



## Resilient Performance; Maintain BUY

**Est. vs. Actual for Q4FY25:** Revenue – **MISS**; EBITDA – **BEAT**; PAT – **BEAT**

### Changes in Estimates post Q4FY25

**FY26E/FY27E:** Revenue: 3%/5%; EBITDA: 8%/9%; PAT: 5%/6%

### Recommendation Rationale

- **Steady Performance:** ITC posted a steady Q4FY25 performance, with revenue rising 9.4% YoY, led by robust growth in the Cigarette and Agri businesses. The Cigarette segment saw a 6% YoY increase, supported by 4% volume growth, while the Agri segment grew 11% YoY, driven by strong momentum in leaf tobacco, value-added agri exports (coffee, spices), and improved rice exports. The FMCG business delivered a modest 4% YoY growth amid weak demand and elevated input costs. The Paperboards segment registered ~6% YoY growth, though profitability remained under pressure due to pricing headwinds from low-cost imports, subdued domestic demand, and a steep rise in wood costs.
- **Gross Margins** declined by 360 bps YoY to 54.1% due to a sharp escalation in key input materials (edible oils, wheat, maida, potato, cocoa, leaf tobacco, and pulpwood), especially in H2FY25 and subdued realisations in the paper business.
- **Long-term Story Remains Strong:** We believe ITC's long-term growth trajectory remains intact, with most segments (excluding FMCG and Paperboards) on a steady path. 1) Cigarette volumes continue to grow, supported by innovations and premiumisation. 2) The Agribusiness remains resilient, driven by strong customer relationships and agile execution in leaf tobacco, coffee, and spices. 3) While FMCG growth has been impacted by muted urban demand and input cost inflation, the sector is poised for a recovery. The government's recent budget measures, along with expanding outlet coverage, localisation strategies, and premiumisation efforts, are expected to revive growth in the coming quarters.
- **Hotel Business has demerged into ITC Hotels Limited (ITCHL) since 1<sup>st</sup> January, 2025.**

### Sector Outlook: Positive

**Company Outlook & Guidance:** We have increased our FY26/FY27 estimates considering its resilient performance across the segments despite the subdued demand environment and sharp escalation in input costs.

**Current Valuation:** 25x Mar'27 EPS (Earlier Valuation: 27x Mar'27 EPS ).

**Current TP:** Rs 500/share (Earlier TP: Rs 510/share).

**Recommendation** With an upside potential of 17% from the CMP, we **maintain our BUY** rating on the stock.

**Financial Performance:** ITC reported a 9.4% YoY revenue growth, driven by strong performance in the Agri and Cigarette businesses, while Paperboard and FMCG performed modestly. Gross margins contracted by 360 bps YoY to 54.1%, primarily due to higher raw material costs. EBITDA grew by 2.4% YoY, though margins declined by 237 bps YoY to 35.2%. The reported PAT stood at Rs 4,875 Cr, up 0.8% YoY (1.5% on a comparable basis). PAT also reflects a one-time impact of Rs 35 Cr arising from changes in capital gains tax treatment on treasury investments.

### Key Financials (Standalone)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	17,020	1.2	9.4	17,713	-3.9
EBITDA	5,986	2.7	2.5	5,809	3.1
EBITDA Margin (%)	35.2	52 bps	-237 bps	32.8	238 bps
Net Profit	4,875	-10.1	0.8	4,643	5.0
EPS (Rs)	3.9	-10.1	0.5	3.7	4.7

Source: Company, Axis Research

(CMP as of 22<sup>nd</sup> May, 2025)

CMP (Rs)	426
Upside /Downside (%)	17%
High/Low (Rs)	528/391
Market cap (Cr)	533226
Avg. daily vol. (6m) Shrs.'000	15531
No. of shares (Cr)	1251

### Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	0.0	0.0	0.0
FII's	40.5	40.2	39.9
MFs / UTI	12.8	12.9	12.9
Banks / FI's	7.8	7.9	7.9
Others	38.9	39.1	39.4

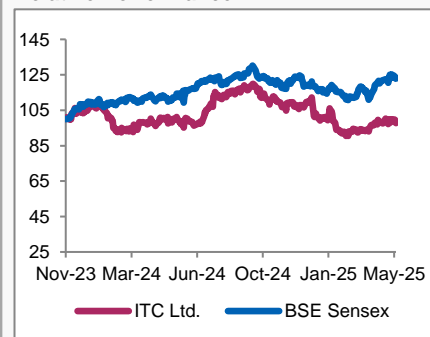
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25A	FY26E	FY27E
Net Sales	68,552	75,946	84,522
EBITDA	24,025	27,284	30,703
Net Profit	19,564	22,303	25,079
EPS (Rs.)	15.6	17.8	20.0
PER (x)	27.3	23.9	21.3
EV/EBITDA (x)	21.4	18.8	16.5
P/BV (x)	7.9	7.3	6.6
ROE (%)	28.8	30.7	31.3

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	3%	5%
EBITDA	8%	9%
PAT	5%	6%

### Relative Performance



Source: Ace Equity, Axis Securities

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### **Cigarettes(~80% of EBIT)**

ITC's cigarette revenue growth was strong at 6% YoY, led by 4% volume growth, while EBIT grew 4% YoY. EBIT margins declined by 120 bps YoY to 60.9% owing to higher RM (tobacco). However, this was partly offset by the improved mix and strategic cost savings.

### **Outlook**

We believe ITC's long-term growth outlook remains intact. The stock is currently trading at 20x FY27E EPS, providing a margin of safety compared to peers.

## **Other Key Highlights**

### **Segment Performances**

- **Cigarette Business** - The Cigarette business reported a 6% YoY growth in Q4FY25 net segment revenue, led by volume-driven growth and supported by strategic interventions in key markets. Despite sharp inflation in leaf tobacco costs, profitability was partly protected through improved mix and disciplined cost controls. Premium and innovative offerings continued to gain traction. The company remains focused on countering illicit trade through portfolio initiatives and welcomes the CGST amendment enabling Track & Trace, which is expected to aid enforcement efforts. For FY25, revenue rose 7.1% YoY while segment PBIT grew 4.9% YoY.
- **FMCG (others)** - The FMCG–Others segment delivered a resilient performance despite weak demand and input cost pressures. FY25 revenue grew 4.8% YoY (6.2% ex-notebooks), while Q4 rose ~4% YoY (5.4% ex-notebooks). Growth was led by staples and value-added categories like atta, spices, snacks, frozen foods, dairy, personal wash, and home care. Notebooks remained under pressure due to aggressive local competition amid falling paper prices. Inflation in key inputs such as edible oil, wheat, and packaging materials was partially offset through cost controls, portfolio premiumisation, and selective price hikes. Premium products and alternate channels continued to gain traction.
- **Agri** - The Agri Business segment posted strong growth, driven by solid performance in leaf tobacco, value-added agri exports (coffee, spices), and a rebound in rice exports. For FY25, segment revenue and PBIT grew 25% and 18% YoY, respectively; Q4 saw 18% and 26% YoY growth. Leaf tobacco exports benefited from deep customer relationships and agile execution. Coffee exports were supported by global supply shortages, while spices saw robust traction leveraging the Guntur facility. Rice exports gained momentum in H2FY25 post relaxation of trade curbs, though wheat remained restricted. Strategic sourcing continues to support the Foods and Cigarettes businesses. The nicotine project has commenced exports post successful trials, with scale-up expected ahead.
- **Paperboards** - The Paperboards, Paper & Packaging segment's revenue grew by 5.5% in Q4FY25; however, it continues to face headwinds from low-cost imports (notably from China and Indonesia), subdued domestic demand, and elevated wood prices. Oversupply in certain regions and softer realisations have further pressured margins. However, ITC is actively engaging with policymakers to curb the surge in cheap imports and safeguard domestic industry interests. Strategic initiatives such as capacity expansion in décor paper, plantation development, and satellite-based monitoring aim to address raw material challenges. Value-added segments like exports and décor paper showed strong growth, supported by innovation-led sustainable packaging solutions. The company remains focused on structural cost controls and product mix optimisation to navigate near-term pressures.

### Acquisition

ITC has completed the acquisition of an additional stake in its associate company, **Mother Sparsh Baby Care Pvt. Ltd.**, as part of its strategy to strengthen its presence in the premium naturals and personal care space. It has increased its stake in Mother Sparsh to 39.5% (from 26.5%) through a Rs 51 Cr investment via secondary share purchase and primary CCPS infusion. The move aligns with ITC's strategy to scale its naturals and baby care portfolio amid rising demand for safe, Ayurvedic personal care products.

### Brief Details Of Mother Sparsh Baby Care Pvt. Ltd

Mother Sparsh, a premium Ayurvedic baby care start-up incorporated on 5<sup>th</sup> February, 2016, operates in a fast-growing market driven by rising incomes and increased consumer preference for safer, natural products.

### Performance in the last three years-

Financial Year	Revenue (Cr)
FY2024-2025	100
FY2023-2024	59
FY2022-2023	48

### Business Transfer Agreement

ITC signed a Business Transfer Agreement to acquire Century Pulp and Paper from Aditya Birla Real Estate Ltd. The acquisition boosts scale, offers cost synergies, strengthens raw material access, diversifies geographic footprint, and enhances operational resilience across industry cycles.

### Key Risks to Our Estimates and TP

Increased competitive intensity in Cigarettes, RM inflation, and the economic slowdown may impact Hotels and other cyclical businesses.

### Change in Estimates

	Old		New		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	73,417	80,452	75,946	84,522	3%	5%
EBITDA	25,282	28,061	27,284	30,703	8%	9%
PAT	21,314	23,689	22,303	25,079	5%	6%
EPS	17.1	19	17.8	20.0	4%	5%

Source: Company, Axis Securities

## Results Review

(Rs Cr)	Q4FY24	Q3FY25	Axis Sec Est.	Q4FY25	YoY growth %	QoQ growth %	Axis Sec Est. Var (%)
Volume growth est. (% YoY)	1.0	2.5	4.0	4.0	300 bps	150 bps	
<b>Net sales</b>	<b>15,558</b>	<b>16,818</b>	<b>17,713</b>	<b>17,020</b>	<b>9.40</b>	<b>1.20</b>	<b>(3.9)</b>
Other operating Income	176	235	186	228	29.75	(2.93)	22.6
<b>Gross Profits</b>	<b>8,978</b>	<b>9,048</b>	<b>9,597</b>	<b>9,208</b>	<b>2.57</b>	<b>1.77</b>	<b>(4.1)</b>
<b>Gross Margin (%)</b>	<b>57.7</b>	<b>53.8</b>	<b>54.2</b>	<b>54.1</b>	<b>-360 bps</b>	<b>30 bps</b>	<b>-8 bps</b>
Staff costs	823	868	1,028	869	5.60	0.18	(15.4)
Other operating expenses	2,489	2,587	2,906	2,580	3.69	(0.24)	(11.2)
<b>EBITDA</b>	<b>5,842</b>	<b>5,828</b>	<b>5,809</b>	<b>5,986</b>	<b>2.48</b>	<b>2.71</b>	<b>3.1</b>
<b>EBITDA margin (%)</b>	<b>37.5</b>	<b>34.7</b>	<b>32.8</b>	<b>35.2</b>	<b>-237 bps</b>	<b>52 bps</b>	<b>238 bps</b>
Other Income	797	1,087	839	795	(0.14)	(26.80)	(5.1)
Interest	(9)	(8)	8	(9)	(8.40)	12.42	(211.3)
Depreciation	(341)	(362)	365	(356)	4.47	(1.48)	(197.5)
PBT	6,288	6,546	6,274	6,417	2.06	(1.97)	2.3
Tax	(1,450)	(1,652)	1,631	(1,542)	6.35	(6.66)	(194.5)
Tax rate (%)	-23.1	-25.2	26.0	-24.0	-97 bps	121 bps	
<b>Reported PAT</b>	<b>4,837</b>	<b>5,421</b>	<b>4,643</b>	<b>4,875</b>	<b>0.77</b>	<b>(10.08)</b>	<b>5.0</b>
<b>Reported EPS</b>	<b>3.9</b>	<b>4.3</b>	<b>3.7</b>	<b>3.9</b>	<b>0.53</b>	<b>(10.08)</b>	<b>4.7</b>

Source: Company, Axis Securities

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26E	FY27E
<b>Net sales</b>	<b>61,993</b>	<b>68,552</b>	<b>75,946</b>	<b>84,522</b>
Growth, %	(5)	11	11	11
Other operating income	636	772	849	942
Total income	62,628	69,324	76,795	85,464
Raw material expenses	(26,726)	(31,736)	(34,592)	(38,051)
Employee expenses	(3,201)	(3,417)	(3,758)	(4,209)
Other Operating Expenses	(9,208)	(10,146)	(11,161)	(12,500)
<b>EBITDA (Core)</b>	<b>23,494</b>	<b>24,025</b>	<b>27,284</b>	<b>30,703</b>
Growth, %	(2)	2	14	13
Margin, %	38	35	36	36
Depreciation	(1,357)	(1,442)	(1,405)	(1,515)
<b>EBIT</b>	<b>22,137</b>	<b>22,583</b>	<b>25,878</b>	<b>29,188</b>
Growth, %	(1)	2	15	13
Margin, %	36	33	34	35
Interest paid	(34)	(36)	(37)	(37)
Other Income	3,530	3,454	3,800	4,180
Non-recurring Items	-	528	-	-
<b>Pre-tax profit</b>	<b>25,632</b>	<b>26,529</b>	<b>29,641</b>	<b>33,331</b>
Tax provided	(5,722)	(6,437)	(7,338)	(8,252)
<b>Profit after tax</b>	<b>19,910</b>	<b>20,092</b>	<b>22,303</b>	<b>25,079</b>
Others (Minorities, Associates)	-	-	-	-
Unadj. shares (Cr)	1,248	1,251	1,251	1,251
Wtd avg shares (Cr)	1,248	1,251	1,251	1,251

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

As of 31 <sup>st</sup> March, 2025,	FY24A	FY25A	FY26E	FY27E
Cash & bank	6,218	3,184	5,240	9,937
Marketable securities at cost	11,917	15,286	15,286	15,286
Debtors	3,311	3,911	4,333	4,822
Inventory	12,632	15,061	16,685	18,570
Loans & advances	9	9	9	9
Other current assets	1,984	2,305	2,305	2,305
Total current assets	36,071	39,756	43,858	50,928
Investments	23,195	21,101	21,101	21,101
Gross fixed assets	36,814	32,475	35,075	37,675
Less: Depreciation	(11,444)	(12,886)	(14,291)	(15,806)
Add: Capital WIP	1,087	1,071	1,071	1,071
Net fixed assets	26,457	20,659	21,854	22,939
Non-current assets	1,605	2,493	2,493	2,493
<b>Total assets</b>	<b>87,328</b>	<b>84,009</b>	<b>89,306</b>	<b>97,461</b>
Current liabilities	11,656	12,094	12,584	13,151
Provisions	981	1,253	1,277	1,305
Total current liabilities	12,637	13,347	13,861	14,457
Non-current liabilities	2,457	2,762	2,762	2,762
Total liabilities	15,094	16,109	16,623	17,218
Paid-up capital	1,248	1,251	1,251	1,251
Reserves & surplus	70,985	66,649	71,432	78,992
Shareholders' equity	72,233	67,900	72,684	80,243
<b>Total equity &amp; liabilities</b>	<b>87,328</b>	<b>84,009</b>	<b>89,306</b>	<b>97,461</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26E	FY27E
Pre-tax profit	25,632	26,529	29,641	33,331
Depreciation	1,357	1,442	1,405	1,515
Chg in working capital	280	(3,962)	(1,533)	(1,778)
Total tax paid	(5,275)	(5,697)	(7,338)	(8,252)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>21,994</b>	<b>18,313</b>	<b>22,176</b>	<b>24,817</b>
Capital expenditure	(1,944)	4,356	(2,600)	(2,600)
Chg in investments	(6,831)	2,094	-	-
Chg in marketable securities	4,440	(3,369)	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(4,335)</b>	<b>3,081</b>	<b>(2,600)</b>	<b>(2,600)</b>
Free cash flow	17,659	21,393	19,576	22,217
Equity raised/(repaid)	38,327	(4,333)	4,783	7,559
Debt raised/(repaid)	(2)	(2)	-	-
Dividend (incl. tax)	(17,163)	(17,163)	(17,520)	(17,520)
<b>Cash flow from financing activities</b>	<b>21,163</b>	<b>(21,498)</b>	<b>(12,736)</b>	<b>(9,960)</b>
Net chg in cash	38,821	(104)	6,839	12,256
Opening cash balance	3,831	6,218	3,184	5,240
Closing cash balance	6,218	3,184	5,240	9,937

Source: Company, Axis Securities

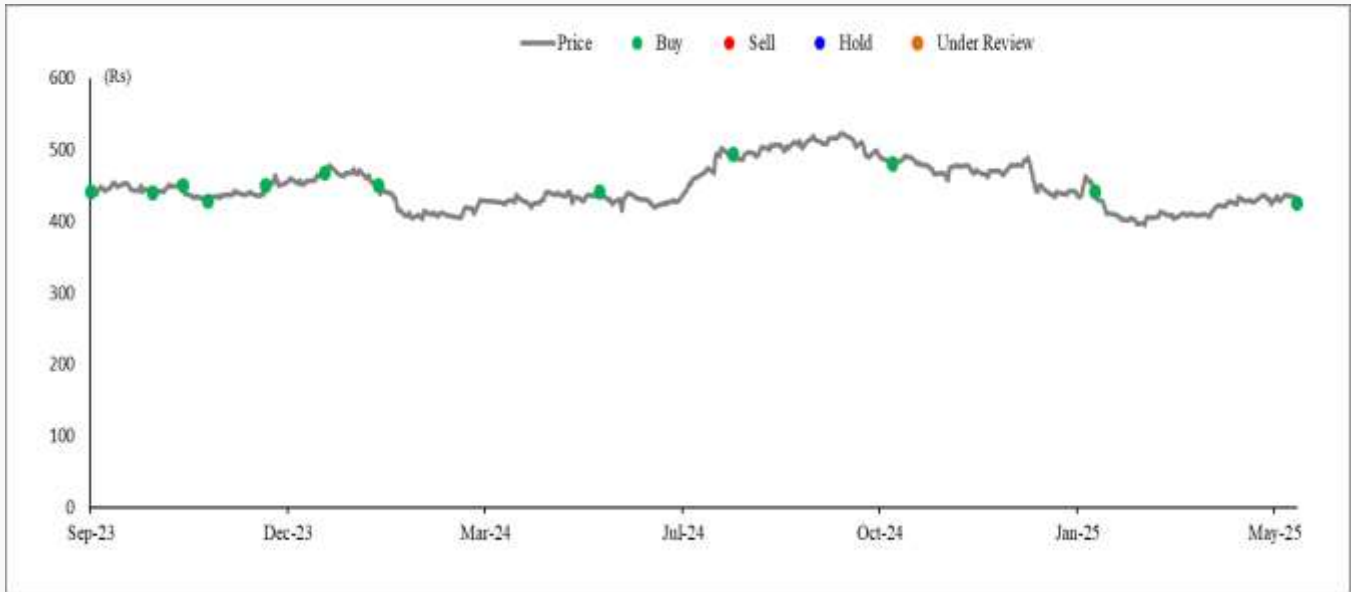
**Ratio Analysis**

(%)

	FY24A	FY25A	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	15.9	15.6	17.8	20.0
Growth, %	6.1	(2.0)	14.0	12.4
Book NAV/share (INR)	57.9	54.3	58.1	64.1
FDEPS (INR)	15.9	15.6	17.8	20.0
CEPS (INR)	17.0	16.4	18.9	21.3
CFPS (INR)	12.2	12.6	14.7	16.5
DPS (INR)	13.7	13.7	14.0	14.0
<b>Return ratios</b>				
Return on assets (%)	23.5	23.5	25.8	26.9
Return on equity (%)	27.6	28.8	30.7	31.3
Return on capital employed (%)	27.6	27.6	30.5	31.6
<b>Turnover ratios</b>				
Asset turnover (x)	2.0	2.2	2.4	2.5
Sales/Total assets (x)	0.7	0.8	0.9	0.9
Sales/Net FA (x)	2.4	2.9	3.6	3.8
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	19.5	20.8	20.8	20.8
Inventory days	74.4	80.2	80.2	80.2
Payable days	41.9	36.2	36.7	36.9
Working capital days	32.5	43.5	46.7	49.8
<b>Liquidity ratios</b>				
Current ratio (x)	2.9	3.0	3.2	3.6
Quick ratio (x)	1.9	1.9	2.0	2.3
<b>Valuation</b>				
PER (x)	26.7	27.3	23.9	21.3
PEG (x) - y-o-y growth	4.4	(13.8)	1.7	1.7
Price/Book (x)	7.4	7.9	7.3	6.6
EV/Net sales (x)	8.3	7.5	6.8	6.0
EV/EBITDA (x)	21.9	21.4	18.8	16.5
EV/EBIT (x)	23.2	22.8	19.8	17.4

Source: Company, Axis Securities

## ITC Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
01-Sep-23	BUY	540	Top Picks
03-Oct-23	BUY	540	Top Picks
20-Oct-23	BUY	540	Result Update
01-Nov-23	BUY	540	Top Picks
01-Dec-23	BUY	540	Top Picks
01-Jan-24	BUY	540	Top Picks
30-Jan-24	BUY	500	Result Update
24-May-24	BUY	500	Result Update
02-Aug-24	BUY	550	Result Update
24-Oct-24	BUY	550	Result Update
07-Feb-25	BUY	510	Result Update
23-May-25	BUY	500	Result Update

Source: Axis Securities



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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.