DEVEN CHOKSEY RESEARCH

ITC Ltd. Q2FY26

Result update

06th Nov 2025

ITC Ltd.

Subdued quarter; margins and agri drag offset steady FMCG growth.

CMP	Target	Potential Upside	Market Cap (INR Bn)	Recommendation	Sector
INR 409	**INR 486**	**18.8%**	**5,121**	**BUY**	**Consumer**

Result highlights

ITC's Q2FY26 performance came in below our expectations, with revenue declining 8.5% QoQ (-1.6% YoY) to INR 2,10,475 Mn, mainly impacted by seasonal moderation in agri-business revenues and higher intersegment adjustments

Revenue: Consolidated net revenue from operations (excl. excise duty) declined 2.4% YoY (-9.3% QoQ) to INR 1,95,016 Mn, led by a steep 30.3% YoY drop in Agri Business, while Cigarettes grew 6.0% YoY and the FMCG–Others segment sustained healthy growth of 8.5% YoY.

Margin and Profitability: EBITDA fell 20.4% YoY (-28.1% QoQ) to INR 66,947 Mn, with margins compressing by 772 bps YoY to 34.3%, reflecting higher input costs, subdued volumes, and weak operating leverage. Adjusted PAT came in at INR 51,261 Mn, down 25.1% YoY (-33.7% QoQ), below our expectations due to broad-based margin pressure and lower other income.

Segmental trends: The Cigarette segment grew 6.0% YoY, supported by mid-single-digit volume gains and market share recovery from illicit trade, aided by a stable tax regime. Premium and differentiated offerings continued to perform well, though elevated tobacco leaf costs weighed on profitability, leading to an EBITDA margin contraction of 187 bps YoY. Management expects easing procurement prices to support margin recovery in H2FY26E.

The FMCG–Others segment grew 8.5% YoY (ex-Notebooks), driven by strong traction across staples (Aashirvaad), biscuits (Sunfeast), dairy, and personal care (Fiama, Savlon). Homecare (Nimyle) and Agarbattis (Mangaldeep) continued steady performance, while beverages were impacted by unseasonal rainfall. Segment margins improved +50 bps QoQ but contracted YoY amid elevated commodity prices (edible oil, wheat, and cocoa).

The Agri Business saw a sharp 30.3% YoY decline due to timing differences in exports and a high base, though leaf tobacco maintained steady growth. Management expects recovery from H2FY26 as export call-offs normalize.

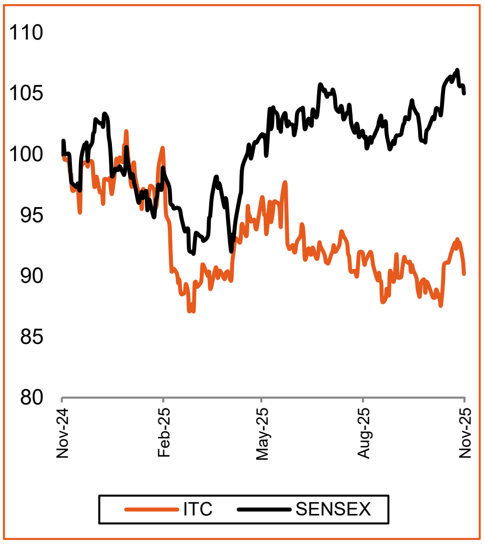
The Paperboards, Paper & Packaging segment delivered 5.0% YoY growth, led by improved volumes and sequential margin recovery (+90 bps QoQ). However, the operating environment remains challenging due to low-priced imports and high wood costs. Structural cost initiatives and sustainability-led packaging growth are expected to support medium-term performance.

Valuation: Resilient cigarette volumes, steady FMCG growth, and expected margin recovery from easing input costs underpin our positive outlook.

We value ITC based on SOTP valuation methodology, with Cigarette business at 13.0x FY27E EV/EBITDA, Agri. Business at 8.0x FY27E EV/EBITDA, Paper business at 4.5x FY27E EV/EBITDA, FMCG at 8.0x FY27E EV/Revenue, and its stake in ITC Hotels at INR 12.0 per share (reflecting a 20.0% hold-co discount), implying a target price of INR 486.

We reiterate our "BUY" rating on ITC stock, backed by resilient core performance and improving margin outlook.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	12,527
Mkt Cap (INR Bn)	5,121
52 Week H/L (INR)	493/390

*Based on the previous closing
Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	0.0	0.0	0.0
FIIs	37.4	38.0	39.9
DIIs	47.5	46.9	45.2
Others	15.1	15.1	14.9
Total	100.0	100.0	100.0

9.3%
Revenue CAGR between FY25-FY27E

8.0%
PAT CAGR between FY25-FY27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	6,79,319	7,53,233	8,11,034	8,99,206	9,79,050
EBITDA	2,52,498	2,59,782	2,79,496	3,06,415	3,33,869
EBITDA Margin	37.2%	34.5%	34.5%	34.1%	34.1%
PAT (cont. operation)	1,98,982	1,97,306	2,10,358	2,30,188	2,49,135
PAT Margin (cont. operation)	29.3%	26.2%	25.9%	25.6%	25.4%
EPS (cont. operation)	15.9	15.8	16.8	18.4	19.9

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

Phone: +91-22-6696 5555
www.devenchoksey.com

ITC Ltd.

Key Press Release Highlights:

FMCG – Cigarettes

- Cigarette segment revenue grew 6.0% YoY (-1.5% QoQ) to INR 94,143 Mn, supported by mid-single-digit volume growth and favorable mix from premium and differentiated offerings. A stable tax regime and continued enforcement against illicit trade aided market share gains.
- However, elevated tobacco leaf costs from previous crop cycles weighed on margins, leading to an estimated 190–200 bps YoY EBIT margin contraction.
- Management expects moderation in procurement prices during H2FY26E to support recovery in profitability and sustain competitive trade interventions.

FMCG – Others

- The FMCG–Others segment delivered 8.5% YoY growth (+4.5% QoQ) to INR 60,591 Mn, led by strong traction in staples (Aashirvaad), dairy (Svasti), premium personal care (Fiama, Savlon), and homecare (Nimyle, Mangaldeep).
- Digital-first and organic brands (Yogabar, Mother Sparsh, Prasuma, 24 Mantra) continued scaling, achieving an annualized revenue run rate (ARR) of ~INR 11,000 Mn.
- E-commerce, modern trade, and quick-commerce channels sustained strong double-digit growth through sharper assortment and channel-led execution.
- Segment EBITDA margin improved +50 bps QoQ but contracted ~180 bps YoY due to elevated input inflation in key commodities such as edible oil, wheat, and cocoa.
- Management continues to invest in brand building and cost optimization to strengthen long-term profitability.

Agri business

- The Agri business reported a sharp 30.3% YoY decline (-58.5% QoQ) to INR 40,378 Mn, impacted by timing differences in value-added exports and a high base effect.
- Leaf tobacco volumes remained resilient, supported by the company's crop development expertise and long-standing global relationships.
- However, subdued call-offs from overseas buyers amid US tariff uncertainty affected segment performance.
- The business remains focused on expanding value-added exports in new geographies and scaling operations in Aqua, Spices, and Coffee.
- Segment margins were modest, constrained by softer realizations and elevated input costs.

Paperboards, paper & packaging

- Revenue from the Paperboards, Paper & Packaging segment rose 5.0% YoY (+4.9% QoQ) to INR 22,203 Mn, driven by higher volumes and sequential improvement in profitability (+90 bps QoQ).
- Despite this, margins remained pressured due to low-priced imports, high wood costs, and subdued realizations.
- The company continues to accelerate structural cost optimization, expand plantation coverage, and collaborate with policymakers for safeguard measures against dumping.
- Sustainable paperboard and packaging solutions now contribute meaningfully, with the portfolio having grown 2.6x over the last four years.

Food-Tech Business

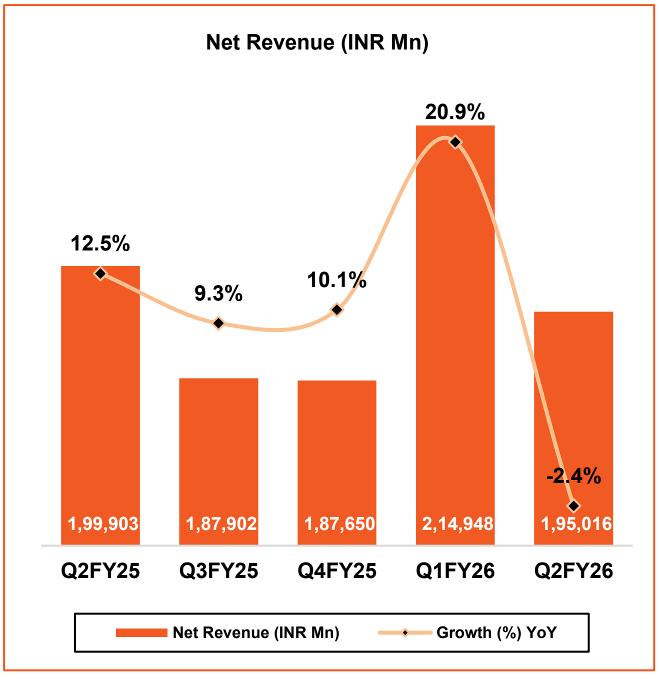
- The Food-Tech vertical under the "ITC Next" strategy continued its strong growth trajectory, with Gross Merchandise Value (GMV) surpassing INR 900 Mn in H1FY26.
- The platform operates over 60 cloud kitchens across five cities, offering curated cuisines under brands such as ITC Master Chef Creations, Aashirvaad Soul Creations, and Sunfeast Baked Creations.
- The full-stack food-tech platform has scaled up to over 60 cloud kitchens across 5 cities and is now being progressively introduced across India; 7 new Kitchens opened during the quarter.
- The business remains on track for nationwide expansion in the coming quarters, leveraging ITC's culinary and brand synergies.

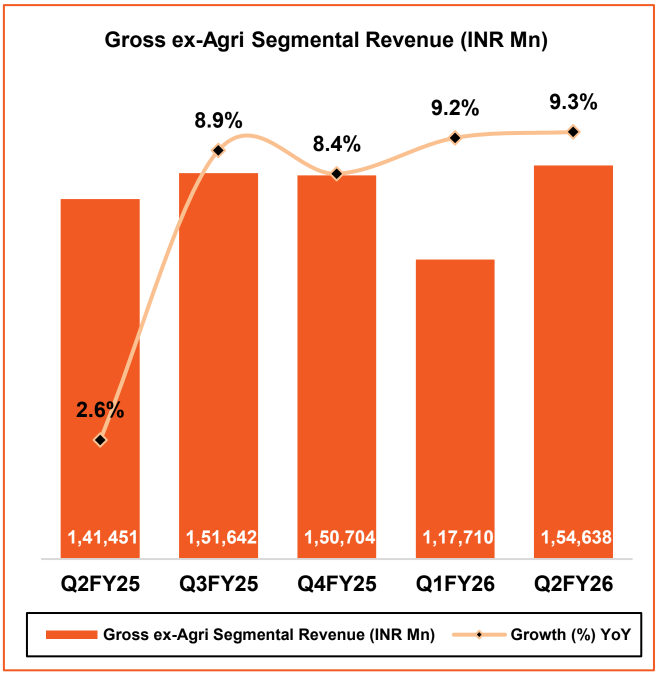
RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

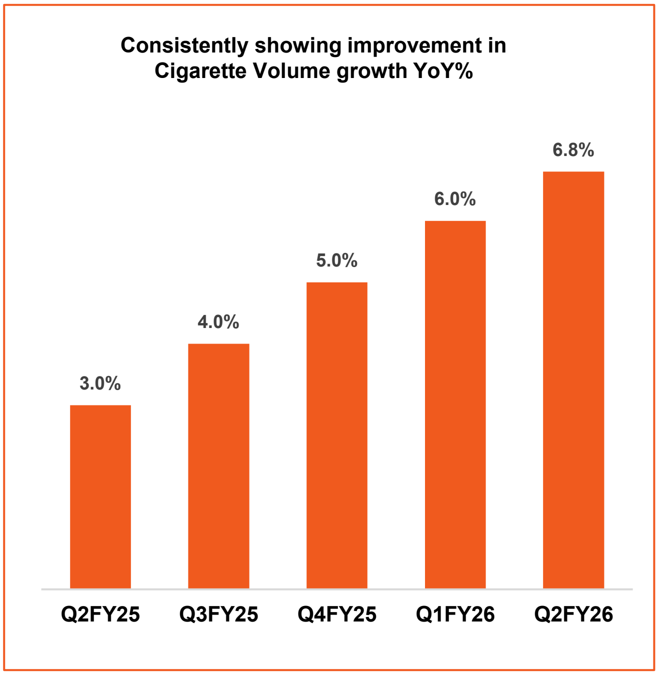
Phone: +91-22-6696 5555
www.devenchoksey.com

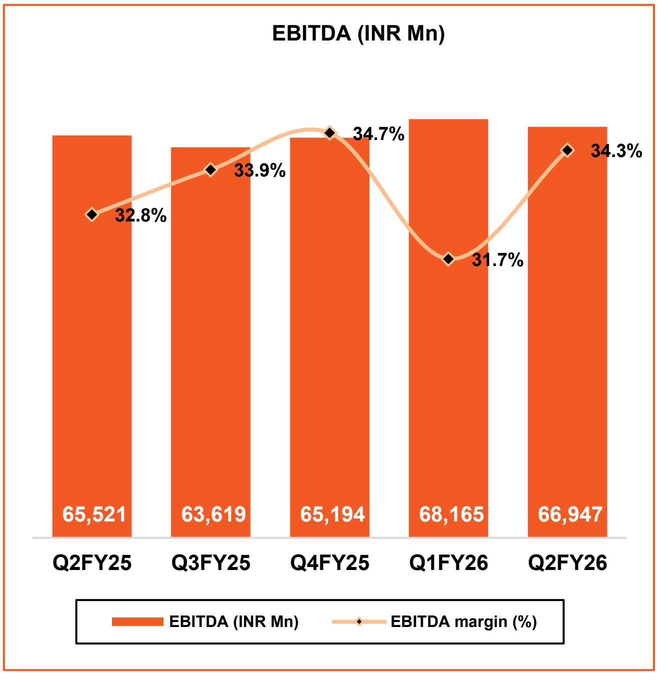
ITC Ltd.

Story In charts









Source: Company, DevenChoksey Research

RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

ITC Ltd.

Result Snapshot

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Gross Operating Revenue	**2,12,559**	**2,31,294**	**2,15,364**	**(8.1%)**	**(1.3%)**
Net sales	**1,95,016**	**2,14,948**	**1,99,903**	**(9.3%)**	**(2.4%)**
COGS	**1,28,069**	**1,21,853**	**1,15,841**	**5.1%**	**10.6%**
Employee Cost	**81,414**	**77,374**	**72,118**	**5.2%**	**12.9%**
Other Expenses	16,545	16,759	14,649	(1.3%)	12.9%
EBITDA	30,110	27,720	29,074	8.6%	3.6%
Total Expenditure	**66,947**	**93,095**	**84,063**	**(28.1%)**	**(20.4%)**
EBITDA Margins (%)	**34.3%**	**43.3%**	**42.1%**	**(898 bps)**	**(772 bps)**
Depreciation	4,348	4,230	4,162	2.8%	4.5%
EBIT	**62,599**	**88,866**	**79,901**	**(29.6%)**	**(21.7%)**
Interest Expense	201	165	147	21.7%	36.1%
Other Income	5,844	6,822	6,109	(14.3%)	(4.3%)
PBT	**68,242**	**95,523**	**85,863**	**(28.6%)**	**(20.5%)**
Exceptional Items	881	0	0	NA	NA
Tax	17,921	17,846	17,571	0.4%	2.0%
Share of Profit & MI	59	(305)	(574)	(119.4%)	(110.3%)
PAT	**51,261**	**77,372**	**67,718**	**(33.7%)**	**(24.3%)**
Profit from Discontinued operations (Demerged from ITC Hotels)	0	0	753	NA	NA
PAT (Incl. Disc. Operations)	**51,261**	**77,372**	**68,471**	**(33.7%)**	**(25.1%)**
EPS	4.1	4.2	3.9	(2.0%)	4.2%
Adj. EPS (Incl. Disc. Operations)	**4.1**	**4.2**	**4.0**	**(2.2%)**	**2.6%**

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

Phone: +91-22-6696 5555
www.devenchoksey.com

ITC Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	**7,53,233**	**8,11,034**	**8,99,206**	**9,79,050**
COGS	3,19,787	3,52,169	3,96,687	4,29,201
Gross profit	**4,33,446**	**4,58,865**	**5,02,518**	**5,49,849**
Employee cost	61,698	67,394	72,729	78,913
Other expenses	1,11,966	1,11,975	1,23,374	1,37,067
EBITDA	**2,59,782**	**2,79,496**	**3,06,415**	**3,33,869**
EBITDA Margin	34.5%	34.5%	34.1%	34.1%
D&A	16,463	17,317	17,470	19,268
EBIT	**2,43,319**	**2,62,179**	**2,88,945**	**3,14,602**
Interest expense	451	764	616	686
Other income	25,297	23,492	26,457	26,783
PBT	2,68,165	2,85,788	3,14,785	3,40,698
Tax	68,905	73,746	81,844	88,582
Minority interest	(1,954)	(1,683)	(2,754)	(2,982)
PAT (Continued operations)	1,97,306	2,10,358	2,30,188	2,49,135
PAT (Discontinued operations)	**3,47,466**	**2,10,358**	**2,30,188**	**2,49,135**
EPS (INR) (Continued operations)	15.8	16.8	18.4	19.9
EPS (Discontinued operations)	**27.8**	**16.8**	**18.4**	**19.9**

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	**1,76,270**	2,32,828	2,32,067	2,57,276
Capex	2,279	(24,682)	(27,338)	(29,730)
Dividend Paid	17,958	1,85,115	2,02,565	2,19,239
Change In Capital	**767**	**0**	**0**	**0**
Closing Cash	622	43,255	51,419	65,726
FCF	**1,78,549**	**2,08,146**	**2,04,729**	**2,27,546**

Exhibit 4: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	57.5%	56.6%	55.9%	56.2%
EBITDA Margin (%)	34.5%	34.5%	34.1%	34.1%
RoE (%)	28.2%	28.9%	30.3%	31.4%
RoCE (%)	34.5%	34.2%	36.3%	37.9%
EV/EBITDA	19.6x	18.1	16.5	15.1
PE	26.0x	24.4x	22.3x	20.6x

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	12,514	12,514	12,514	12,514
Other Equity	6,91,465	7,19,826	7,50,439	7,83,577
Total Equity	**7,03,979**	**7,32,340**	**7,62,954**	**7,96,091**
Non-Current Liabilities				
Borrowings	0	0	0	0
Lease liabilities	1,372	1,372	1,372	1,372
Other Current Liabilities	32,214	32,214	32,214	32,214
Total Non-Current Liabilities	**33,586**	**33,586**	**33,586**	**33,586**
Current Liabilities				
Borrowings	913	913	913	913
Lease liabilities	561	561	561	561
Trade Paybles	48,073	63,680	71,730	77,609
Other current liabilities	93,795	93,795	93,795	93,795
Total Current Liabilities	**1,43,341**	**1,58,948**	**1,66,998**	**1,72,877**
Total Liabilities	**1,76,927**	**1,92,534**	**2,00,584**	**2,06,463**
Non-Current Assets				
PPE	1,74,289	1,81,654	1,91,521	2,01,984
Investments	1,84,323	1,79,323	1,74,323	1,69,323
Other current assets	83,362	83,362	83,362	83,362
Total Non-Current Assets	**4,41,974**	**4,44,339**	**4,49,206**	**4,54,669**
Current Assets				
Inventories	1,56,376	1,73,672	1,95,627	2,11,661
Trade Receivables	47,197	43,471	48,149	52,362
Investments	1,64,861	1,55,861	1,54,861	1,53,861
Cash and Bank	6,200	43,231	51,396	65,702
Oher current assets	64,300	64,300	64,300	64,300
Total Current Assets	**4,38,933**	**4,80,535**	**5,14,331**	**5,47,886**
Total Assets	**8,80,907**	**9,24,874**	**9,63,538**	**10,02,555**

Source: Company, DevenChoksey Research

RESEARCH ANALYST
Yogesh Tiwari, fundamental-research1@devenchoksey.com

Phone: +91-22-6696 5555
www.devenchoksey.com

ITC Ltd.

ITC Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
06-Nov-25	409	486	BUY
01-Sept-25	410	512	BUY
26-May-25	436	486	ACCUMULATE
10-Feb-25	427	494	BUY
28-Jan-25	435	520	BUY
25-Oct-24	482	534	BUY
13-Aug-24	495	545	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I , Yogesh Tiwari (MBA), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

DRChoksey FinServ Private Limited (hereinafter referred to as DCFPL) is a registered member of SEBI as a Research Entity vides Registration No. INH000011246 under SEBI (Research Analyst) Regulations, 2014,Portfolio Managers Entity vides Registration No. INP000007906 under SEBI (PORTFOLIO MANAGERS) Regulations, 2020 & Investment Adviser Entity vides Registration No. INA000017903 under SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013.

The information and opinions in this report have been prepared by DCFPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DCFPL. While I would endeavor to update the information herein on a reasonable basis, DCFPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent DCFPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily, and such suspension is in compliance with applicable regulations and/or DCFPL policies, in circumstances where DCFPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. DCFPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. DCFPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

I submit that no material disciplinary action has been taken on DCFPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

DCFPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, **Yogesh Tiwari** Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

DCFPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

DCFPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. DCFPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DCFPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that **Yogesh Tiwari**, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DCFPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

The securities quoted are for illustration only and are not recommendatory.

DCFPL (Research Entity) and its research analysts uses Artificial Intelligence tools.

DCFPL and or its Research analysts shall be solely responsible for the security, confidentiality and integrity of the client data, use of any other information or data for research services, research services based on output of Artificial Intelligence tools and compliance with any law for the time being in force.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DCFPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restrictions.

Investment in securities are subject to market risks, read all the documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

•Please send your feedback to research.retail@devenchoksey.com

DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058

YOGESH DASHARATH TIWARI

Digitally signed by YOGESH DASHARATH TIWARI
Date: 2025.11.06 09:43:35 +05'30'