

Aug 1, 2025

RESULT REPORT Q1 FY26 | Sector: Consumer Staples

ITC Ltd.

Agri business drives topline beat; EBITDA in-line

Expect better operating performance in coming quarters

Strong topline growth as the dark horse "Agri Business" surprises: ITC Ltd. (ITC) 1QFY26 topline saw a sharp beat led by strong growth in the Agri Business (up 38.9% YoY; ~26% ahead of our estimate) driven by agri commodity trading opportunities & exports of Leaf Tobacco. Overall EBITDA and APAT were still in-line with our estimate.

Cigarette revenues in-line but EBIT growth was slightly lower: Cigarette revenue grew by 7.6% YoY in-line our est. We believe cigarette volume growth (calculated) stood at ~5% (vs our est. of 5.5%). Cig. business EBIT grew by just 3.7% YoY with EBIT margins down by 220bps YoY as high-cost leaf tobacco inventory weighed on margins. Moderation in procurement prices witnessed in current crop cycle should benefit Cig. EBIT growth going forward.

FMCG-Others sees sequential improvement in performance: FMCG-Others business saw pickup in momentum both in revenue (up 5.2% YoY vs 3.7% YoY growth in 4QFY25) as well as margin (EBITDA margin up ~50bps QoQ even amidst higher commodity prices). While Paperboards, Paper & Packaging (PPP) was impacted by muted realisations & high wood prices.

Valuation & View: Stability in taxes for cigarettes, resilient rural markets, early signs of urban recovery, scale up of rice export in 1HFY26 post easing of trading restrictions, progressive scale-up of export shipments of Nicotine & Nicotine derivative products, low base (especially FMCG-Others and PPP) and recent acquisitions should aid growth in FY26. ITC is currently trading at ~24x/21x FY26E/FY27E EPS. Based on target multiple of ~25x (3yr/5yr avg fwd. multiple ~26x/22x) on March'27E EPS, we maintain an unchanged target price (TP) of Rs505. Maintain BUY.

Result Highlights (Standalone)

- **Headline performance:** Revenue (adjusted for excise duty) was up 20.6% YoY to Rs197.5bn (vs est. of 180bn). EBITDA was up by 2.9% YoY to Rs62.6bn (vs est. of Rs63.1bn). APAT was up 1.9%YoY to Rs49.1bn (vs est. of Rs49.8bn)
- **Cigarette** revenue grew by 7.6% YoY to Rs85.2bn (in-line). Net Segment Revenue (Net of Excise Duty/NCCD on Sales) up by a similar 7.7%. We believe cigarette volume growth (calculated) stood at ~5% (vs our est. of 5.5%). Cig. business EBIT grew by 3.7% YoY with EBIT margins down by 220bps YoY to 60.4%.
- **FMCG-Others** revenue grew by 5.2% YoY to Rs57.8bn (in-line). Segment EBITDA margin stood at 9.4% (-190bps YoY); EBIT margins was down 180bps YoY to 6.9%. **Agri business** was up 38.9% YoY to Rs96.9bn (26.3% above our est.) led by trading opportunities in Bulk commodities & exports of Leaf Tobacco. Segment EBIT margin down 60bps YoY to 4.5%. **PPP** revenue was up 7% YoY to Rs 21.2bn (in-line) and segment EBIT margin down 550bps YoY to 7.7%.
- **Margin:** Gross margin came at 49% (-750bps YoY and -570bps QoQ). While EBITDA margin was down 550bps YoY to 31.7%.

Exhibit 1: Actual vs estimate

Parameter	Q1FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	197,499	14.5	20.6	Beat	Beat
EBITDA	62,613	4.6	2.9	Inline	Inline
EBITDA Margin (%)	31.7	(3.0)	(5.5)	Miss	Miss
PAT / EPS	49,124	0.8	1.9	Inline	Inline

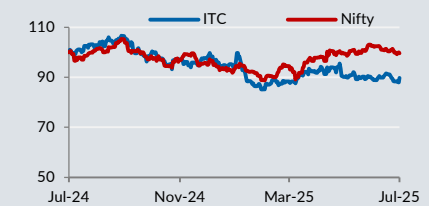
Source: Bloomberg, YES SEC

Reco	: BUY
CMP	: Rs 416
Target Price	: Rs 505
Potential Return	: +21.3%

Stock data (as on Aug 1, 2025)

Nifty	24,565
52 Week h/l (Rs)	500 / 390
Market cap (Rs/USD mn)	5159110 / 59170
Outstanding Shares (mn)	12,524
6m Avg t/o (Rs mn):	7,266
Div yield (%):	3.4
Bloomberg code:	ITC IN
NSE code:	ITC

Stock performance



	1M	3M	1Y
Absolute return	0.3%	-2.2%	-10.8%

Shareholding pattern (As of Mar'25 end)

Promoter	0.0%
FII+DII	85.1%
Others	14.9%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	505	505

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	17.5	20.1
EPS (Old)	17.9	20.1
% change	-2.0%	0.2%

Financial Summary (Standalone)

(Rs mn)	FY25	FY26E	FY27E
Revenue	693,235	770,531	838,813
YoY Growth (%)	10.7	11.1	8.9
EBIDTA	240,248	270,839	310,408
Margins (%)	34.7	35.1	37.0
PAT	195,639	219,264	251,975
EPS	16.1	17.5	20.1
YoY Growth (%)	0.7	9.1	14.9
ROCE (%)	35.9	40.8	45.1
ROE (%)	27.9	31.7	35.1
P/E (x)	26.6	23.8	20.7
EV/EBITDA (x)	19.9	17.6	15.2

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Exhibit 2: Quarterly snapshot (Standalone)

Particulars (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Revenue	163,734	172,482	197,499	20.6	14.5
COGS	71,259	78,121	100,724	41.4	28.9
Gross margin %	56.5	54.7	49.0	-7.5	-5.7
Employee costs	8,637	8,694	9,155	6.0	5.3
% of sales	5.3	5.0	4.6	-0.6	-0.4
Other expenses	22,971	25,803	25,008	8.9	-3.1
% of sales	14.0	15.0	12.7	-1.4	-2.3
EBITDA	60,868	59,864	62,613	2.9	4.6
EBITDA margin %	37.2	34.7	31.7	-5.5	-3.0
Depreciation	3,554	3,565	3,653	2.8	2.5
EBIT	57,314	56,299	58,960	2.9	4.7
EBIT margin %	35.0	32.6	29.9	-5.2	-2.8
Interest expense	83	85	129	55.2	51.9
Other income	6,985	7,955	6,621	-5.2	-16.8
Exceptional items	-30	0	0	-100.0	#DIV/0!
PBT	64,186	64,168	65,451	2.0	2.0
Tax	16,017	15,421	16,328	1.9	5.9
Effective tax rate %	25.0	24.0	24.9	0.0	0.9
PAT (from continuing operations)	48,169	48,747	49,124	2.0	0.8
Adj PAT (from continuing operations)	48,199	48,747	49,124	1.9	0.8
PAT margin %	29.4	28.3	24.9	-4.6	-3.4
EPS	3.9	3.9	4.0	1.9	0.8

Source: Company, YES Sec

Exhibit 3: Quarterly snapshot (Standalone)

Particulars (Rs mn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Revenue (Rs mn)					
Cigarettes	79,181	83,996	85,200	7.6	1.4
FMCG - Others	54,910	54,946	57,770	5.2	5.1
Agri business	69,733	36,492	96,850	38.9	165.4
Paper and packaging	19,767	21,876	21,158	7.0	(3.3)
Others	329	527	680	106.7	29.0
Revenue mix (%)					
Cigarettes	34.4	42.5	32.6	(1.8)	(9.9)
FMCG - Others	23.8	27.8	22.1	(1.8)	(5.7)
Agri business	30.3	18.4	37.0	6.7	18.6
Paper and packaging	8.6	11.1	8.1	(0.5)	(3.0)
Others	0.0	0.3	0.3	0.3	(0.0)
EBIT (Rs mn)					
Cigarettes	49,596	51,179	51,453	3.7	0.5
FMCG - Others	4,759	3,449	3,975	(16.5)	15.3
Agri business	3,558	2,551	4,339	21.9	70.1

Paper and packaging	2,613	2,022	1,626	(37.8)	(19.6)
Others	116	209	-66	(156.9)	(131.5)
EBIT mix (%)					
Cigarettes	80.0	86.4	83.9	3.9	(2.6)
FMCG - Others	7.7	5.8	6.5	(1.2)	0.7
Agri business	5.7	4.3	7.1	1.3	2.8
Paper and packaging	4.2	3.4	2.7	(1.6)	(0.8)
Others	0.0	0.4	-0.1	(0.1)	(0.5)
EBIT margin (%)					
Cigarettes	62.6	60.9	60.4	(2.2)	(0.5)
FMCG - Others	8.7	6.3	6.9	(1.8)	0.6
Agri business	5.1	7.0	4.5	(0.6)	(2.5)
Paper and packaging	13.2	9.2	7.7	(5.5)	(1.6)
Others	35.3	39.7	-9.7	(45.0)	(49.4)

Source: Company, YES Sec; Note: Others segment includes ITC Grand Central Hotel, Mumbai which is not a part of demerged business

ANALYST VIEW & INVESTMENT THESIS

1-Year & 3-Year View

There is -2%/+0.2% revision in our FY26E/FY27E EPS largely to bake in the current quarter variance in topline and margins.

Going forward with rural markets staying resilient and urban showing early signs of recovery, growth rates across key businesses should improve over the next few quarters.

We now build 13.5% EPS CAGR over FY25-FY27E led by 10% revenue CAGR and 230bps EBITDA margin improvement on a base impacted by sharp escalation in input costs and subdued demand. This along with lower tobacco leaf procurement cost should drive better operating performance for rest of FY26.

PPP business has been facing pressure from multiple issues impacting both topline and profitability of the business. We will wait for any signs of sustainable reversal before building turnaround into our numbers.

At an overall level, Stability in taxes for cigarettes, resilient rural markets, early signs of urban recovery, scale up of rice export in 1HFY26 post easing of trading restrictions, progressive scale-up of export shipments of Nicotine & Nicotine derivative products, low base (especially FMCG-Others and PPP) and recent acquisitions should aid growth in FY26.

Return ratios are expected to improve further with no major capex in near-term. ITC is currently trading at ~24x/21x FY26E/FY27E EPS. Based on target multiple of ~25x (3yr/5yr avg fwd. multiple ~26x/22x) on March'27E EPS, we maintain an unchanged target price (TP) of Rs505. Maintain BUY.

Over the medium-term, we don't see any major change in EBIT mix of the business which currently continues to be dominated by cigarette business. Hence, earnings growth will continue to be a key driver of stock price movement over the medium-term. Stability in cigarette tax regime, cigarette EBIT growth and recovery in FMCG-Other as well as PPP business will be key to growth.

The possible hike in GST rate for cigarettes by the government as it plans to replace the compensation cess with a new health and green cess, remains a key monitorable in the near term.

Exhibit 4: Key Monitorable Triggers

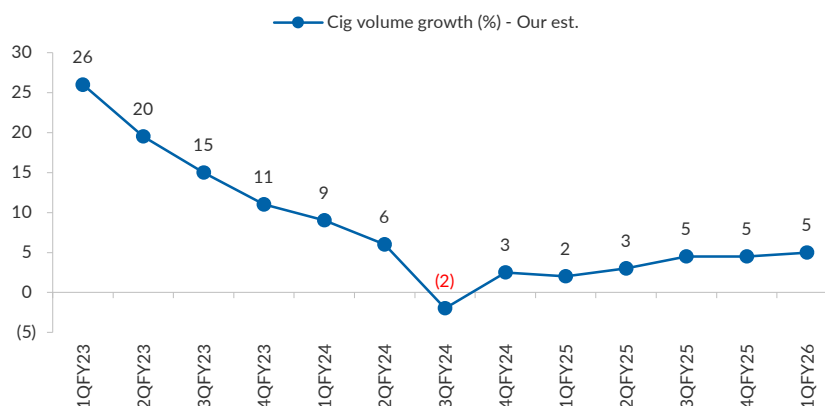
What to Watch	Why it Matters	Timeline
Tobacco Leaf Price	Procurement cost of tobacco leaf will drive cigarette EBIT growth till the next cycle.	Near term
Demand recovery	Will benefit all key business growth	Near term

Exhibit 5: Estimate Revisions

Metric	Old Est (FY27E)	New Est	% Change	Reason
Revenue	825,521	838,813	1.6%	Slight change in estimates. We have upgraded the stock from ADD to BUY while TP is unchanged
EBITDA	309,608	310,408	0.3%	
APAT	251,503	251,975	0.2%	

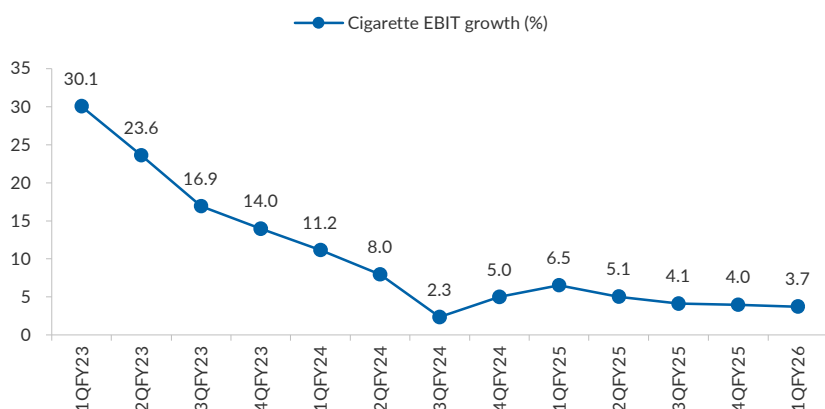
Source: Company, YES Sec

Exhibit 6: We believe cigarette volumes to have grown by ~5% YoY in 1QFY26 in-line with our est. of 5.5%



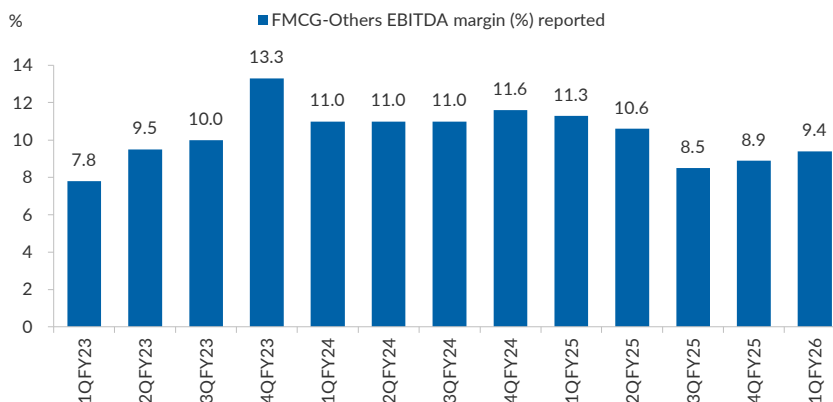
Source: Company, YES Sec

Exhibit 7: Cigarette EBIT grew ~3.7% YoY (segment EBIT margin down 220bps YoY) in 1QFY26



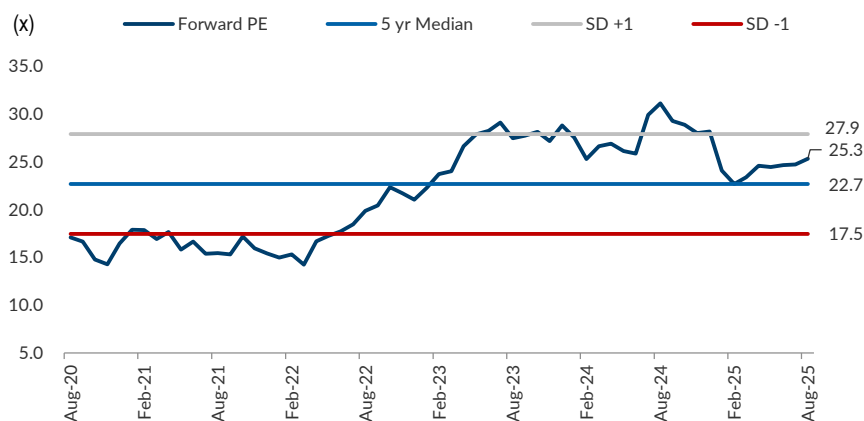
Source: Company, YES Sec

Exhibit 8: FMCG-Others EBITDA margin improves sequentially but high commodity prices still weigh on YoY basis



Source: Company, YES Sec

Exhibit 9: Currently trading at 25x 1yr forward



Source: Company, YES Sec

FINANCIALS

Exhibit 10: Balance Sheet

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	12,428	12,485	12,514	12,514	12,514
Reserves	663,510	709,848	666,487	692,836	718,954
Net worth	675,938	722,333	679,001	705,350	731,468
Total debt	33	18	18	18	18
Lease liability	3,201	3,087	1,550	1,472	1,399
Deferred tax liability	16,211	20,837	25,564	27,564	29,564
Total liabilities	695,383	746,274	706,132	734,403	762,448
Gross block	411,077	440,014	398,354	413,354	428,354
Depreciation	179,867	193,439	207,858	222,615	237,821
Net block	231,211	246,575	190,496	190,740	190,533
Capital work-in-progress	16,815	10,780	10,678	10,678	10,678
Other long-term assets	10,682	10,948	9,418	9,418	9,418
Investments	327,206	347,388	359,871	389,731	415,173
Inventories	105,939	126,315	150,610	167,287	172,876
Debtors	23,213	33,115	39,108	43,882	47,788
Cash	38,313	62,176	31,844	28,057	32,901
Loans & advances	55,358	24,637	37,631	38,383	39,151
Other current assets	13,881	11,342	10,437	10,959	11,507
Total current assets	236,704	257,585	269,629	288,569	304,224
Creditors	43,513	44,896	44,898	56,764	59,813
Other current liabilities & provisions	83,721	82,106	89,061	97,968	107,764
Total current liabilities	127,234	127,001	133,960	154,731	167,577
Net current assets	109,470	130,583	135,670	133,837	136,646
Total assets	695,383	746,274	706,132	734,403	762,448

Source: Company, YES Sec

Exhibit 11: Income statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	660,433	626,281	693,235	770,531	838,813
% Growth	17.2	-5.2	10.7	11.1	8.9
COGS	298,219	267,287	317,358	351,360	369,144
Other expenses	122,451	124,054	135,629	148,332	159,260
Total expenses	420,670	391,341	452,987	499,692	528,404
EBITDA	239,762	234,940	240,248	270,839	310,408
% growth	26.5	-2.0	2.3	12.7	14.6
EBITDA margin (%)	36.3	37.5	34.7	35.1	37.0
Other income	24,376	35,298	34,543	37,454	42,048
Interest costs	736	344	364	520	520
Depreciation	16,627	13,572	14,419	14,757	15,207
Profit before tax	246,775	256,322	260,008	293,017	336,729
Exceptional items	550	0	5,280	0	0
Tax	59,792	57,219	64,370	73,752	84,755
PAT	187,533	199,103	200,918	219,264	251,975
Adj PAT	186,983	199,103	195,639	219,264	251,975
Adj PAT margin (%)	27.3	30.1	26.9	27.1	28.6
% Growth	24.2	6.5	-1.7	12.1	14.9

Source: Company, YES Sec Note: Full year COGS also includes contract processing charges (included in other op. exps. in quarterly); Our estimates excludes discontinued operations.

Exhibit 12: Cash flow statement

Y/E March (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	247,504	263,158	265,288	293,017	336,729
Depreciation	16,627	16,478	16,689	14,757	15,207
Other income	(8,640)	(15,580)	(21,399)	(37,454)	(42,048)
(Inc.)/dec. in working capital	(4,441)	(30,578)	(22,018)	(9,586)	(6,446)
Other items	(71,933)	(72,295)	(72,233)	(73,232)	(84,235)
Cash flow from operations	179,117	161,182	166,328	187,501	219,208
Capital expenditure (-)	(18,095)	(25,464)	(16,309)	(15,000)	(15,000)
Net cash after capex	161,022	135,719	150,019	172,501	204,208
Inc./(dec.) in other inv. & assets	(34,185)	70,696	47,504	(5,971)	(4,728)
Cash flow from investment activities	(52,280)	45,232	31,196	(20,971)	(19,728)
Issue of share capital (incl premium)	24,774	14,428	7,973	10,000	10,000
Dividends paid (-)	(151,504)	(196,061)	(174,967)	(179,596)	(203,916)
Other items	(574)	(918)	(663)	(719)	(719)
Cash from financial activities	(127,304)	(182,550)	(167,656)	(170,316)	(194,635)
Opening cash balance	38,779	38,313	62,176	31,844	28,057
Closing cash balance	38,313	62,176	31,844	28,057	32,901
Change in cash balance	(467)	23,864	(30,333)	(3,787)	4,844

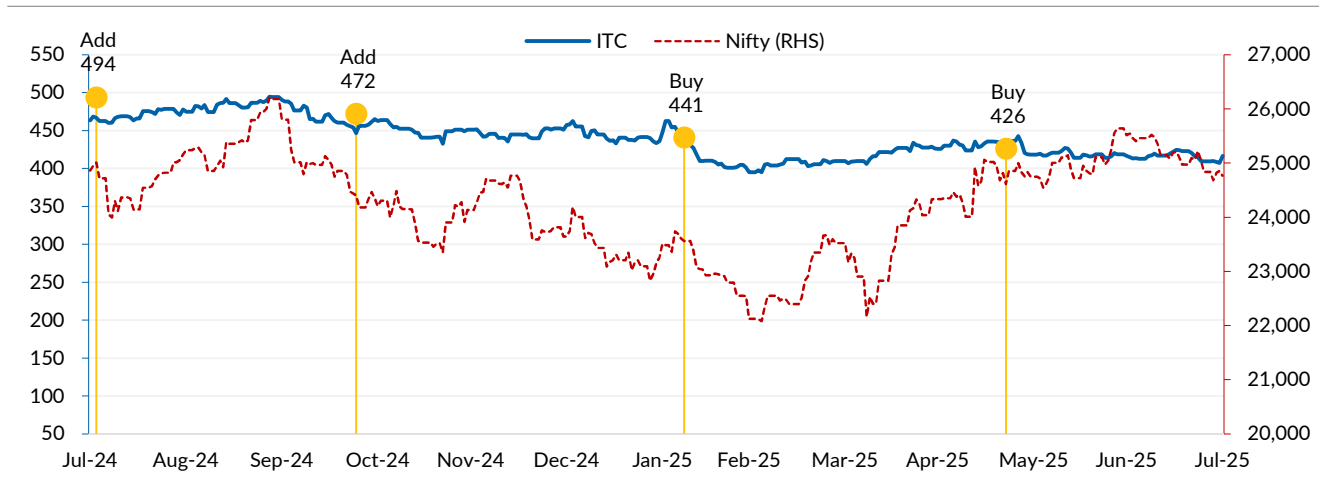
Source: Company, YES Sec

Exhibit 13: Growth and Ratio matrix

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Per share (Rs)					
EPS	15.1	15.9	16.1	17.5	20.1
Book value	54.4	57.9	54.3	56.4	58.5
DPS	15.5	13.7	14.4	16.3	18.9
Valuation (x)					
EV/sales	7.4	7.7	7.0	6.2	5.7
EV/EBITDA	20.1	20.3	19.9	17.6	15.2
P/E	27.7	26.1	26.6	23.8	20.7
P/BV	7.7	7.2	7.7	7.4	7.1
Return ratios (%)					
RoCE*	37.2	35.6	35.9	40.8	45.1
RoE	29.0	28.5	27.9	31.7	35.1
RoIC*	73.1	69.3	71.7	84.0	96.8
Profitability ratios (%)					
Gross margin	54.8	57.3	54.2	54.4	56.0
EBITDA margin	36.3	37.5	34.7	35.1	37.0
EBIT margin	33.8	35.3	32.6	33.2	35.2
PAT margin	27.3	30.1	26.9	27.1	28.6
Liquidity ratios (%)					
Current ratio	1.9	2.0	2.0	1.9	1.8
Quick ratio	1.0	1.0	0.9	0.8	0.8
Turnover ratios					
Total asset turnover ratio (x)	0.9	0.8	1.0	1.0	1.1
Fixed asset turnover ratio (x)	2.9	2.5	3.6	4.0	4.4
Inventory days	126	159	159	165	168
Debtors' days	12	16	19	20	20
Creditor days	52	60	52	53	58

Source: Company, YES Sec; * ROCE & ROIC are on pre-tax basis

Recommendation Tracker



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Analyst signature

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