

**ITC Weathered Tax Shocks with Resilient FMCG Growth; Maintain HOLD**
**Est. vs. Actual for Q4FY26: Revenue – MISS; EBITDA – BEAT; PAT – BEAT**
**Changes in Estimates post Q4FY26**
**FY27E/FY28E: Revenue: -2%/-4%; EBITDA: -1%/-2%; PAT: -2%/-2%**
**Recommendation Rationale**

- Revenue Performance:** ITC reported a 7.1% YoY decline in Q4FY26 revenue, impacted by supply chain disruptions and logistical challenges arising from the West Asia conflict. FMCG-Others remained resilient with double-digit growth of 15% YoY, while the Paperboards, Paper & Packaging segment grew 1.8% YoY. The Agri business declined 15.7% YoY due to geopolitical tensions, timing-related issues, and a high base. The Cigarette business delivered strong performance until Jan'26, supported by strategic portfolio and market interventions. However, the sharp increase in GST and excise duties effective 1<sup>st</sup> February, 2026, following the phase-out of Compensation Cess, significantly altered the taxation structure. Management, however, highlighted that the company continues to respond with agility and has undertaken multiple initiatives to strengthen its portfolio and sustain its market position.
- Margins Improved:** Gross margins expanded 939 bps YoY to 63.5%, supported by softening selective raw material costs, leading to a 7.3% YoY growth in EBITDA with margins improving 545 bps to 40.6%. However, a sharp rise in key input costs towards the end of the quarter amid the West Asia conflict remains a near-term concern.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** Considering the recent tax hikes in the cigarette business along with inflationary pressures arising from geopolitical tensions, energy shocks, and supply-side disruptions, we have revised our estimates for FY27/FY28 but remain positive on medium to long-term growth.

**Current Valuation: 21x Mar'28 EPS (Earlier Valuation: 22x Dec'27 EPS).**

**Current TP: Rs 325/share (Earlier TP: Rs 340/share).**

**Recommendation:** We maintain our **HOLD** rating on the stock with an upside potential of 6% from the CMP

**Financial Performance:** ITC reported a revenue decline of 7.1% YoY during Q4FY26, despite double-digit revenue growth in FMCG-Others (15%), while Paperboards and Paper & Packaging saw a 1.8% growth during the quarter. However, Agri Business witnessed a decline of 15.7% YoY due to the West Asia conflict. Gross Margins improved by 939 bps YoY to 63.5%, owing to softening of selected raw material prices. EBITDA grew by 7.3% YoY, and EBITDA margins improved by 545 bps to 40.6%.

**Cigarettes:** The cigarette business witnessed strong traction till Jan'26, driven by strategic portfolio interventions. However, the sharp hike in GST and excise duties from Feb'26 significantly altered the taxation structure. Consequently, the cigarette segment revenue growth of 31.7% YoY in Q4FY26 and 13.7% YoY in FY26 is not strictly comparable with the previous year.

**Outlook:** We believe ITC's long-term growth outlook remains intact. The stock is currently trading at 21x Mar'28 EPS, providing a margin of safety compared to peers.

**Key Financials (Standalone)**

(Rs Cr)	Q4FY26	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	15,819	-11.4	-7.1	17,897	-11.6
EBITDA	6,426	2.5	7.3	6,163	4.3
EBITDA Margin (%)	40.6	550 bps	545 bps	34.4	619 bps
Net Profit	5,113	0.5	4.9	4,897	4.4
EPS (Rs)	4.1	0.5	4.9	3.9	4.4

Source: Company, Axis Securities Research

 (CMP as of 21<sup>st</sup> May, 2026)

CMP (Rs)	308
Upside /Downside (%)	6%
High/Low (Rs)	444/287
Market cap (Cr)	3,85,907
Avg. daily vol. (6m) Shrs.'000	24,276
No. of shares (Cr)	1,252

**Shareholding (%)**

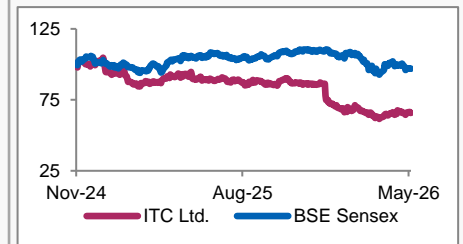
	Sep-25	Dec-25	Mar-26
Promoter	0.0	0.0	0.0
FIIs	37.4	36.1	34.8
MFs / UTI	14.3	16.2	16.8
Banks / FIIs	7.9	7.9	7.9
Others	40.5	39.9	40.6

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	71,211	72,904	75,882
EBITDA	25,208	22,204	23,298
Net Profit	20,470	18,542	19,705
EPS (Rs.)	16.3	14.8	15.7
PER (x)	18.9	20.8	19.6
EV/EBITDA (x)	14.5	16.5	15.7
P/BV (x)	5.5	5.4	5.3
ROE (%)	29.3	26.1	27.0

**Change in Estimates (%)**

Y/E Mar	FY27E	FY28E
Sales	-2%	-4%
EBITDA	-1%	-2%
PAT	-2%	-2%

**Relative Performance**


Source: Ace Equity, Axis Securities

**Results Gallery**
[Q3FY26](#)
[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
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## Other Key Highlights

### Segment Performances

- **FMCG – Others: The segment delivered a strong 15% YoY revenue growth**, driven by broad-based traction across key categories, including Staples, Biscuits, Snacks, Frozen Foods, Noodles, Dairy, Premium Personal Wash, Homecare, and Agarbattis. The Notebooks segment witnessed a smart rebound in H2 despite continued pressure from low-priced paper imports and aggressive regional competition. Growth was further supported by robust momentum in new-age channels, aided by sharp execution, strategic collaborations, format-based assortments, and category-specific sell-out initiatives. Further, EBITDA margin expanded 200 bps YoY to 11% (ex-Sresta), despite sustained trade and marketing investments. The sharp rise in input costs amid the West Asia conflict is being mitigated through focused market interventions, supply chain agility, cost optimisation, and calibrated pricing actions.
- **Cigarettes Business: The cigarette business reported a 31.7% YoY growth in net revenue during Q4FY26; however, the figures are not strictly comparable** due to the significant change in the taxation structure effective 1<sup>st</sup> February, 2026. The business delivered strong performance until Jan'26, supported by strategic portfolio and market interventions. The sharp increase in the tax incidence on cigarettes prompted the company to undertake staggered, agile pricing actions to mitigate the risk of volume shifting to illicit trade and safeguard market share. Additionally, the company has been re-architecting its product portfolio by leveraging its strong trademark portfolio. Management highlighted that the business continues to respond with agility and has implemented multiple measures in recent months to strengthen its portfolio and sustain market standing.
- **Agri Business: Agri Business revenue declined 15.7% YoY in Q4FY26**, impacted by a high base, timing differences, and geopolitical disruptions. Despite near-term challenges, structural growth drivers remain intact, supported by strengthening sourcing and processing capabilities, deep customer relationships, and new market development initiatives. The segment also continued to provide strategic sourcing support to the Branded Packaged Foods and Cigarette businesses, while the nicotine project witnessed rapid export scale-up leveraging the state-of-the-art Mysuru facility.
- **Paperboards, Paper & Packaging: The segment's revenue grew 1.8% YoY in Q4FY26**, with the paper segment witnessing gradual performance improvement. The imposition of a Minimum Import Price (MIP) on virgin multi-layer paperboard, effective from 22<sup>nd</sup> August, 2025, provided partial relief to the industry by curbing cheap imports and supporting realisations. Improved wood availability also led to moderation in input costs during Q4. The Carton Packaging business continued to witness robust growth, while sustained plantation and sourcing initiatives aided operational recovery in H2FY26. Consequently, segment PBIT grew 21% YoY and 24% QoQ in Q4FY26.

### Merger & Acquisition

- During the year, the company acquired 100% shareholding in Sresta Natural Bioproducts Private Limited, an Indian company primarily engaged in the business of manufacturing and selling organic packaged food products under the brand name '24 Mantra Organic' in the domestic as well as international markets, directly and through its two wholly owned subsidiaries abroad. Amalgamation of **Wimco Limited (Wimco) and Sresta Natural Bioproducts Private Limited (Sresta)** came into effect from respective appointed dates (Wimco: 1<sup>st</sup> April, 2025; Sresta: 13<sup>th</sup> June, 2025).
- The company has acquired an additional 1,681 equity shares of **Mother Sparsh Baby Care Private Ltd** for ~Rs 30 Cr in the second tranche, increasing its stake from 39.47% to 49.32% on a fully diluted basis. The acquisition is aligned with the company's strategy to strengthen its presence in the premium ayurvedic and natural personal care segment through Mother Sparsh's baby care and hygiene portfolio.

### Distribution & Reach

- Digitally powered eB2B platform UNNATI scaled up to cover more than 8 Lc outlets. Digitally enabled sales and Modern Trade combined now account for 34% of sales for Branded Packaged Foods, Personal Care, Agarbattis, and Safety Matches. The company further expanded rural reach via a hub-and-spoke distribution model and rural stockists.

### Key Risks to Our Estimates and TP

- Increased competitive intensity in Cigarettes.
- Inflationary Pressure.
- Urban and Rural Demand.
- Private capex revival.
- Geopolitical tensions and supply chain disruptions.

## Change in Estimates

	Old		New		% Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	74,714	78,700	72,904	75,882	-2%	-4%
EBITDA	22,416	23,724	22,204	23,298	-1%	-2%
PAT	18,829	20,040	18,542	19,705	-2%	-2%
EPS	15	16	14.8	15.7	-1%	-2%

Source: Company, Axis Securities Research

## Results Review

(Rs Cr)	Q4FY25	Q3FY26	Axis Sec Est.	Q4FY26	YoY Growth %	QoQ Growth %	Axis Sec Est. Var (%)
<b>Net sales</b>	<b>17,021</b>	<b>17,858</b>	<b>17,897</b>	<b>15,819</b>	<b>(7.1)</b>	<b>(11.4)</b>	<b>(11.6)</b>
Other Operating Income	228	160	264	231	1.50	44.95	(12.5)
<b>Gross Profits</b>	<b>9,209</b>	<b>9,732</b>	<b>9,754</b>	<b>10,044</b>	<b>9.1</b>	<b>3.22</b>	<b>3.0</b>
<b>Gross Margin (%)</b>	<b>54.1</b>	<b>54.5</b>	<b>54.5</b>	<b>63.5</b>	<b>939 bps</b>	<b>900 bps</b>	<b>900 bps</b>
Staff costs	869	903	991	922	6.05	2.16	(7.0)
Other operating expenses	2,581	2,717	2,864	2,928	13.46	7.74	2.2
<b>EBITDA</b>	<b>5,987</b>	<b>6,271</b>	<b>6,163</b>	<b>6,426</b>	<b>7.3</b>	<b>2.47</b>	<b>4.3</b>
<b>EBITDA margin (%)</b>	<b>35.2</b>	<b>35.1</b>	<b>34.4</b>	<b>40.6</b>	<b>545 bps</b>	<b>550 bps</b>	<b>619 bps</b>
Other Income	795	1,072	843	653	(17.93)	(39.10)	(22.6)
Interest	(9)	(15)	15	(24)	186.72	63.10	(261.5)
Depreciation	(356)	(369)	373	(362)	1.67	(1.84)	(197.2)
<b>PBT</b>	<b>6,417</b>	<b>6,959</b>	<b>6,618</b>	<b>6,692</b>	<b>4.28</b>	<b>(3.84)</b>	<b>1.1</b>
Tax	(1,542)	(1,596)	1,721	(1,581)	2.49	(0.98)	(191.9)
Tax rate (%)	-24.0	-22.9	26.0	-23.6	41 bps	-68 bps	
<b>Reported PAT</b>	<b>4,875</b>	<b>5,089</b>	<b>4,897</b>	<b>5,113</b>	<b>4.9</b>	<b>0.48</b>	<b>4.4</b>
<b>Reported EPS</b>	<b>3.9</b>	<b>4.1</b>	<b>3.9</b>	<b>4.1</b>	<b>4.89</b>	<b>0.48</b>	<b>4.4</b>

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY25	FY26	FY27E	FY28E
<b>Net sales</b>	<b>68,554</b>	<b>71,211</b>	<b>72,904</b>	<b>75,882</b>
Growth, %	11	4	2	4
Other operating income	772	773	858	961
Total income	69,326	71,984	73,762	76,843
Raw material expenses	(31,736)	(32,249)	(35,796)	(37,228)
Employee expenses	(3,417)	(3,629)	(3,774)	(3,850)
Other Operating Expenses	(10,146)	(10,898)	(11,987)	(12,467)
<b>EBITDA (Core)</b>	<b>24,026</b>	<b>25,208</b>	<b>22,204</b>	<b>23,298</b>
Growth, %	2	5	(12)	5
Margin, %	35	35	30	31
Depreciation	(1,442)	(1,474)	(1,337)	(1,261)
<b>EBIT</b>	<b>22,584</b>	<b>23,734</b>	<b>20,867</b>	<b>22,037</b>
Growth, %	2	5	(12)	6
Margin, %	33	33	29	29
Interest paid	(36)	(70)	(71)	(71)
Other Income	3,455	3,287	3,616	3,977
Non-recurring Items	528	(184)	-	-
<b>Pre-tax profit</b>	<b>26,530</b>	<b>26,768</b>	<b>24,412</b>	<b>25,943</b>
Tax provided	(6,437)	(6,481)	(5,871)	(6,239)
<b>Profit after tax</b>	<b>20,093</b>	<b>20,286</b>	<b>18,542</b>	<b>19,705</b>
Others (Minorities, Associates)	-	-	-	-
Unadj. shares (Cr)	1,251	1,253	1,253	1,253
Wtd avg shares (Cr)	1,251	1,253	1,253	1,253

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E Mar	FY25	FY26	FY27E	FY28E
Cash & bank	3,184	2,136	1,516	1,713
Marketable securities at cost	15,286	19,702	19,702	19,702
Debtors	3,911	2,926	2,995	3,117
Inventory	15,061	17,932	18,358	19,108
Loans & advances	9	8	8	8
Other current assets	2,305	3,441	3,441	3,441
<b>Total current assets</b>	<b>39,756</b>	<b>46,143</b>	<b>46,020</b>	<b>47,089</b>
Investments	20,701	19,409	19,409	19,409
Gross fixed assets	30,774	32,731	35,331	37,931
Less: Depreciation	(10,786)	(12,260)	(13,596)	(14,857)
Add: Capital WIP	1,071	1,554	1,554	1,554
<b>Net fixed assets</b>	<b>21,059</b>	<b>22,026</b>	<b>23,289</b>	<b>24,628</b>
Non-current assets	2,493	1,337	1,337	1,337
<b>Total assets</b>	<b>84,009</b>	<b>88,916</b>	<b>90,056</b>	<b>92,464</b>
Current liabilities	12,094	14,137	14,270	14,503
Provisions	1,253	1,335	1,341	1,353
<b>Total current liabilities</b>	<b>13,347</b>	<b>15,472</b>	<b>15,611</b>	<b>15,856</b>
Non-current liabilities	2,762	3,515	3,515	3,515
<b>Total liabilities</b>	<b>16,109</b>	<b>18,987</b>	<b>19,126</b>	<b>19,371</b>
Paid-up capital	1,251	1,253	1,253	1,253
Reserves & surplus	66,649	68,676	69,676	71,839
Shareholders' equity	67,900	69,929	70,929	73,092
<b>Total equity &amp; liabilities</b>	<b>84,009</b>	<b>88,916</b>	<b>90,056</b>	<b>92,464</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E Mar	FY25	FY26	FY27E	FY28E
Pre-tax profit	26,530	26,768	24,412	25,943
Depreciation	1,442	1,474	1,337	1,261
Chg in working capital	(3,962)	477	(357)	(627)
Total tax paid	(5,697)	(5,945)	(5,871)	(6,239)
Other operating activities	-	-	-	-
<b>Cash flow from operating activities</b>	<b>18,314</b>	<b>22,773</b>	<b>19,522</b>	<b>20,338</b>
Capital expenditure	4,329	(2,441)	(2,600)	(2,600)
Chg in investments	2,121	1,292	-	-
Chg in marketable securities	(3,369)	(4,416)	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>3,081</b>	<b>(5,564)</b>	<b>(2,600)</b>	<b>(2,600)</b>
Free cash flow	21,395	17,209	16,922	17,738
Equity raised/(repaid)	(17,581)	2,028	48,736	2,163
Debt raised/(repaid)	(2)	-	-	-
Dividend (incl. tax)	(17,163)	(17,163)	(17,541)	(17,541)
<b>Cash flow from financing activities</b>	<b>(34,746)</b>	<b>(15,135)</b>	<b>31,195</b>	<b>(15,378)</b>
Net chg in cash	(13,351)	2,075	48,117	2,360
Opening cash balance	6,218	3,184	2,136	1,516
Closing cash balance	3,184	2,136	1,516	1,713

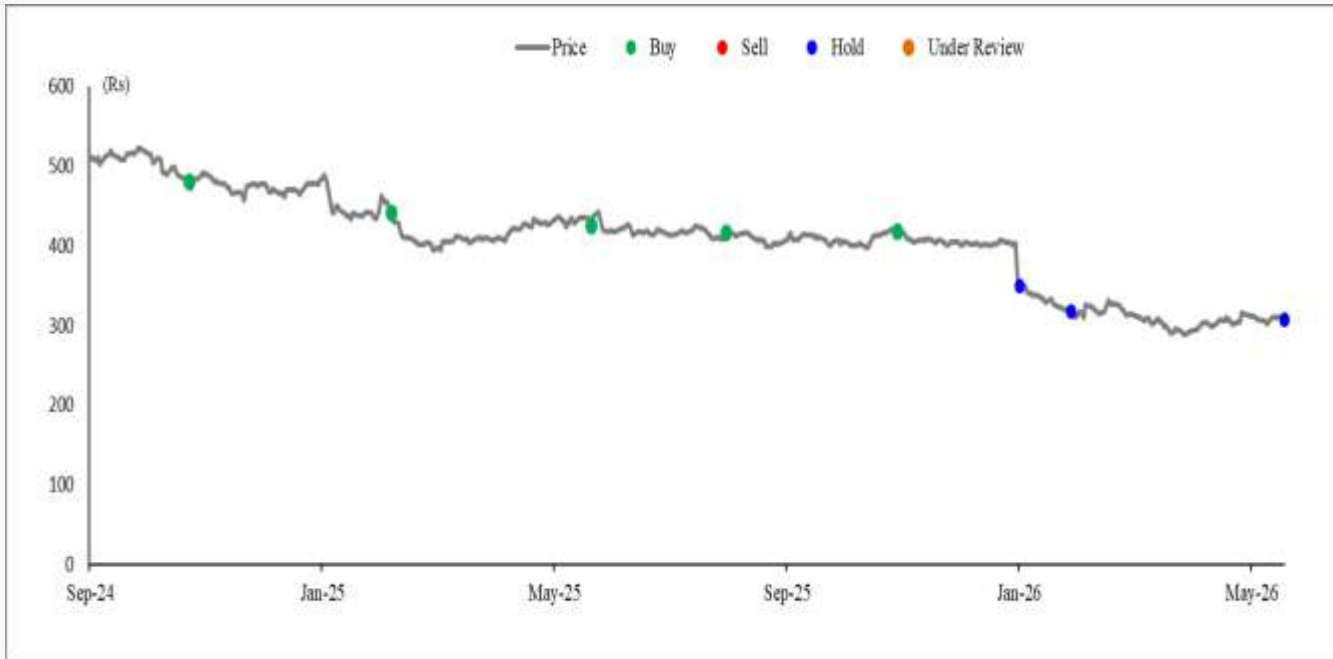
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

	FY25	FY26	FY27E	FY28E
<b>Per Share data</b>				
EPS (Rs)	15.6	16.3	14.8	15.7
Growth, %	(2.0)	4.5	(9.4)	6.3
Book NAV/share (Rs)	54.3	55.8	56.6	58.3
FDEPS (Rs)	15.6	16.3	14.8	15.7
CEPS (Rs)	16.4	17.7	15.9	16.7
CFPS (Rs)	12.6	13.0	12.7	13.1
DPS (Rs)	13.7	13.7	14.0	14.0
<b>Return ratios</b>				
Return on assets (%)	23.5	23.5	20.8	21.7
Return on equity (%)	28.8	29.3	26.1	27.0
Return on capital employed (%)	27.6	28.2	25.1	26.1
<b>Turnover ratios</b>				
Asset turnover (x)	2.2	2.2	2.1	2.1
Sales/Total assets (x)	0.8	0.8	0.8	0.8
Sales/Net FA (x)	2.9	3.3	3.2	3.2
Working capital/Sales (x)	0.1	0.1	0.1	0.1
Receivable days	20.8	15.0	15.0	15.0
Inventory days	80.2	91.9	91.9	91.9
Payable days	36.2	41.1	38.2	38.3
Working capital days	43.5	46.7	47.5	48.7
<b>Liquidity ratios</b>				
Current ratio (x)	3.0	3.0	3.0	3.0
Quick ratio (x)	1.9	1.9	1.8	1.8
<b>Valuation</b>				
PER (x)	19.7	18.9	20.8	19.6
PEG (x) YoY growth	(10.0)	4.2	(2.2)	3.1
Price/Book (x)	5.7	5.5	5.4	5.3
EV/Net sales (x)	5.4	5.1	5.0	4.8
EV/EBITDA (x)	15.3	14.5	16.5	15.7
EV/EBIT (x)	16.2	15.4	17.6	16.6

Source: Company, Axis Securities Research

## ITC Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
24-Oct-24	BUY	550	Result Update
07-Feb-25	BUY	510	Result Update
23-May-25	BUY	500	Result Update
04-Aug-25	BUY	490	Result Update
31-Oct-25	BUY	480	Result Update
05-Jan-26	HOLD	380	Company Update
30-Jan-26	HOLD	340	Result Update
22-May-26	HOLD	325	Result Update

Source: Axis Securities Research

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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 a 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, valuations or recommendations for the stock.

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