventory	146	150	150	150	150
Payables	175	161	75	59	55
Ratios (x)					
Gross asset turnover	2.0	2.4	1.8	2.0	1.9
Current ratio	1.9	1.9	1.9	2.0	2.2
Net interest coverage ratio	499.3	621.3	641.8	605.9	580.9
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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BUY – Expected return >+15%

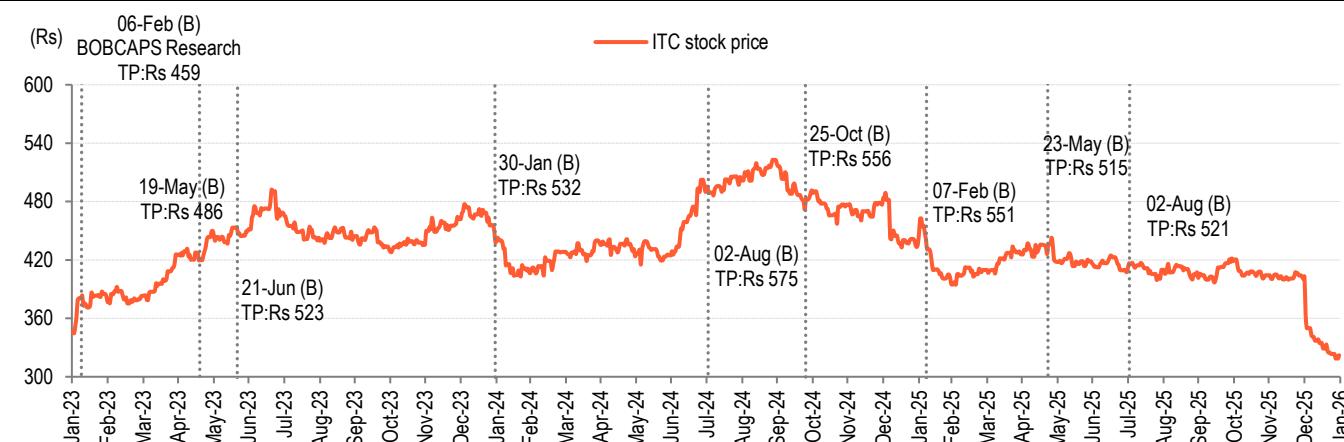
HOLD – Expected return from -6% to +15%

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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