


**Q3FY25 Highlights**

- Gross Revenue grew 8% YoY driven by good performance Agri Business, Hotels business, and Cigarettes segments. Gross margin contracted 200bps to 57.1% YoY due to sharp rise in key input costs, including edible oil, wheat, potato, leaf tobacco, and wood.
- Employees and other expenses grew 11.1%/11.3% YoY. Net Revenue grew ~8.9% YoY to ₹18580crs. EBITDA grew 2.4% YoY to ₹6362crs. EBITDA margin contracted 230bps to 33.9% YoY. Reported PAT declined by 8.2% YoY to ₹4809crs.
- Hotels Business demerged into ITC Hotels Limited (ITCHL) with effect from 1st January 2025 and recorded it as 'Discontinued Operations' in the Q3FY25 and 9MFY25 with applicable Indian Accounting Standards.

**Highlights from Presentation**

- **FMCG Business (27% of revenue)** – The FMCG segment maintained a resilient performance despite subdued demand, with revenue increasing by 4% YoY to ₹5,428 crore. Excluding notebooks, revenue grew by 5.2% YoY. However, inflationary pressures on input costs led to a 250bps contraction in the segment's EBITDA margin, bringing it down to 8.5% YoY, while PBIT margins declined by 200 bps YoY to 5.9%.
- Atta, Spices, Snacks, Frozen Snacks, Dairy, Premium Personal Wash, Homecare & Agarbatti drive growth. Notebooks impacted by high base effect and opportunistic play by local brands led by sharp drop in paper prices.
- Severe inflationary pressures witnessed in prices of edible oil, wheat, maida, potato, cocoa, packaging inputs etc.; partially mitigated through focused cost management initiatives, calibrated pricing actions and premiumisation.
- E-Commerce, Quick Commerce, Modern Trad witnessed robust growth on the back of sharp execution of channel-specific business plans, collaborations, format-based assortments and category-specific sell-out strategies.
- **Aashirvaad' Atta** posted robust growth reinforcing its leadership position in the Branded Atta industry. 'Aashirvaad Besan' continues to witness strong traction driven by its 'smooth and lump-free batter' value proposition. Value Added variants and Staples Adjacencies continue to scale up rapidly (~1.8x over 2 years) and now comprise ~14% of Aashirvaad Staples portfolio.
- **'Sunrise'spices** delivered strong growth during the quarter and continued to strengthen its market standing in the core market of West Bengal while expanding in other adjacent markets including Northeast, Bihar and Jharkhand.
- **Sunfeast' Biscuits and Cakes** continues to strengthen its portfolio on the back of differentiated products and powerful brand propositions anchored on strong consumer connect and local insights.
- **'Sunfeast' Biscuits and Cakes** recorded resilient performance during the quarter on the back of differentiated products and powerful brand proposition.
- **'YiPPee! Noodles** sustained its position as a strong No. 2 brand amidst heightened competitive intensity. The recently launched YiPPee! Korean Noodles continued to be ramped up amidst excellent consumer feedback.
- **'Bingo! Snacks** delivered resilient performance during the quarter and continued to strengthen its product portfolio with the launch of exciting variants of snacks/hamkeens. During the quarter, the Business forayed into the Popped Chips segment with the launch of Bingo! Popped Chips in 3 differentiated variants viz. 'Sour Cream & Herbs', 'Salt n Pepper' and 'Indian Spice Mix' with '30% less fat' proposition for consumers indulging in mindful snacking.

**Important Data**

Nifty	22,929
Sensex	75,939
Close* (₹)	409.70
Market Cap (₹ cr)	5,13,011.66
52W High/Low	528.50/399.35
Shares o/s (crs)	1251.17
BSE Code	500875
NSE Code	ITC
Bloomberg Code	ITC:IN

*Close\* as on 14-Feb-25*

**Shareholding Pattern (%) – Dec'24**

FII	40.17
DII	44.91
Public & Others	14.92

**Financials**

Particulars	FY24		
	FY22	FY23	(₹Cr)
Revenues	60,645	70,919	70,881
YoY Growth	23%	17%	-0.1%
EBITDA	20,623	25,704	26,254
EBITDA Margin	34%	36%	37%
PAT	15,503	19,477	20,751
PAT Margin	25.6%	27.5%	29.3%
EPS	12.37	15.44	16.39
PE	33.1	26.6	25.0

Source: Company, Way2Wealth

**Relative performance**

Absolute Return (%)	1 Yr	3 Yr	5 Yr
ITC Ltd	7	97	111
Nifty 50	4	33	90
Sensex	5	36	91

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- **In the Dairy & Beverages category, 'Aashirvaad Svasti'** fresh dairy portfolio comprising pouch milk, curd, lassi and paneer recorded strong growth on the back of best-in-class quality, differentiated products and superior taste profile.
- **The Personal Care Product Business** delivered resilient performance during the quarter led by 'Fiana' range of Personal Wash products and 'Nimyle' range of Homecare products.
- **The Education and Stationery Products** Business continued to witness heightened competitive intensity especially from regional/local players on the back of sharp reduction in paper prices.
- **'Mangaldeep' Agarbattis and Dhoop** recorded robust growth during the quarter driven by its range of innovative & differentiated products. The Business launched several on-ground activation initiatives to enhance consumer connect on the occasion of Maha Kumbh Mela in Prayagraj, including participation in sacred rituals, hosting evening bhajans etc.
- **FMCG-Cigarettes (~42% of revenue)** – Net segment revenue and segment PBIT grew 7.8% and 4.5% YoY, respectively. The business remains focused on strategic portfolio optimization and market interventions, particularly in competitive regions and in addressing illicit trade, to drive volume-led growth and strengthen market position. While the sharp rise in leaf tobacco costs posed a challenge, it was partially offset through an enhanced product mix, calibrated pricing strategies, and disciplined cost management initiatives.
- The hotels delivered their best-ever quarterly performance, driven by robust growth in the retail, weddings, and F&B segments. Revenue saw a strong 14.6% YoY increase despite a high base, while PBT surged 43.4% YoY. EBITDA margin expanded by 450 bps YoY, supported by higher RevPAR, operational leverage, and strategic cost management.
- **PAPERBOARDS, PAPER & PACKAGING (10% of revenue)** – segment revenue grew 3.1% YoY to ₹2145crs driven by strong growth in exports. PBIT declined 33% YoY to ₹197crs. The Business continued its sharp focus on portfolio augmentation, export customer/market development and structural cost management to mitigate near term challenges. Near term challenges continue to be mitigated through sharp focus on portfolio augmentation, export customer/market development & structural cost management interventions.
- **Agri-Business (17% of revenue)** – saw robust revenue growth of 10.8% YoY led by leaf tobacco & value added agri products; Segment PBIT witnessed robust uptick - up 21.6% YoY. Strong customer relationships and agile execution continue to drive growth in Leaf Tobacco & Value Added Agri exports (Coffee, Spices, etc.)
- The Company's wholly owned subsidiary, ITC IndiVision Limited, is progressively scaling up its state-of-the-art facility for manufacturing and exporting Nicotine and Nicotine derivative products, ensuring compliance with US and EU pharmacopoeia standards.

## Risk

- Inflationary raw material prices

## VIEW

ITC Ltd has reported decent performance across segments in Q3FY25 while higher inflation and lack of price hikes impacted margin. We believe long term growth strategy intact for ITC coupled with capital efficiency and rural recovery to lift operating performance.

ITC continues to expand the distribution network and increase penetration. We remain positive on the growth prospects of the company.

**At the current price, ITC is trading at a P/E multiple of 25.5x TTM earnings. We advise investors to ADD the stock.**

**Consolidated Quarterly Financials**

(₹ Crs)

Particulars	Q3FY25	Q3FY24	VAR [%]	Q2FY25	VAR [%]	9MFY25	9MFY24	VAR [%]
Net Sales (Net of Excise Duty)	18,580.4	17,054.9	8.9%	19,841.1	-6.4%	56,088.3	50,502.3	11.1%
Other Operating Income	209.8	140.4	49.5%	149.2	40.6%	470.1	391.8	20.0%
Other Income	595.9	648.3	-8.1%	610.9	-2.5%	1,889.4	2,009.8	-6.0%
<b>TOTAL INCOME</b>	<b>19,386.0</b>	<b>17,843.5</b>	<b>8.6%</b>	<b>20,601.2</b>	<b>-5.9%</b>	<b>58,447.8</b>	<b>52,903.9</b>	<b>10.5%</b>
Cost Of Materials Consumed	6,016.0	5,593.1	7.6%	6,122.8	-1.7%	17,537.6	15,879.7	10.4%
Purchase of stock in trade	2,369.4	1,578.2	50.1%	1,585.5	49.4%	7,062.3	4,685.5	50.7%
Stock Adjustment	(421.9)	(201.6)	109.3%	1,357.7	-131.1%	(358.6)	(96.1)	273.2%
<i>RMC as a %age of sales</i>	42.4%	40.5%		45.4%		42.9%	40.2%	
Employee Benefit Expenses	1,590.5	1,431.8	11.1%	1,464.9	8.6%	4,572.9	4,150.5	10.2%
<i>EPC as a %age of sales</i>	8.5%	8.3%		7.3%		8.1%	8.2%	
Advertisement & Promotion			-		-	0.0	0.0	-
<i>Advertisement Expenses as a %age of sales</i>	0.0%	0.0%		0.0%		0.0%	0.0%	
Other Expenses	2,874.2	2,583.5	11.3%	2,907.4	-1.1%	8,285.3	7,327.0	13.1%
<i>Other Expenses as a %age of sales</i>	15.3%	15.0%		14.5%		14.6%	14.4%	
<b>TOTAL EXPENDITURE</b>	<b>12,428.3</b>	<b>10,985.0</b>	<b>13.1%</b>	<b>13,438.3</b>	<b>-7.5%</b>	<b>37,099.5</b>	<b>31,946.5</b>	<b>16.1%</b>
<b>EBIDTA</b>	<b>6,361.9</b>	<b>6,210.2</b>	<b>2.4%</b>	<b>6,552.1</b>	<b>-2.9%</b>	<b>19,458.8</b>	<b>18,947.6</b>	<b>2.7%</b>
<i>EBIDTA Margins %</i>	<b>33.9%</b>	<b>36.1%</b>	<b>-2.3%</b>	<b>32.8%</b>		<b>34.4%</b>	<b>37.2%</b>	
Finance Costs	9.8	11.9	-17.8%	14.7	-33.3%	34.2	28.4	20.3%
<b>PBDT</b>	<b>6,947.9</b>	<b>6,846.6</b>	<b>1.5%</b>	<b>7,148.2</b>	<b>-2.8%</b>	<b>21,314.1</b>	<b>20,929.0</b>	<b>1.8%</b>
Depreciation	416.0	384.0	8.3%	416.2	0.0%	1,235.3	1,133.0	9.0%
<b>PBT before exceptional items</b>	<b>6,532.0</b>	<b>6,462.5</b>	<b>1.1%</b>	<b>6,732.0</b>	<b>-3.0%</b>	<b>20,078.8</b>	<b>19,796.0</b>	<b>1.4%</b>
Share of Profit/(loss) of JV	4.1	3.0		4.2		12.0	14.6	
<b>PBT</b>	<b>6,536.1</b>	<b>6,465.6</b>	<b>1.1%</b>	<b>6,736.2</b>	<b>-3.0%</b>	<b>20,090.8</b>	<b>19,810.6</b>	<b>1.4%</b>
Tax	1,726.3	1,228.0	40.6%	1,757.1	-1.7%	5,209.6	4,625.9	12.6%
<i>Tax Rate</i>	26.4%	19.0%		26.1%		25.9%	23.4%	
<b>Reported Profit After Tax</b>	<b>4,809.7</b>	<b>5,237.6</b>	<b>-8.2%</b>	<b>4,979.1</b>	<b>-3.4%</b>	<b>14,881.2</b>	<b>15,184.7</b>	<b>-2.0%</b>
<i>PATM %</i>	<b>25.6%</b>	<b>30.5%</b>		<b>24.9%</b>		<b>26.3%</b>	<b>29.8%</b>	
Extra-ordinary Items	203.4	166.9	21.9%	75.3	170.2%	383.4	376.0	2.0%
<b>Adjusted Profit After Extra-ordinary item</b>	<b>5,013.2</b>	<b>5,404.5</b>	<b>-7.2%</b>	<b>5,054.4</b>	<b>-0.8%</b>	<b>15,264.6</b>	<b>15,560.7</b>	<b>-1.9%</b>
Other Comprehensive Income (Net of tax)- net credit / (charge)	423.1	299.0		(412.5)		(223.3)	933.1	
<b>Total Comprehensive Income</b>	<b>5,436.3</b>	<b>5,703.5</b>	<b>-4.7%</b>	<b>4,642.0</b>	<b>17.1%</b>	<b>15,041.3</b>	<b>16,493.8</b>	<b>-8.8%</b>
<b>EPS</b>	<b>3.84</b>	<b>4.19</b>	<b>-8.2%</b>	<b>3.99</b>	<b>-3.7%</b>	<b>11.89</b>	<b>12.17</b>	<b>-2.3%</b>
Equity	1,251.2	1,250.8		1,247.6		1,251.2	1,247.6	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2Wealth

**Consolidated Segmental Financials**

(₹ Crs)

Particulars	Q3FY25	Q3FY24	VAR [%]	Q2FY25	VAR [%]	9MFY25	9MFY24	VAR [%]
<b>Segment Revenue</b>								
FMCG: Cigarettes	8944.83	8295.18	7.8%	8877.86	0.8%	26664.91	24979.05	6.7%
	<i>Mix</i>	<i>42%</i>	<i>42%</i>	<i>38%</i>		<i>39%</i>	<i>40%</i>	
FMCG: Others	5427.7	5218.25	4.0%	5585.29	-2.8%	16511.79	15694.21	5.2%
	<i>Mix</i>	<i>27%</i>	<i>28%</i>	<i>26%</i>		<i>27%</i>	<i>29%</i>	
<b>Total FMCG</b>	<b>14372.53</b>	<b>13513.43</b>		<b>14463.15</b>	-0.6%	<b>43176.7</b>	<b>40673.26</b>	
Hotel			-	0	-			-
	<i>Mix</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>		<i>0%</i>	<i>0%</i>	
Agri Business	3626.01	3273.23	10.8%	5845.25	-38.0%	16469.15	12988	26.8%
	<i>Mix</i>	<i>17%</i>	<i>16%</i>	<i>25%</i>		<i>24%</i>	<i>21%</i>	
Paperboards, Paper & Packaging	2144.86	2080.9	3.1%	2114.18	1.5%	6235.89	6271.55	-0.6%
	<i>Mix</i>	<i>10%</i>	<i>10%</i>	<i>9%</i>		<i>9%</i>	<i>10%</i>	
Others	1121.33	981.4	14.3%	1031.94	8.7%	3123.12	2756.14	13.3%
	<i>Mix</i>	<i>5%</i>	<i>5%</i>	<i>4%</i>		<i>5%</i>	<i>4%</i>	
<b>Total</b>	<b>21264.73</b>	<b>19848.96</b>	<b>7.1%</b>	<b>23454.52</b>	<b>-9.3%</b>	<b>69004.86</b>	<b>62688.95</b>	<b>10.1%</b>
Less: Intersegment revenue	1124.58	1328.97	-15.4%	2067.37	-45.6%	8238.51	7750.94	6.3%
<b>Gross Revenue from sale of products and services</b>	<b>20140.15</b>	<b>18519.99</b>	<b>8.7%</b>	<b>21387.15</b>	<b>-5.8%</b>	<b>60766.35</b>	<b>54938.01</b>	<b>10.6%</b>
<b>PBIT</b>								
FMCG: Cigarettes	5191.43	4966.57	4.5%	5242.29	-1.0%	15688.78	14913.47	5.2%
	<i>Margin</i>	<i>58%</i>	<i>60%</i>	<i>59%</i>		<i>59%</i>	<i>60%</i>	
FMCG: Others	320.64	433.8	-26.1%	444.24	-27.8%	1244.05	1310.07	-5.0%
	<i>Margin</i>	<i>5.9%</i>	<i>8.3%</i>	<i>8.0%</i>		<i>7.5%</i>	<i>8.3%</i>	
<b>Total FMCG</b>	<b>5512.07</b>	<b>5400.37</b>	<b>2.1%</b>	<b>5686.53</b>	<b>-3.1%</b>	<b>16932.83</b>	<b>16223.54</b>	<b>4.4%</b>
Hotel			-	116.67	-100.0%	0	0	-
	<i>Margin</i>	<i>-</i>	<i>-</i>	<i>-</i>		<i>-</i>	<i>-</i>	
Agri Business	496.15	380.66	30.3%	446.84	11.0%	1287.59	1091.81	17.9%
	<i>Margin</i>	<i>14%</i>	<i>12%</i>	<i>8%</i>		<i>8%</i>	<i>8%</i>	
Paperboards, Paper & Packaging	197.09	295.22	-33.2%	234.91	-16.1%	688.15	1081.28	-36.4%
	<i>Margin</i>	<i>9%</i>	<i>14%</i>	<i>11%</i>		<i>11%</i>	<i>17%</i>	
Others	138.4	188.79	-26.7%	194.29	-28.8%	466.11	439.62	6.0%
	<i>Margin</i>	<i>12%</i>	<i>19%</i>	<i>19%</i>		<i>15%</i>	<i>16%</i>	
<b>Total</b>	<b>6343.71</b>	<b>6265.04</b>	<b>1.3%</b>	<b>6562.57</b>	<b>-3.3%</b>	<b>19374.68</b>	<b>18836.25</b>	<b>2.9%</b>
Less: Finance Cost	9.82	11.94		14.73	-33.3%	34.15	28.39	
Other un-allocable (income) net of unallotted exp	-198.07	-209.43		-184.2	7.5%	-738.28	-988.18	
Add: Share of Profit/ (Loss) of associates & JV	4.1	3.04		4.15		12.01	14.55	
<b>Profit Before Tax</b>	<b>6536.06</b>	<b>6465.57</b>	<b>1.1%</b>	<b>6736.19</b>	<b>-3.0%</b>	<b>20090.82</b>	<b>19810.59</b>	<b>1.4%</b>

Source: Company, Way2Wealth

**Previous Coverage**

Previous Coverage	Date	Report Price (₹)	Buy Range (₹)	Target Price (₹)
Quick Insight	05-June-23	443.00	425 – 445	520 – 540
Q1FY24	17-Aug-23	449.00		
Q2FY24	25-Oct-23	436.00		
Q3FY24	31-Jan-23	438.25		
Q4FY24	31-May-24	424.00		
Q1FY25	06-Aug-24	486.00		
Q2FY25	29-Oct-24	484.00		

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**Disclosure of Interest Statement: ITC Ltd. as on 17 February 2025**

Name of the Security	ITC Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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