



Ashika Global Family Office Services

GLOBAL FAMILY OFFICE SERVICES | AIF | INVESTMENT BANKING |
RETAIL BROKING | CORPORATE LENDING | WEALTH MANAGEMENT |
DISTRIBUTION | STARTUP FUNDING | DEPOSITORY | TRADING

Registered Research Entity based in India

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ITC LTD.

RESEARCH REPORT



DATE	01/09/2025
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CMP	406
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TARGET	478
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POTENTIAL UPSIDE	17.7%
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OUR SCORE BASED ON THE RESEARCH	15/20
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"ENDURING VALUE"

ABOUT THE COMPANY

ITC limited is one of India's most diversified consumer companies with leadership in cigarettes and a rapidly growing FMCG business.



It also has a significant presence in agri business, paper works & packaging and information technology. The company operates 200+ manufacturing units and has a pan India distribution reach of over 7 mn retail outlets. Its transformation into a future ready enterprise is driven by its ITC next strategy focusing on premiumisation, digitalisation, sustainability and next generation agritech platforms.

VALUATION VIEWS

ITC Limited has undergone a strategic transformation into a diversified and future-ready enterprise with strong growth levers across its core businesses. Its FMCG segment continues to scale through innovation, premiumisation, and category expansion, supported by acquisitions like Prasuma, Yoga Bar, and Mother Sparsh that align with evolving consumer preferences in health, wellness, and convenience. The company's digitally integrated supply chain, under 'Mission DigiArc', enhances agility and cost efficiency, while its agri-tech platform ITCMAARS strengthens backward integration and offers monetization potential in agri-fintech. The demerger of the hotel business has sharpened ITC's focus on capital-efficient segments, allowing greater resource allocation to high-ROCE verticals like FMCG, agri exports, and packaging. Its cigarettes business

remains a stable cash generator, contributing over 80% of EBIT with robust margins and volume growth supported by regulatory stability and market share gains. The paper and packaging division is positioned for long-term growth through sustainable solutions, despite near-term margin pressure. ITC's industry-leading ESG credentials, commitment to net zero by 2050, and investments in green technologies and livelihoods reinforce its long-term resilience. Together, these factors reflect a structurally stronger, more agile organization with multiple growth engines and a clear roadmap for value creation across business cycles. We recommend our investors to BUY the scrip with target of Rs 478 from 1 year perspective. At CMP, the scrip is valued at P/E multiple of 21.5x on FY27E Bloomberg consensus EPS of Rs 19.1.

ITC LTD

Investment Rationale



ITC's FMCG business is undergoing a structural transformation toward a premiumised, innovation-led model, aligned with evolving consumer preferences in health, wellness, hygiene, and convenience. Anchored in its "Three-Horizon" growth strategy, the company continues to strengthen core categories like branded packaged foods and personal care while expanding into high-growth adjacencies through organic innovation and strategic acquisitions such as Yoga Bar, Mother Sparsh, and Prasuma. Its Life Sciences & Technology Centre (LSTC) drives IP-led product

development in biosciences, health & wellness, and sustainable, packaging creating strong differentiation. Backed by a scalable manufacturing and logistics infrastructure (ICMLs and AMLFs), ITC ensures cost-efficient distribution and product freshness. With over 25 consumer brands and a deep omni-channel presence across 70 lakh retail outlets, ITC is well-placed to capture the structural tailwinds of urbanisation, rising disposable income, and growing demand for wellness-centric and premium products. This positions the FMCG segment as a high-margin growth engine with long-term compounding potential and the ability to drive a structural growth in ITC.

FUTURE EARNINGS PROJECTIONS

In INR (Cr\$)	FY24	FY25	FY26E	FY27E
Net Sales	67,391	74,653	79,975	86,583
Growth (%)	-4.1%	10.8%	7.1%	8.3%
EBITDA	25,486	26,144	27,959	30,705
EBITDA Margin (%)	37.8%	35%	35%	35.5%
Net Profit	19,275	19,007	21,719	24,127
Net Profit Margin(%)	28.6%	25.5%	27.2%	27.9%
EPS (Rs)	15.4	15.2	17.3	19.1

Source: Bloomberg Consensus, Ace Equity

CMP	: 406
TARGET	: 478
POTENTIAL UPSIDE	: 17.7%

STOCK DATA (AS ON 01/09/2025)

NIFTY	: 24,625
52W H/L (INR)	: 495/390
MCAP (INR Crs)	: 5,09,835
Dividend Yield (%)	: 3.55%
NSE Code	: ITC
BSE Code	: 500875
ISIN	: INE154A01025
Avg 1Yr Volume	: 1,59,40,198

ABSOLUTE RETURN (%)

1 Year	: -15
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SHARE HOLDING PATTERN (AS ON JUN 25)

Government	: 0.04%
FIs	: 37.98%
DIs	: 46.91%
Public/Others	: 15.07%

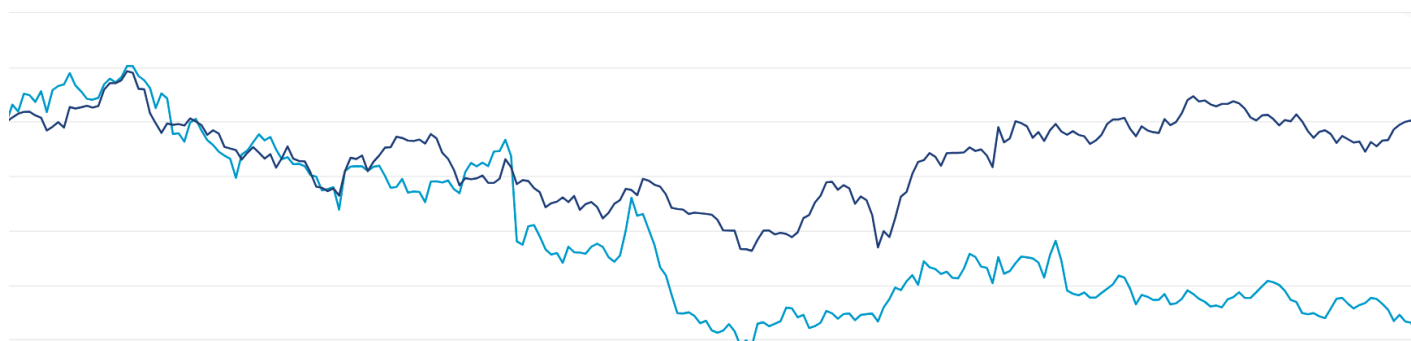
Source: Screener

FINANCIAL SUMMARY

In INR (Crs)	MAR 25	MAR 24	MAR 23
Net Revenue	75,323	67,932	70,919
YoY Growth	10.9%	-4.2%	16.9%
EBITDA	25,839	25,188	25,704
EBITDA Margin	34%	37%	36%
PAT	35,052	20,751	19,477
YoY Growth	69%	6%	25%

Source: Screener

RELATIVE STOCK PERFORMANCE 1-Y



■ ITC

■ NIFTY

Source: Trendlyne

OUR RATING PARAMETERS

Sr no	Parameter (Non Bank)	Total marks available	Marks scored
1	ROCE >10% , 15% & 20%	3	3
2	ROE >10% , 15% & 20%	3	3
3	Company is part of Nifty 500/200/50	3	3
4	How much has the stock gained from its 52 week low (5%,10%,15%)	3	3
5	Promoter Holding >51% & >60%	2	0
6	Interest coverage ratio >1	1	1
7	Debt to Equity ratio <1	1	1
8	Sales growth for past 5 years >10%	1	0
9	Profit growth for past 5 years >10%	1	0
10	How the stock is trading as compared to its 5 year valuation	1	0
11	How close is the stock trading to its 200 DMA. (if below then 1 mark)	1	1
Above 15: Compelling Buy 10-15: Accumulate/ Buy on Dips 5-10: Hold Less than 5: Sell		20	15

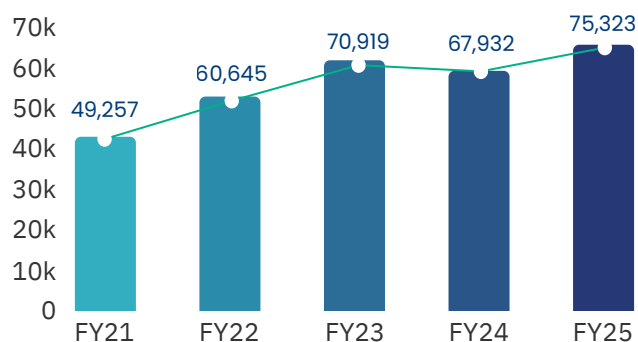
OUR RATING BASED ON RESEARCH



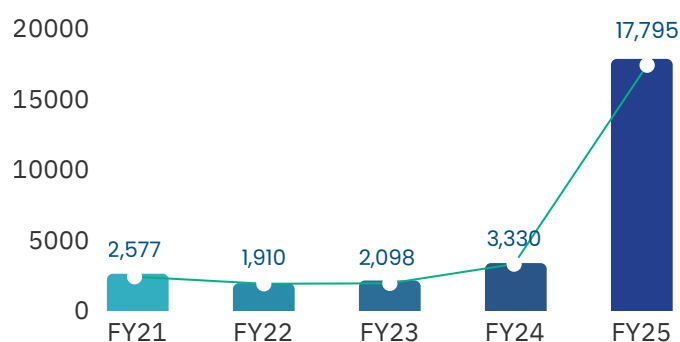
BASED ON OUR PARAMETERS,
OUR SCORE FOR ITC IS



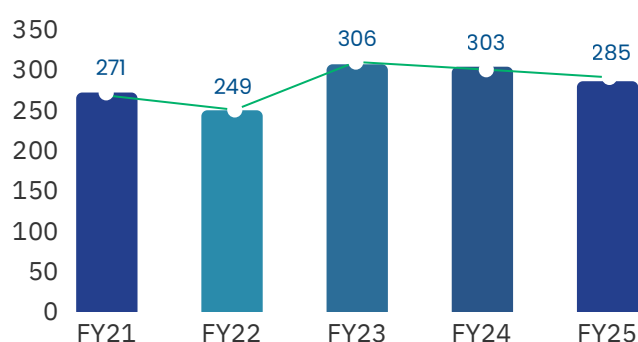
Revenue from Operations (₹ in Cr)



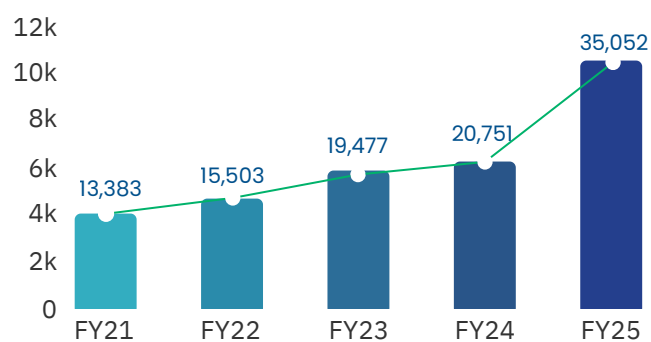
Other Income (₹ in Cr)



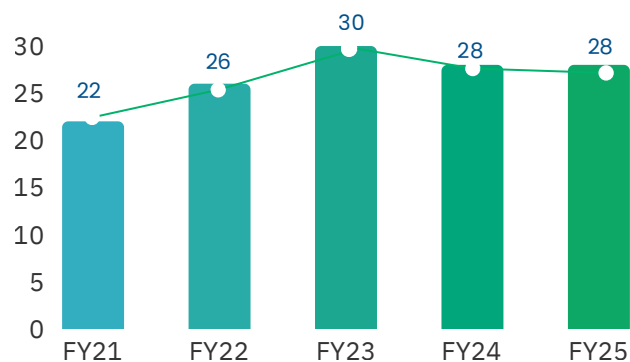
Debt (₹ in Cr)



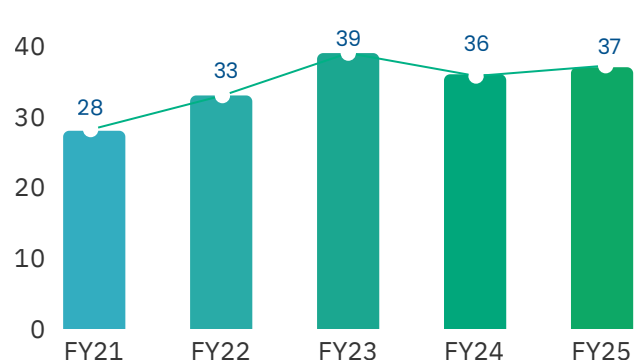
Net Profit (₹ in Cr)



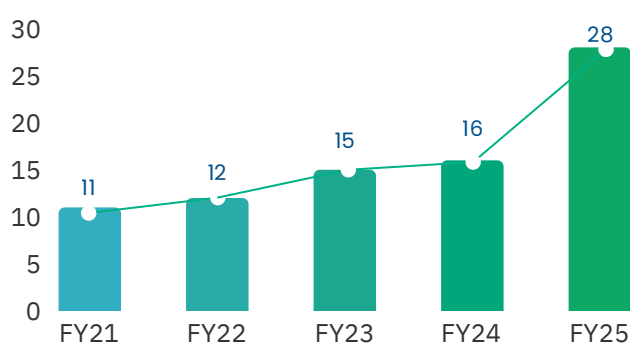
RETURN ON EQUITY (%)



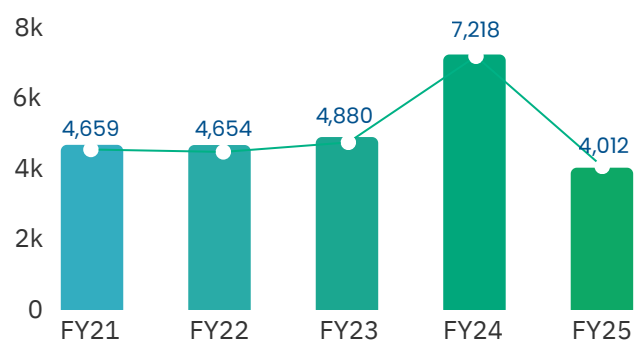
RETURN ON CAPITAL EMPLOYED (%)



Earning per Share (₹ in Cr)



Cash in Hand (₹ in Cr)



Source: Screener

INVESTMENT THESIS

DIGITALLY-DRIVEN, AGILE & RESILIENT SUPPLY CHAIN

ITC's supply chain transformation, anchored in digitalization and smart manufacturing, is a key competitive advantage that enhances both efficiency and scalability. The company's strategic investment in 'Mission DigiArc' a next-generation digital architecture integrates all elements of its value chain from sourcing and manufacturing to distribution and consumer engagement. Through advanced technologies like AI, machine learning, and Industry 4.0 tools, ITC has embedded real-time data visibility and decision-making across 250+ factories, 52 warehouses, and a retail network spanning over 70 lakh outlets. Its Integrated Consumer Goods Manufacturing & Logistics (ICML) facilities, located near demand hubs, reduce time-to-market, optimize

inventory, and improve product freshness. This not only boosts agility but also helps in lowering costs, a crucial factor in maintaining profitability in the low-margin FMCG space. Moreover, platforms like Sixth Sense and Astra AI enable live tracking of shipments, outlet-level retail analytics, and responsive trade marketing. ITC has also built a strong e-commerce and quick-commerce presence, making it adaptable to modern shopping behavior. Together, these initiatives ensure a future-proof, responsive and cost-efficient supply chain infrastructure. As competition intensifies in the consumer goods space, ITC's digitally-driven logistics backbone gives it a structural edge in execution and market responsiveness.

STRATEGIC AND VALUE ACCRETIVE ACQUISITIONS

ITC has adopted a disciplined and forward looking approach to acquisitions, targeting businesses that are synergetic with existing portfolio and offer high growth potential. Recent acquisitions include Prasuma and Meatigo (frozen and chilled food), 24 mantra organic (natural and organic food), yoga bar (healthy snacking) and Mother Sparsh (ayurvedic baby care).

These acquisitions provide a strong strategic fit with ITC's thrust on health, wellness, sustainability, and premiumisation. These sectors are experiencing accelerated customer adoption. The company is leveraging its deep distribution network, supply chain capabilities, and marketing strength to scale these acquired brands faster and more profitably than stand-alone players could.

Additionally, ITC has acquired the pulp and paper division of Century Textiles and entered into a strategic partnership with Blazeclan Technologies to enhance its IT capabilities. These inorganic moves are not only revenue accretive but also future-proof the business against evolving market dynamics.

By acquiring companies with strong positioning in niche, high-growth categories, ITC is expanding its

addressable market, improving its growth trajectory, and de-risking its reliance on legacy segments like cigarettes.

This acquisition strategy based on strategic alignment and operational synergy reflects ITC's ability to unlock value and stay relevant in a dynamic consumer landscape.

ITCMAARS – A SCALABLE, TECH-ENABLED AGRI ECOSYSTEM

ITC's agri-business is undergoing a digital transformation through its flagship initiative—ITCMAARS (MetaMarket for Advanced Agriculture and Rural Services). This unique 'phygital' platform empowers over 20 lakh farmers across 11 states by integrating physical support with digital solutions. ITCMAARS offers AI/ML-driven dynamic crop advisory, access to agri inputs, market linkages, credit facilitation, and climate-smart technologies. This not only enhances farm productivity and incomes but also ensures traceable and efficient sourcing for ITC's own agri value chains—especially in packaged foods and paperboards. The platform works closely with 2,050+ Farmer Producer Organisations (FPOs), ensuring scale, trust, and direct access to the farming community.

By building this inclusive ecosystem, ITC is de-risking raw material sourcing, promoting sustainable agriculture, and strengthening backward integration. The insights and data collected through this platform also help in demand planning, product innovation, and farmer-specific engagement. With agriculture contributing a major share to India's economy and facing rising challenges around productivity, climate resilience, and input costs, ITCMAARS positions the company as both a solutions provider and a long-term partner to rural India. This initiative not only supports ITC's food and agri businesses but also generates goodwill and regulatory alignment, making it a sustainable growth catalyst.

INDUSTRY LEADING ESG CREDENTIALS AND NET ZERO COMMITMENT

ITC's industry leadership in ESG factors is both a moral differentiator and a strategic growth enabler. The company has been carbon positive, water positive and solid waste recycling positive for over 20 years making it's a global benchmark in sustainability. Nearly 52% of ITC's energy comes from renewable sources, and is committed be net zero emissions by the year 2050. In FY25 ITC accelerated its green packaging efforts with recyclable paperboards and launched India's first state of the art moulded fiber facility to replace single use plastic. Beyond the environment ITCs social impact is profound, over 90 lakhs sustainable livelihoods supported over 20 lakhs + farmers empowered via ITC MAARS and

60 lakhs + women reached via development programs. Its green buildings, LEED zero certified hotels and platinum rated manufacturing units underline its commitment to resource efficiency and clean operations. For investors ITC's ESG excellence reduced regulatory risks lowers long term costs attracts ESG focused capital and enhances brand credibility. With global and domestic stakeholders increasingly favoring responsible businesses, ITC's well-integrated sustainability agenda reinforces its resilience and long-term value creation capability making ESG not just a compliance necessity, but a strategic lever for future growth.

KEY RISKS

- Higher taxes or stricter rules on cigarettes can reduce sales and profits in ITC's main business.
- If rural demand takes longer to improve, it could slow down growth in ITC's FMCG and agri businesses.

STRATEGIC DEMERGER OF HOTEL BUSINESS ENHANCES FOCUS AND UNLOCKS VALUE

The demerger of ITC's hotel business into a separate entity ITC hotels limited marks a pivotal strategic shift aimed at unlocking value and enhancing operational focus. By spinning off its capital intensive hospitality division, ITC has streamlined its core portfolio to focus more sharply on high growth high return businesses like FMCG, agri and paperboards. While ITC retains a 40% stake in the demerged entity, it allows the hotel business to operate with strategic and financial autonomy, better suited to its long gestation cyclical nature. The move is also aligned with ITC's capital allocation philosophy, optimizing return on invested capital (ROIC) at the parent level. From a valuation perspective, the sum-of-the-parts approach is expected to yield greater clarity and unlock hidden value for investors.

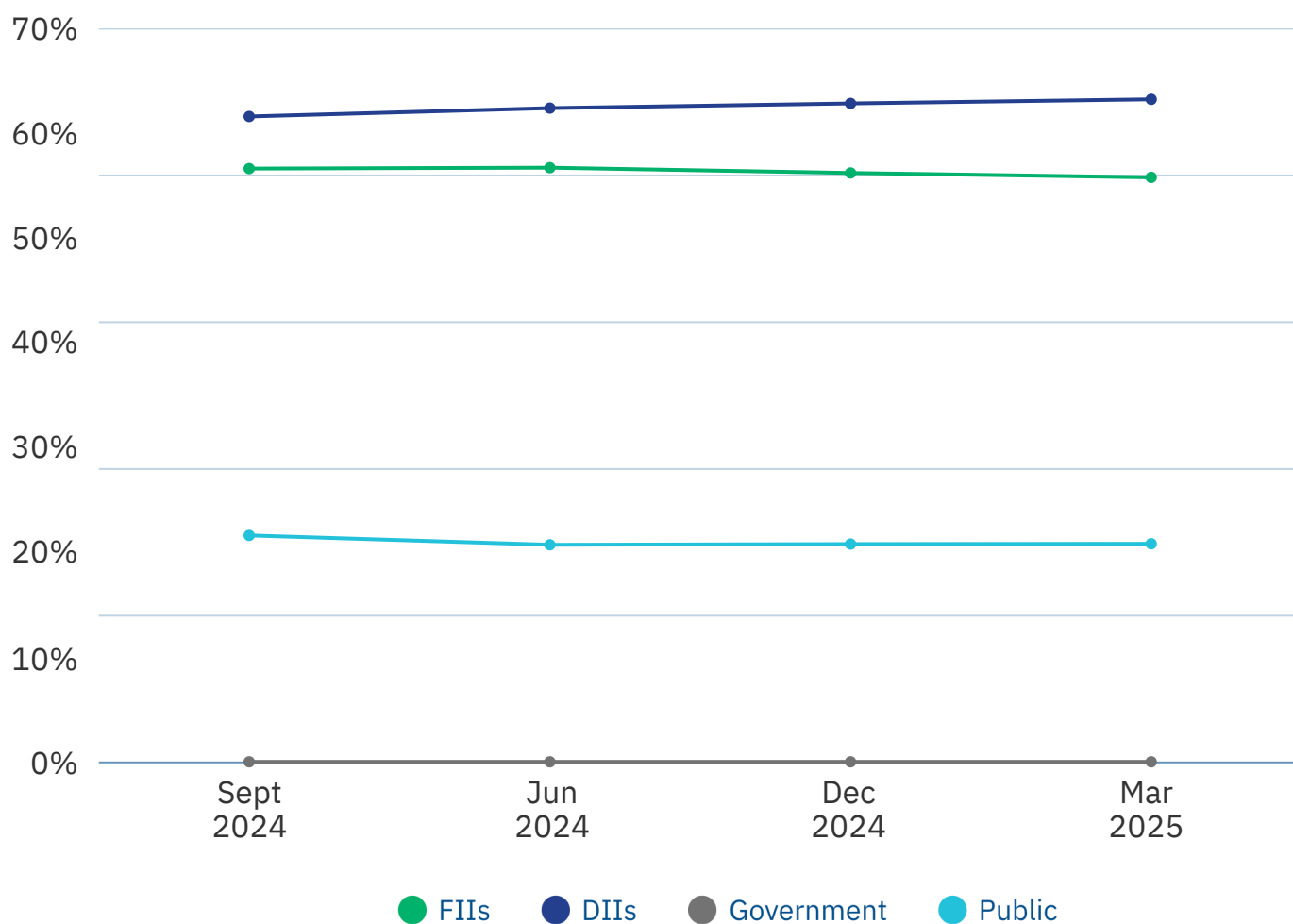
Additionally, this demerger reflects management's maturity in recognizing structural differences in business dynamics and optimizing for them. Over the long term, the separation will improve strategic flexibility, attract focused investor interest, and enhance shareholder value across both companies making it a net positive for ITC's investment case.



SHARE HOLDING PATTERN

	Jun 24	Sep 24	Dec 24	Mar 25
Government	0.04%	0.04%	0.04%	0.04%
FIIIs	40.47%	40.53%	40.17%	39.87%
DIIIs	44.02%	44.59%	44.91%	46.91%
Public	15.47%	14.83%	14.88%	15.07%

Source: Screener



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Analyst Certification

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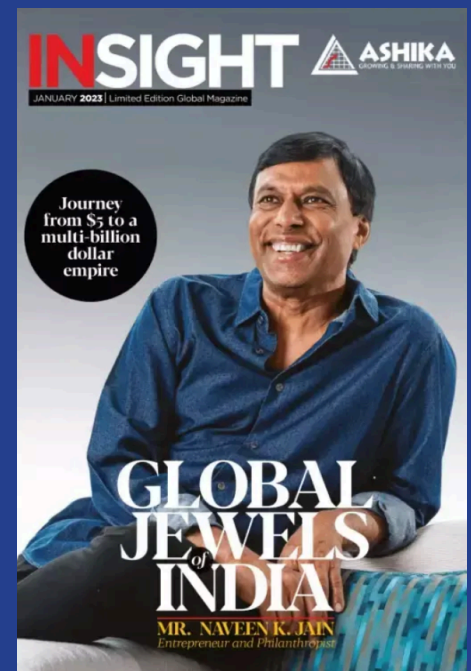
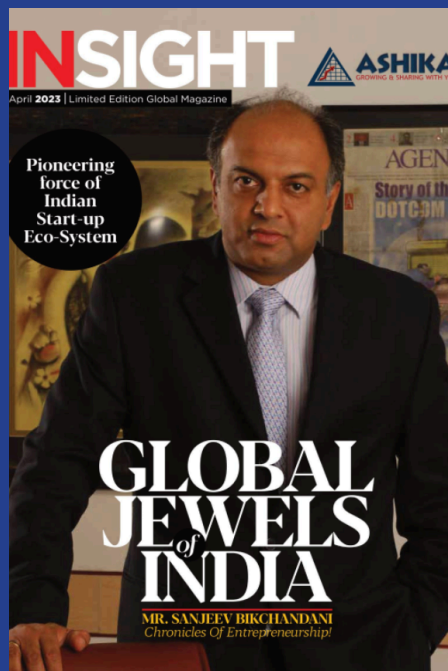
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