

BUY
 TP: Rs 355 | ▲ 15%

ITC

Consumer Staples

22 May 2026

Growth Amid Challenges

- Cigarettes business transitioned to the new tax structure, following sharp tax hikes effective 1st Feb'26
- ITCMAARS platform now covers ~2.3mn farmers, while agri exports impacted by the disruptions pertaining to the West Asia conflict
- Agri business revenue declined 15.7% YoY impacted by West Asia conflict-led export disruptions

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Steady performance across businesses ITC delivered a resilient performance in Q4FY26 despite geopolitical disruptions and supply-chain challenges arising from the West Asia conflict. Cigarettes business remained resilient despite the sharp tax hike effective 1st Feb'26, with revenue/PBIT increasing 31.7%/7.2% YoY to Rs110.7bn/Rs54.9bn, supported by strategic portfolio interventions and premiumisation initiatives. FMCG–Others remained the key growth driver, with revenue/PBIT increasing 14.7%/51% YoY to Rs63bn/Rs5.2bn aided by broad-based growth across staples, biscuits, snacks, noodles, dairy, personal care and agarbattis along with ~200bps EBITDA margin expansion. Paperboards, Paper & Packaging business witnessed gradual recovery, with revenue/PBIT increasing 1.8%/21.2% YoY to Rs22.3bn/Rs2.5bn aided by moderation in wood prices and benefits from Minimum Import Price (MIP) implementation. However, Agri business performance remained subdued, with revenue/PBIT declining 15.7%/29.6% YoY to Rs30.8bn/Rs1.8bn due to export disruptions and a high base.

Tax-related disruptions impact Cigarettes business: The Cigarettes business witnessed a challenging quarter, following the sharp hike in GST and excise duties effective 1st Feb'26; transitioning towards a new tax structure during the quarter. Despite the disruption, gross cigarette revenue increased 31.7% YoY to Rs110.7bn, while segment PBIT grew 7.2% YoY to Rs54.9bn, on the back of strategic portfolio interventions and premiumisation initiatives. Management highlighted that the unprecedented rise in tax incidence could accelerate illicit trade and pressure the legal industry volumes. In response, the company undertook staggered pricing actions and portfolio re-architecture initiatives, leveraging the key trademarks and differentiated offerings, to sustain the market standing and minimise the risk of downtrading towards illegal products.

Our View: We believe ITC's continued focus on premiumisation, digital-first brands, value-added agri products and expansion across FMCG categories is likely to support long-term growth. We maintain BUY with SOTP based TP of Rs 355 and upside of 15%.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ITC IN/Rs 308
Market cap	US\$ 40.8bn
Free float	76%
3M ADV	US\$ 65.4mn
52wk high/low	Rs 444/Rs 287
Promoter/FPI/DII	0%/36%/64%

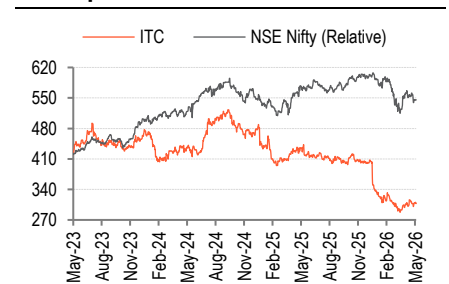
Source: NSE | Price as of 21 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	816,401	842,642	917,604
EBITDA (Rs mn)	252,082	258,864	284,860
Adj. net profit (Rs mn)	204,703	211,235	230,530
Adj. EPS (Rs)	16.3	16.9	18.4
Consensus EPS (Rs)	16.2	16.0	17.6
Adj. ROAE (%)	29.0	29.3	27.6
Adj. P/E (x)	18.9	18.3	16.7
EV/EBITDA (x)	15.3	14.9	13.5
Adj. EPS growth (%)	1.7	3.3	9.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Cigarettes: Tax-led transition impacts margins

Cigarettes segment delivered a resilient performance during Q4FY26, despite the unprecedented increase in tax incidence effective 1st Feb' 2026 and the transition towards the new tax structure. Gross cigarette revenue went up sharply by 31.7% YoY to Rs110.7bn, while segment PBIT grew 7.2% YoY to Rs54.9bn. For FY26, net segment revenue grew 8.2% YoY to Rs371bn, while segment PBIT increased 5.1% YoY to Rs210.5bn. Until Jan'26, growth remained healthy, supported by strategic portfolio and market interventions, differentiated offerings and a continued traction in premium products. Management highlighted that the sharp hike in GST and excise duties could potentially accelerate the illicit cigarette trade, impacting legal industry volumes and government revenues. To mitigate the impact, the company undertook staggered and agile pricing actions while re-architecting its product portfolio leveraging powerful trademarks such as Classic, Gold Flake, American Club and Players. During the quarter, ITC also introduced several differentiated variants and premium offerings to strengthen its standing in the market and counter competitive pressures. Consumption of high-cost leaf tobacco inventory continued to weigh on margins, though this was partly offset through mix enrichment and cost management initiatives.

FMCG–Others: Broad-based growth drives sharp improvement in profitability

The FMCG–Others segment delivered a strong performance in Q4FY26, with revenue growing 14.7% YoY to Rs63bn, on the back of broad-based growth across staples, biscuits, snacks, frozen snacks, noodles, dairy, premium personal wash, home care and agarbattis. Segment PBIT surged 51% YoY to Rs5.2bn, while EBITDA margin expanded ~200bps YoY to 11% (ex-Sresta) — supported by operating leverage, calibrated pricing actions and focused cost management, despite inflationary pressures in edible oil and packaging inputs amid the West Asia conflict. Growth momentum remained strong across premium, digital-first and NewGen channels including e-commerce, quick commerce and modern trade, with the digital-first and organic portfolio growing ~60% YoY during FY26 and ARR crossing Rs13.5bn. Within categories, Aashirvaad witnessed a healthy traction in value-added staples, Sunfeast and Bingo! continued gaining traction through premium and innovative launches, while YiPPee! sustained growth that was aided by premium Pan-Asian variants. Moreover, Dairy, frozen foods and premium personal care categories also delivered robust growth. Notebooks business witnessed a smart rebound during H2FY26, despite the continued pressure from low-priced imports and regional competition.

Agri business: Geopolitical disruptions and exports slowdown weigh on performance

Agri business reported a weak quarter, with segment revenue declining 15.7% YoY to Rs30.8bn and segment PBIT falling 29.6% YoY to Rs1.8bn. The weakness was due to the impact of geopolitical disruptions, timing differences in exports and a high base; exports remained subdued given the supply-chain disruptions arising from the West Asia conflict. Despite near-term challenges, management highlighted that structural growth drivers stay intact, supported by strong sourcing capabilities, customer relationships, processing expertise and market development initiatives. The company

continued to scale up its value-added agri products portfolio across spices, coffee, marine and horticulture products, while also witnessing rapid growth in nicotine and nicotine derivative exports through its Mysuru facility. Additionally, ITC continued expanding its ITCMAARS platform, which now covers 2,100+ farmer producer organisations and ~2.3mn farmers — strengthening sourcing efficiencies and supply-chain integration.

Paperboards, Paper & Packaging: Operational recovery gains momentum

The paperboards, paper and packaging segment reported a gradual improvement in Q4FY26, with segment revenue increasing 1.8% YoY to Rs22.3bn; while segment PBIT grew 21.2% YoY to Rs2.5bn and 24% QoQ, aided by moderation in wood prices and improving industry conditions. The imposition of minimum import price (MIP) on virgin multi-layer paperboard from Aug'25, provided a partial relief by curbing low-priced imports. The improved availability of wood supported the input cost moderation during Q4. The specialty paper business witnessed strong growth that was led by décor paper. Packaging & printing business delivered a robust growth on the back of cartons portfolio. However, the industry environment remained challenging due to the continued dumping of low-priced paperboards and coated/uncoated paper imports from China and Indonesia, with the company continuing to engage with policymakers for sustained safeguard measures and initiatives to improve domestic wood availability through plantation and sourcing interventions.

Fresh Food business (strategic update): Scaling up as a new growth vector

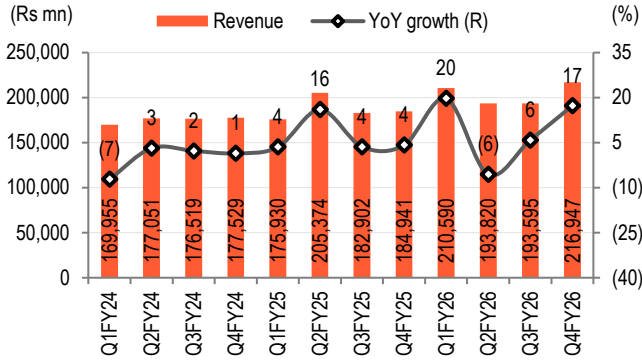
ITC continued to scale up its Fresh Food business under the ITC Next strategy — leveraging its strengths in food science, FMCG brands and culinary expertise. During FY26, the business expanded to over 70 Cloud kitchens across 5 cities, with 25 new kitchens added during the year. Gross merchandise value (GMV) doubled YoY to ~Rs2.2bn, reflecting the improving consumer traction and increasing scale. Currently, the business operates through brands such as ITC Master Chef Creations, ITC Aashirvaad Soul Creations, ITC Sunfeast Baked Creations and Sansho by ITC Master Chef — offering diversified cuisines across North Indian, Pan Asian, bakery and gourmet segments. Management highlighted that the full-stack food-tech platform continues to receive strong ratings and positive feedback from consumers, positioning it as an emerging long-term growth vector for the company.

Fig 1 – Quarterly Table

Consolidated (mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Total Revenues	216,947	193,595	12.06	184,941	17.31	808,675	734,666	10.07
COGS	114,189	94,684	20.60	90,579	26.07	419,049	366,484	14.34
as % of sales	52.6	48.9	373bps	49.0	366bps	51.8	49.9	193bps
Gross Profit	102,758	98,911	3.89	94,362	8.90	397,352	375,897	5.71
Gross margin (%)	47.4	51.1	(373bps)	51.0	(366bps)	49.1	51.2	(203bps)
Employee costs	9,220	9,025	2.16	8,694	6.05	36,293	34,167	6.22
as % of sales	4.2	4.7	(41bps)	4.7	(45bps)	4.5	4.7	(16bps)
Other expenses	29,278	27,174	7.74	25,803	13.47	108,977	101,461	7.41
as % of sales	13.5	14.0	(54bps)	14.0	(46bps)	13.5	13.8	(33bps)
EBITDA	64,260	62,712	2.47	59,864	7.34	252,082	240,269	4.92
EBITDA margin (%)	29.6	32.4	(277bps)	32.4	(275bps)	31.2	32.7	(153bps)
D&A	3,624	3,692	(1.84)	3,565	1.67	14,740	14,419	2.22
Interest cost	244	150	63.10	85	186.72	699	364	92.41
PBT	66,919	69,589	(3.84)	64,169	4.29	269,515	260,029	3.65
Tax	15,806	15,962	(0.98)	15,421	2.49	58,222	64,370	(9.55)
Reported PAT	51,113.0	50,888.3	0.44	195,615.7	(73.87)	202,864	351,977	(42.36)
PAT margin	24	26	(273bps)	106	(8221bps)	25	48	(2282bps)
Adj. PAT	51,113.0	53,626.6	(4.69)	48,747.1	4.85	204,703	200,939	1.87
Adj. PAT margin	24	28	(414bps)	26	(280bps)	25	27	(204bps)

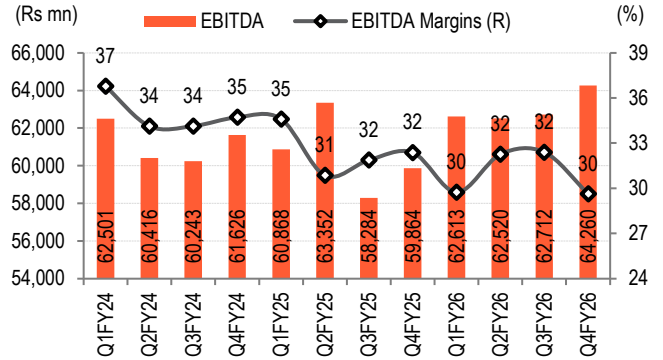
Source: Company, BOBCAPS Research

Fig 2 – Revenue and its growth



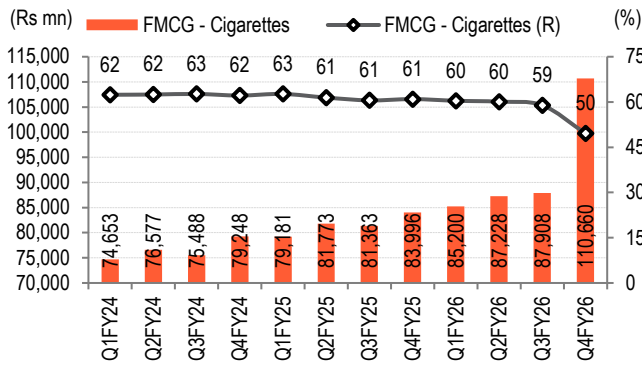
Source: Company, BOBCAPS Research

Fig 3 – EBITDA & EBITDA margins



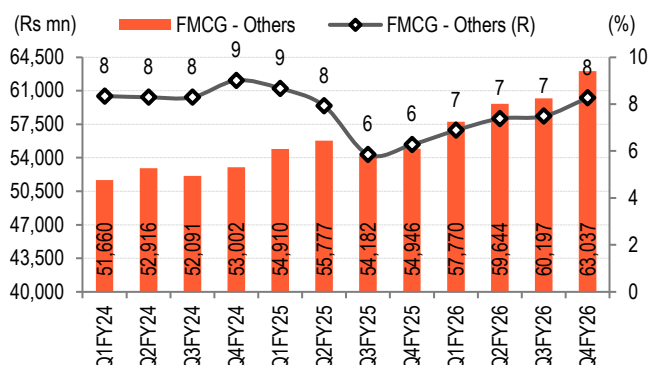
Source: Company, BOBCAPS Research

Fig 4 – FMCG Cigarettes (sales & margin)



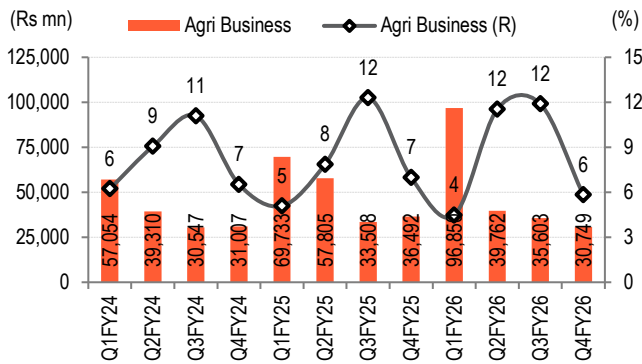
Source: Company, BOBCAPS Research

Fig 5 – FMCG Others (sales & margin)



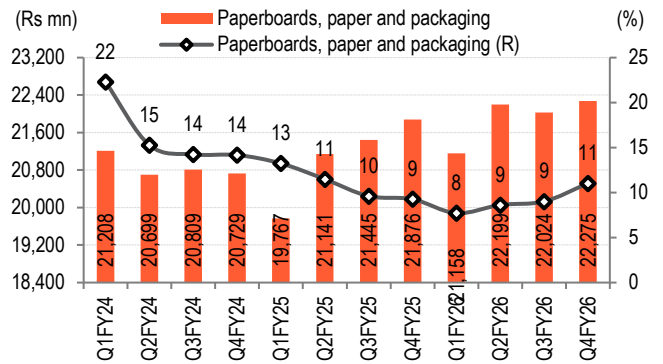
Source: Company, BOBCAPS Research

Fig 6 – Agri business (sales & margin)



Source: Company, BOBCAPS Research

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



Source: Company, BOBCAPS Research

Valuation Methodology

We believe ITC's continued focus on premiumisation, digital-first brands, value-added agri products and expansion across FMCG categories is likely to support long-term growth. We maintain BUY with SOTP based TP of Rs 355 and upside of 15%.

Fig 8 – Actual vs Estimates

Rs mn	Q4FY26A	Q4FY26E	Deviation (%)
Revenue	216,947	189,272	14.62
EBITDA	64,260	56,736	13.26
EBITDA Margin (%)	29.6	30	(36bps)
PAT	51,113	46,246	10.52

Source: Company, BOBCAPS Research

Fig 9 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	842,642	917,604	999,055	821,418	863,029	NA	2.58	6.32	NA
EBITDA	258,864	284,860	314,142	266,139	280,484	NA	(2.73)	1.56	NA
EBITDA Margin	30.7	31.0	31.4	32.4	32.5	NA	(168bps)	(146bps)	NA
Adjusted PAT	211,235	230,530	252,245	228,536	240,055	NA	(7.57)	(3.97)	NA
Adjusted EPS	16.87	18.41	20.15	18.25	19.17	NA	(7.56)	(3.96)	NA

Source: BOBCAPS Research

Fig 10 – SOTP Valuation

Segmental	Valuation Method	EBITDA Mar 28 (Rs bn)	EV/EBITDA	EV
Cigarettes	EV/EBITDA	273	11	3,006
FMCG	EV/EBITDA	46	20	929
Agri	EV/EBITDA	19	13	242
Paper	EV/EBITDA	19	11	205
Total EV		4,383		
Cash + Inv		21		
Debt		-		
Market Cap		4404		
Num of Shares		13		
Equity Value		355		

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	742,381	816,401	842,642	917,604	999,055
EBITDA	240,269	252,082	258,864	284,860	314,142
Depreciation	14,419	14,740	13,961	15,038	16,199
EBIT	225,850	237,342	244,902	269,823	297,943
Net interest inc./(exp.)	364	699	769	846	931
Other inc./(exp.)	34,543	32,872	35,648	36,361	37,088
Exceptional items	151,038	(1,839)	0	0	0
EBT	260,029	269,515	279,781	305,337	334,100
Income taxes	64,370	58,222	68,546	74,808	81,854
Extraordinary items	151,038	(1,839)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	351,977	202,864	211,235	230,530	252,245
Adjustments	151,038	(1,839)	0	0	0
Adjusted net profit	200,939	204,703	211,235	230,530	252,245

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	44,898	52,719	67,576	72,838	78,486
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	666,487	686,757	708,945	824,210	950,333
Shareholders' fund	679,001	699,286	721,474	836,739	962,862
Total liab. and equities	840,092	889,159	926,204	1,046,730	1,178,502
Cash and cash eq.	31,844	21,355	23,684	86,191	152,570
Accounts receivables	39,108	29,256	30,177	32,859	35,771
Inventories	150,610	179,319	176,887	190,660	205,447
Other current assets	10,437	211,900	243,685	280,237	322,273
Investments	414,840	243,730	243,730	243,730	243,730
Net fixed assets	164,455	165,017	166,519	168,149	169,918
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	840,092	889,159	926,204	1,046,730	1,178,502

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	167,510	170,950	190,666	178,007	193,775
Capital expenditures	(17,886)	(20,200)	(15,463)	(16,668)	(17,968)
Change in investments	679,921	599,615	0	0	0
Other investing cash flows	(591,759)	(56,545)	2,142	2,185	2,228
Cash flow from investing	1,415	(15,384)	1,479	612	(342)
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	(174,967)	(179,676)	(189,046)	(115,265)	(126,123)
Other financing cash flows	(199)	0	0	0	0
Cash flow from financing	(167,656)	(156,942)	(189,816)	(116,111)	(127,054)
Chg in cash & cash eq.	1,269	(1,376)	2,329	62,507	66,379
Closing cash & cash eq.	2,221	848	3,429	65,936	132,315

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	28.2	16.2	16.9	18.4	20.1
Adjusted EPS	16.1	16.3	16.9	18.4	20.1
Dividend per share	14.4	14.5	15.1	9.2	10.1
Book value per share	54.3	55.8	57.6	66.8	76.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.2	4.7	4.6	4.2	3.9
EV/EBITDA	16.1	15.3	14.9	13.5	12.3
Adjusted P/E	19.2	18.9	18.3	16.7	15.3
P/BV	5.7	5.5	5.3	4.6	4.0

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	114.2	113.2	112.1
EBIT margin (EBIT/Revenue)	30.7	29.3	29.4	29.7	30.1
Asset turnover (Rev./Avg TA)	87.5	90.9	90.1	86.8	83.9
Leverage (Avg TA/Avg Equity)	1.2	1.3	1.3	1.3	1.2
Adjusted ROAE	51.8	29.0	29.3	27.6	26.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	5.8	10.1	3.1	8.9	8.9
EBITDA	(1.8)	4.9	2.7	10.0	10.3
Adjusted EPS	(1.9)	1.7	3.3	9.1	9.4
Profitability & Return ratios (%)					
EBITDA margin	32.7	31.2	31.0	31.4	31.8
EBIT margin	30.4	29.1	29.1	29.4	29.8
Adjusted profit margin	27.1	25.1	25.1	25.1	25.2
Adjusted ROAE	51.8	29.0	29.3	27.6	26.2
ROCE	31.9	32.2	32.2	30.8	29.8
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	3.0	3.6	4.2
Net interest coverage ratio	621.3	339.4	318.3	318.8	320.1
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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 CIN: **U65999MH1996GOI098009**



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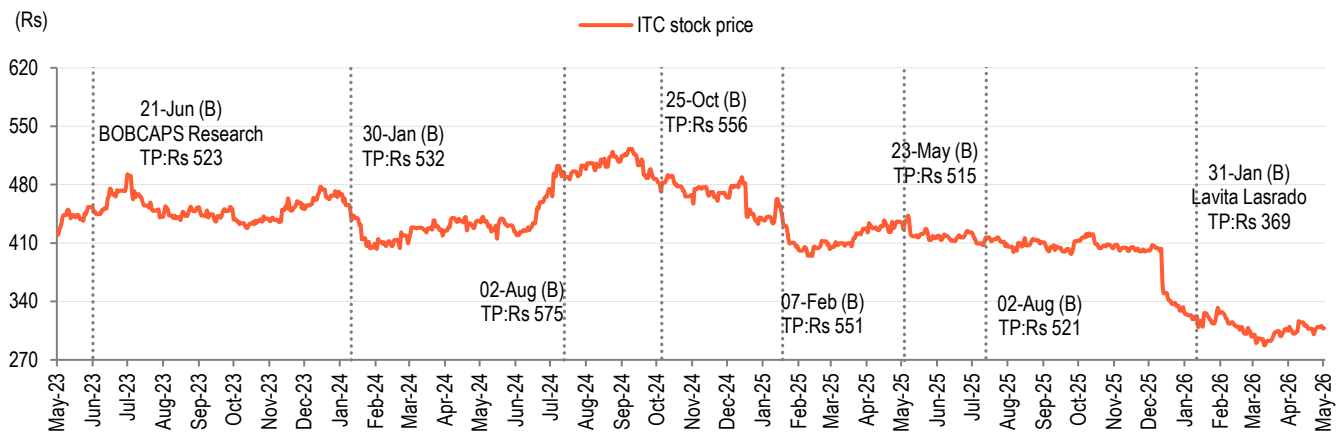
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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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