

# ITC Ltd

*The Transition from Dependence to Diversification*



**Reco****BUY**

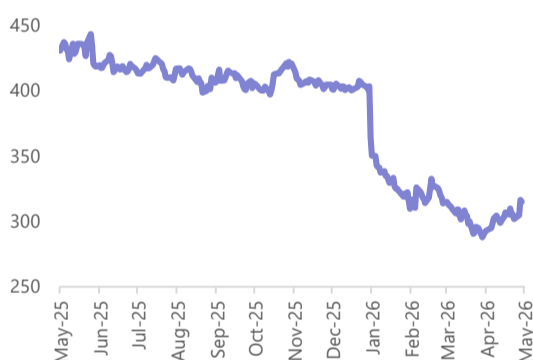
Industry	FMCG
LTP (Apr 30, 2026)	314.9
Entry Range	310-320
Add on Dips	280-290
Base Case Target	342
Bull Case Target	370
Time Horizon	4 Quarters

**Stock Info**

BSE Code	500875
NSE Code	ITC
Bloomberg	ITC:IN
Equity Capital (Rs Cr)	1252.1
Face Value (Rs)	1
Equity Share O/S (Cr)	1252.4
Market Cap (Rs Cr)	3,94,929
Book Value (Rs)	56.7
Avg. 52 Wk Volumes ('000)	19177
52 Week High	444
52 Week Low	287

**Share Holding Pattern (%) (Dec'25)**

Promoters	34.8
Institutions	49.2
Non-Institutions	16.0
Total	100.0

**One Year Price Chart**

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst****Darshil Shah**[darshil.shah@hdfcsec.com](mailto:darshil.shah@hdfcsec.com)**Near-term tax impact, long-term growth intact**

FY26 of ITC Ltd (ITC) has unfolded as a year of steady execution rather than breakout performance, with the company continuing to lean on its core strengths while gradually deepening its diversification play. ITC entered FY26 riding a wave of a rather strong cycle of growth in cigarette volumes (mid-to-high single digits) and a recovering FMCG (non-cigarettes) business, which was approaching double-digit EBITDA margin on the back of strong execution capabilities. However, on December 31, 2025, the government notified a sweeping restructuring of cigarette taxation effective February 1, 2026, replacing the erstwhile compensation cess with a new basic excise duty ranging from Rs 2,050 to Rs 8,500 per 1,000 sticks alongside a GST rate increase to 40%, implying an aggregate tax hike of 30–40% depending on the format, resulting in ~30% correction in the stock price from recent highs.

The market's punitive reaction ignores three key facts. (1) ITC has navigated severe tax shocks before. As an example, the FY13–FY17 period saw duty CAGRs of ~16%, and while volumes compressed temporarily, the company consistently passed through price increases and maintained its ~75–80% organised market share. (2) The cigarette business, even in a volume-compressed environment, has generated extraordinary free cash flows that fund ITC's diversification engine. (3) ITC's FMCG portfolio has continued to scale meaningfully, with foods, personal care, and home care segments driving consistent double-digit growth. This segment has increasingly reflected the company's long-term strategy: building a broad, branded consumer franchise that can eventually reduce dependence on cigarettes, even as margins here are still catching up.

We believe investors can buy the stock in the Rs 310–320 band (17.0x FY28E EPS) and add on dips in Rs 280–290 band (15.5x FY28E EPS) for a base case fair value of Rs 342 (18.5x FY28E EPS) and bull case fair value of Rs 370 (20.0x FY28E EPS) over the next 4 quarters.

**Our Take****Cigarettes Volume Recovery Remains Key Post Tax Shock Absorption**

With ~75–80% market share, ITC has a near monopolistic command over the organised cigarettes market in India. The company has created a stronghold in the premium end of cigarettes, backed by strong distribution, allowing it to wield a strong pricing power. The company reported strong 7.4% YoY growth in the Cigarettes segment in 9MFY26, driven by mid-single-digit volume growth. The latest tax restriction is expected to strongly test the volume growth trajectory, with the true demand elasticity test only beginning in Q1FY27, as Q4FY26 volumes were front-loaded in January.

Volumes are expected to remain under pressure with a progressive recovery as consumers habituate to the new price points, and ITC optimises its SKU architecture to defend competitive price points against illicit substitutes. Critically, ITC's pricing power in cigarettes is among the strongest among major peers, with the company having a long track record of recovering from tax-cost-led headwinds through price hikes.

**FMCG (non-Cigarettes) Business Continues to Sustain Momentum**

The non-cigarette FMCG business of ITC Limited has evolved into a structurally strong growth story over the past decade, driven by a clear long-term strategy rather than short-term gains. The company leveraged its deep distribution network, strong brand-building capabilities, and understanding of Indian consumers to scale categories such as packaged foods, personal care, and hygiene. Brands like Aashirvaad, Sunfeast, and Fiana have gained significant market share by focusing on quality, innovation, and localisation. Over time, operating leverage, premiumization, and improved product mix have strengthened profitability.

**Agri Business – Growth through VAAP**

ITC's Agri Business is transitioning to a Value-Added Agri Products (VAAP) model, focusing on higher-margin offerings such as processed foods and ingredients. This shift enhances farmer linkages, improves supply chain efficiency, and strengthens competitiveness while aligning with evolving consumer demand and sustainability goals. It also drives export growth, boosts rural incomes, and leverages digital technologies for traceability and quality assurance.

**Unlocking Growth Potential in Digital & Tech Services through ITC Infotech**

ITC Infotech plays a pivotal role in accelerating growth in digital and technology services with a focus on enabling enterprises to navigate digital transformation through advanced capabilities in cloud computing, data analytics, artificial intelligence, and automation. By aligning technology with business strategy, ITC Infotech helps organizations enhance operational efficiency, improve

customer experiences, and drive sustainable value creation. Its strong emphasis on agility, scalability, and industry-specific solutions positions it as a key enabler for businesses seeking to unlock new growth opportunities in an increasingly digital economy.

## Valuation & Recommendation

ITC's mainstay- the Cigarettes business has continued to remain remarkably durable across multiple tax cycles. The business has delivered 7.8% CAGR between FY19-25 and contributes ~80% of its annual EBIT. ITC has successfully navigated earlier eras of aggressive tax hikes on cigarettes, such as a ~16% CAGR tax hike between FY13-17 and subsequent shock with the introduction of GST (2017), with volumes normalising post suppression in the near term. While volumes are expected to witness an initial knee jerk reaction post the latest round of tax revamp (as evidenced historically), with calibrated price hikes and relatively stick demand in the premium portfolio (where ITC commands a lion's share in volumes), we expect the company to navigate the near-term headwinds and stage a recovery in the latter half of FY27.

The non-Cigarettes portfolio, especially FMCG, continues to sustain a healthy growth momentum with most of the brands gaining wallet share across different categories. The company has also successfully revamped the Agri business from a traditional agri commodity business to a margin-accretive value-added products play. The paperboard, paper, and Packaging business continues to witness headwinds and is expected to recover in due course. Demerger of asset heavy Hotels business has unlocked better capital allocation potential. We factor in ~15-20% volume impact on the Cigarettes business in the near term, with the remainder of the FMCG business expected to continue clocking double-digit headline growth. Margins in the FMCG business are expected to remain under pressure on account of geopolitical headwinds, with a gradual recovery in sight.

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## Financial Summary

Particulars (in Rs Cr)	Q3FY26	Q3FY25	YoY-%	Q2FY26	QoQ-%	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating Income	20,047	18,790	6.7%	19,502	2.8%	70,937	67,932	75,323	79,704	84,486	89,344
EBITDA	6,883	6,362	8.2%	6,695	2.8%	25,665	25,250	25,978	26,143	28,134	30,287
APAT	4,931	4,731	4.2%	5,126	-3.8%	19,119	19,898	19,731	20,054	21,531	23,152
Diluted EPS (Rs)	3.9	4.1	-3.7%	3.8	4.2%	15.4	15.9	15.8	16.0	17.2	18.5
RoE-%						29.1	27.7	27.3	28.4	29.9	31.4
P/E (x)						20.5	19.8	20.0	19.7	18.3	17.0
EV/EBITDA (x)						14.7	15.1	14.6	14.4	13.4	12.4

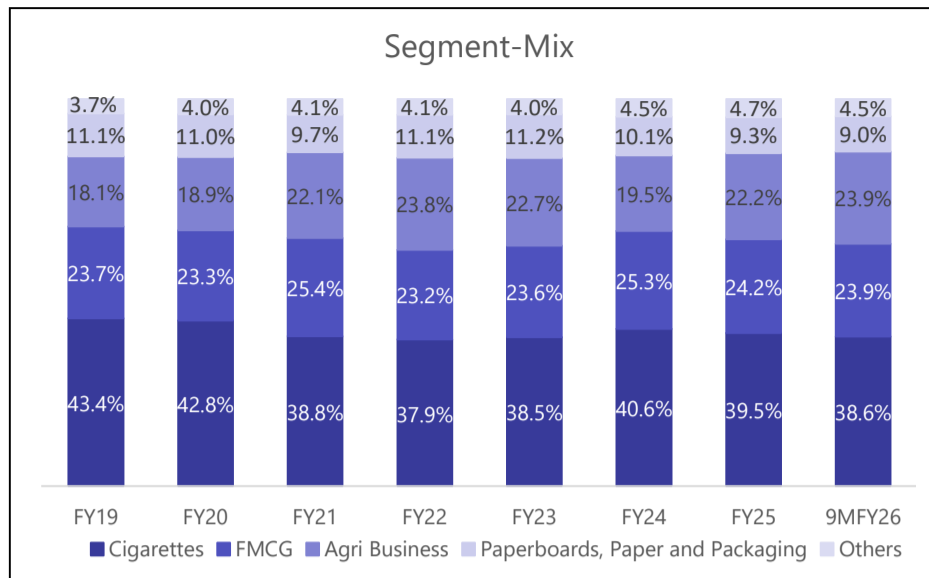
## Segment Mix

Segment Mix	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
<b>Revenue (in Rs Cr)</b>									
Cigarettes	8,295	8,689	8,841	8,878	8,945	9,229	9,554	9,414	9,681
% of net sales	41.8%	43.0%	36.4%	37.9%	42.1%	42.4%	33.7%	41.0%	41.8%
FMCG	5,218	5,308	5,499	5,585	5,428	5,503	5,800	6,059	6,110
% of net sales	26.3%	26.3%	22.6%	23.8%	25.5%	25.3%	20.4%	26.4%	26.4%
Agri Business	3,273	3,136	6,998	5,845	3,626	3,695	9,724	4,038	3,859
% of net sales	16.5%	15.5%	28.8%	24.9%	17.1%	17.0%	34.3%	17.6%	16.7%
Paperboards, Paper and Packaging	2,081	2,073	1,977	2,114	2,145	2,189	2,117	2,220	2,203
% of net sales	10.5%	5.0%	4.0%	4.4%	5.3%	5.3%	4.2%	5.4%	5.6%
Others	981	1,001	970	1,032	1,121	1,165	1,183	1,245	1,304
% of net sales	10.5%	10.3%	8.1%	9.0%	10.1%	10.0%	7.5%	9.7%	9.5%
<b>EBIT (in Rs Cr)</b>									
Cigarettes	4,967	5,158	5,255	5,242	5,191	5,403	5,499	5,462	5,487
EBIT Margin	59.9%	59.4%	59.4%	59.0%	58.0%	58.5%	57.6%	58.0%	56.7%
FMCG	434	480	479	444	321	346	399	439	448
EBIT Margin	5.2%	5.5%	5.4%	5.0%	3.6%	3.8%	4.2%	4.7%	4.6%
Agri Business	381	187	345	447	496	253	435	454	496
EBIT Margin	11.6%	5.9%	4.9%	7.6%	13.7%	6.8%	4.5%	11.2%	12.8%
Paperboards, Paper and Packaging	295	291	256	235	197	195	151	181	189
EBIT Margin	9.0%	9.3%	3.7%	4.0%	5.4%	5.3%	1.6%	4.5%	4.9%
Others	189	203	133	194	138	205	155	183	188
EBIT Margin	5.8%	6.5%	1.9%	3.3%	3.8%	5.5%	1.6%	4.5%	4.9%

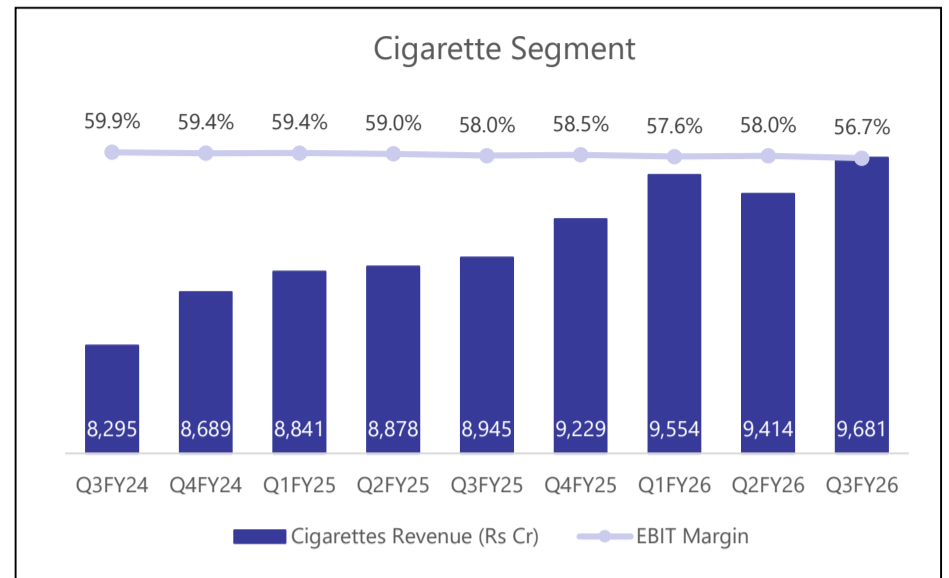
(Source: Company, HDFC sec)

Story in Charts

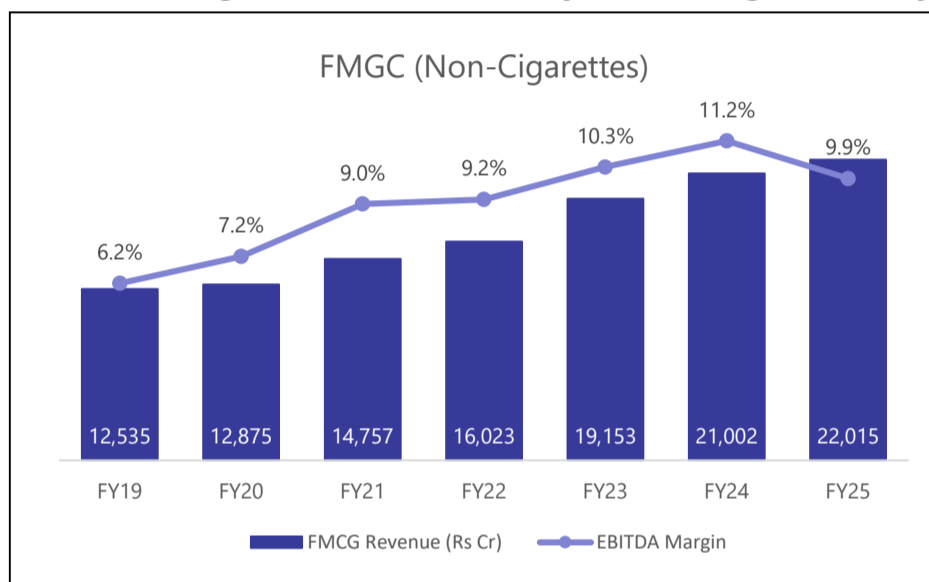
Cigarettes business remain mainstay with an aim to diversify



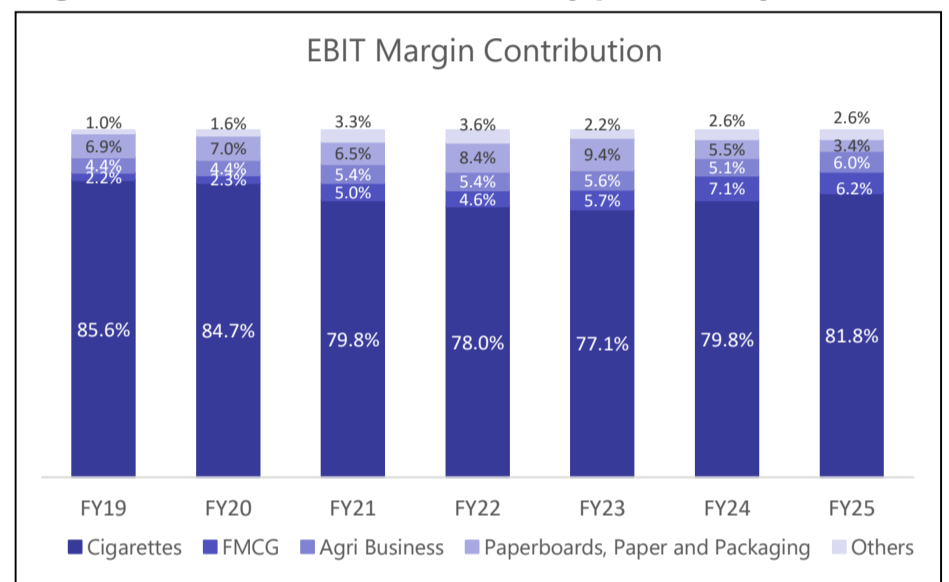
Resilient revenue growth despite margin headwinds



FMCG (non-Cigarettes) has been a key structural growth story



Cigarettes continue to remain the key profitability driver



(Source: Company, HDFC sec)

Q4FY26 Result Preview

ITC's Q4FY26 is expected to represent a dichotomous picture – January witnessing strong volume growth in Cigarettes on account of pre-hike front loading prior to the Feb 2026 tax hike implementation. February and March are expected to remain soft in terms of volumes as the new tax architecture resets the retail price ladder. Other segments are expected to continue to sustain growth momentum in line with the previous quarter.

**Cigarettes** – Nationwide volumes are expected to be impacted anywhere between 15%-20% in Feb-Mar 2026 as the price hikes to combat the significant impact of the new tax regime take a toll. Leaf tobacco consumption cost remains elevated, with some moderation in procurement prices witnessed in the current crop cycle. The NCCD increase effective May 1, 2026 will require a further round of pricing action in Q1FY27.

**FMCG (non-Cigarettes)** – The non-cigarette FMCG business is expected to sustain its Q3FY26 momentum (12.6% YoY growth in Q3FY26) with input prices continuing to remain elevated, delaying margin recovery. Key drivers include continued traction in Staples (Aashirvaad Atta, Salt), Biscuits (Sunfeast Marie Light, Dark Fantasy), Dairy (Aashirvaad Svasti), Personal Wash (Fiama, Savlon), and Homecare (Nimyle). The GST rate rationalisation benefit is expected to drive volume gains.

**Agri Business** - Agri Business is expected to recover from its high-base drag and is expected to deliver mid-to-high single-digit growth during the quarter (6.4% in Q3FY26), with leaf tobacco exports continuing to benefit from strong international demand and competitive procurement capabilities.

**Paperboards, Paper & Packaging** – The segment continues to face headwinds from low-priced imports (primarily from China and Indonesia), subdued domestic paper realisations, and elevated domestic wood input costs. Speciality Papers and Cartons & Flexibles remain bright spots within the segment.

**Key monitorables include:** (1) Cigarette volume disclosure for the full quarter and commentary on February–April trend; (2) FY27 pricing strategy and management's assessment of illicit trade risk; (3) FMCG-Others EBITDA margin trajectory; and (4) Management commentary on the NCCD hike and its pass-through strategy.

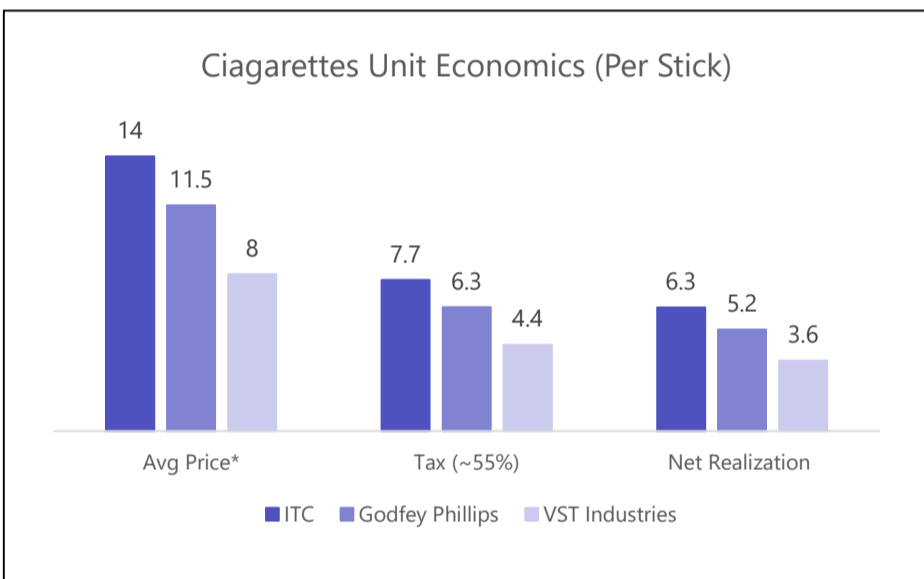
**Key Rationale**

**Monopolistic Edge in the Cigarettes Business**

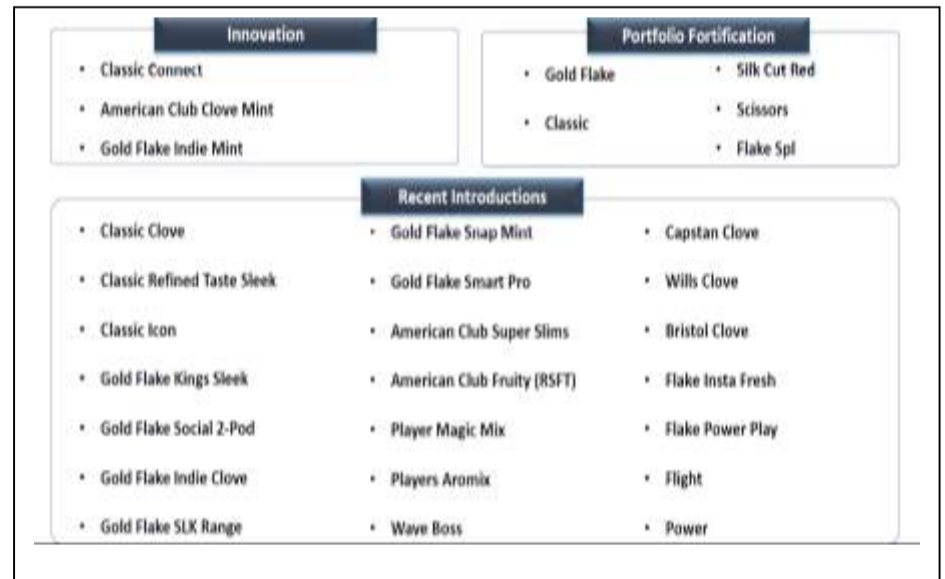
Monopolistic edge in Cigarettes business

- ITC's near-monopolistic hold in the Indian organised Cigarettes market is on the back of one of the deepest retail networks, reaching millions of outlets (including small kiosks and rural markets).
- ITC covers every segment from premium to value, through well-established brands like Gold Flake and Wills Navy Cut, allowing it to capture diverse consumer segments and maintain loyalty. More so, the company dominates in the premium segment through brands like Gold Falke, Classic, etc., hence commanding a much higher pricing power and better product mix (higher share of premium products) as compared to peers such as Godfrey Phillips and VST Industries.
- A full backward integration (leaf sourcing, processing) allows ITC more of the end-consumer margins while benefitting from scale, leading to lower per unit costs and significantly higher margins as compared to peers.
- High taxes, strict regulations, and licensing norms make entry into the Cigarettes business difficult. ITC's scale, compliance capability, and long-standing presence give it a durable competitive edge over smaller or new players.
- ITC operates a premium-heavy portfolio with brands like Gold Flake, Classic priced in the range of Rs 12- Rs 18 per stick (post-hikes), whereas Godfrey prices its comparable premium Marlboro Compact at around Rs 11.5 – Rs 12 per stick and VST operates at the lower end (value segment), priced in the range of Rs 6 – Rs 10 per stick. This results in a higher post-tax net realization for ITC

**Commanding better realizations through pricing power**



**Strong brand portfolio with premium tilt**



(Source: Company, HDFC sec.)

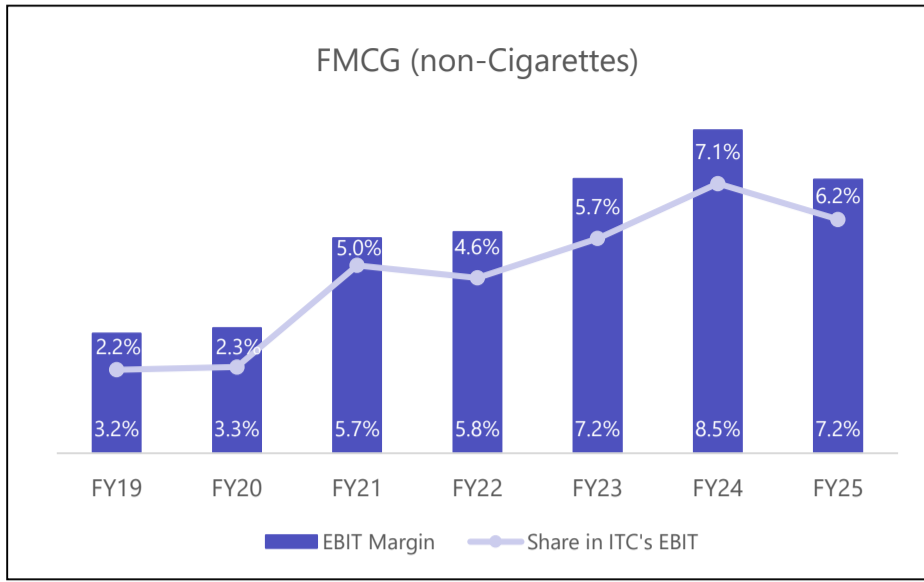
\* The per-unit selling price and net realization figures used in this analysis are indicative averages derived from publicly available information and internal estimates.

**FMCG (non-Cigarettes) at an Inflection Point**

FMCG (Others) starting to contribute meaningfully to profitability

- The FMCG-Others segment's margin trajectory is the most powerful structural re-rating catalyst, meaningfully driving diversification away from Cigarettes.
- The segment has grown at an impressive CAGR of 9.8% between FY19-25, with its share in ITC's EBIT increasing from 2.2% in FY19 to 6.2% in FY25, and even higher (6.5%) in 9MFY26, starting to contribute meaningfully in ITC's structural growth story.
- ITC has systematically improved realisation quality, invested in brand equity, and leveraged supply chain efficiency in the segment, leading the EBITDA margin towards double digits from high single digits a few years earlier and well on track to achieve its target of mid-teens over the next few years.
- Growth has been broad-based with brands such as Aashirvaad (staples and dairy), Sunfeast (biscuits, noodles), Bingo! (snacks), Savlon (health and hygiene), Fiamma (personal wash), and Engage (fragrances), all gaining traction.
- The Digital-First and Organic portfolio — comprising Yogabar, Mother Sparsh, 24 Mantra Organic, and Meatigo, continues to clock an impressive run rate, registering 60% growth in Q3FY26.
- The pathway to mid-teens margins involves three levers: (a) premiumisation, particularly through the dark fantasy/premium biscuits, Fiamma personal wash, and the Engage fragrances portfolio; (b) scale-driven operating leverage across the integrated manufacturing infrastructure; and (c) digital tools for real-time consumer data, net revenue management (NRM), and trade marketing efficiency.

**FMCG (non-Cigarettes) has emerged as a strong diversifier**



**Creating a future ready portfolio across categories**



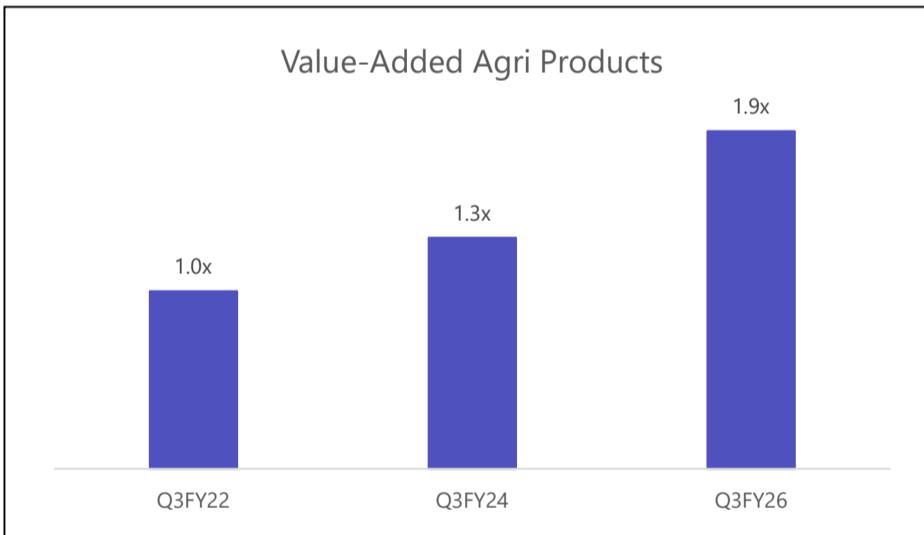
(Source: Company, HDFC sec.)

Secular margin growth through VAAP

**Agri Business – Transition through VAAP**

- ITC's Agri Business has pivoted from commodity agri trading to a Value-Added Agri Portfolio (VAAP) play, with continued strategic focus to scale up the VAAP categories rapidly.
- The VAAP comprises of differentiated coffee (leveraging global supply shortages), aqua (shrimp), specialty spices (Guntur facility). The company also houses its leaf tobacco export business in this segment.
- VAAP growth has been compounding at double-digit rates, and the ITCMAARS digital agri platform is monetising ITC's 5 million+ farmer network with an inputs, advisory, and market linkage business model that has no direct comparable in Indian agri-business.
- The Agri business continues to provide strategic sourcing support to Branded Packaged Foods & Cigarettes businesses.

**Strong growth in Valued Added Portfolio**



**ITC MAARS - A cutting-edge digital ecosystem developed by ITC**



(Source: Company, HDFC sec.)

**Paperboards, Paper and Packaging Business Poised for a Recovery**

- The segment remains challenged by low-priced imports (primarily from China and Indonesia), subdued domestic paper realisations, and elevated domestic wood input costs.
- The Minimum Import Price (MIP) on Virgin Multi-layer Paperboard notified in August 2025 and the Anti-dumping Duty (ADD) recommended by the Directorate General of Trade improve the competitive landscape.
- ITC's accelerated plantation programme (expanding source acreage via satellite monitoring) will structurally reduce wood cost dependence over the medium term. The global paperboard cycle is also expected to normalise by FY27.
- While the segment has reported a decent revenue CAGR of 6.2% between FY19-25, EBITDA margins have been under pressure in recent years, contracting from ~26% in FY19 to ~15% in FY25. However, initial signs of recovery are visible with support from MIP and ADD.

- The company continues to focus on accelerating plantations in core areas, developing new areas, collaborating with other wood-based industries and implementing satellite-based plantation monitoring systems, among others.
- Proactive interventions over the past few years have led to improved wood availability; however, during the quarter, higher wood availability was partly offset by severe cyclones in the harvesting season, keeping wood prices elevated; prices are expected to moderate going forward.

#### *Shifting Gears through ITC Next*

- The ITC Next strategy has scaled from concept to commercial scale through 3 distinct vectors:
- **FoodTech:** The cloud kitchen platform, operating under four brands, has scaled to ~70 outlets across 5 cities, and GMV doubled YoY. The platform has witnessed increasing traction, with 21 kitchens opened in last 9 months, being progressively introduced across India. The platform has crossed Rs 150 cr in GMV YTD 9MFY26, doubling YoY. The unit economics are improving as fixed costs are absorbed with scale.
- **ITC MAARS:** The digital agri platform is monetising ITC's decades-long rural sourcing relationships, providing crop advisory, inputs supply, and market linkage services to farmers and is emerging as a differentiated value-added agri revenue stream
- **Sustainable Packaging:** Plant-based moulded fibre products, with a new manufacturing facility at Sehore, position ITC ahead of the global shift away from single-use plastics, a strategic adjacency to its Paperboards business.

#### *Hotel Demerger Improving Return Ratios*

- The demerger of ITC Hotels (effective January 1, 2025), a capital-intensive, asset-heavy business has allowed ITC Ltd to redeploy capital more efficiently into higher-return segments like cigarettes and FMCG.
- With hotels (which typically have lower returns and longer gestation periods) carved out, ITC's consolidated Return on Capital Employed (ROCE) and Return on Equity (ROE) have improved due to a lighter balance sheet and higher-margin core businesses.
- ITC Hotels, as a separate entity, can now independently pursue an asset-light expansion strategy, while ITC Ltd benefits by reducing exposure to heavy fixed assets, boosting overall efficiency metrics, while ITC has still retained 40% stake in the business.
- Separate entities will allow dedicated management teams to focus on their respective industries, improving operational efficiency and strategic execution, which indirectly strengthens ITC's financial performance.

#### **Risks & Concerns**

- **Regulatory / Tax Escalation Risk:** Another round of significant tobacco tax escalation before cigarette volumes and consumer habituation have had time to stabilise may dampen volumes and any further escalation within FY27 would be a meaningful negative surprise.
- **Illicit Trade Ramp-up:** India's illicit cigarette market (~26% share of total cigarette consumption) is already the fourth largest globally. A 17% price hike is being planned by incumbents for May 2026, on top of the February 2026 price increases, risking accelerated down trading to smuggled cigarettes, particularly in border states and the north-east.
- **Input Cost Inflation:** FMCG (non-Cigarettes) faces a near-term headwind from elevated commodity costs across edible oil, wheat, maida, potato, and cocoa. While ITC has demonstrated the ability to manage these through a combination of NRM, portfolio premiumisation and supply chain agility, a prolonged inflationary cycle could delay margin recovery.
- **Weakness in Paperboards Business:** The segment remains structurally exposed to low-cost imports (primarily from China and Indonesia) and elevated domestic timber prices. While anti-dumping measures are being pursued, their enforcement timeline and effectiveness remain uncertain.
- **Commodity and Geopolitical Volatility:** The Agri Business remains exposed to commodity price cycles (wheat, rice, coffee), export policy changes (wheat and rice export restrictions), and

geopolitical disruptions that affect global commodity flows. US tariff uncertainty has already contributed to shipment delays in Q1FY26. While the VAAP pivot reduces this exposure over time, near-term agri earnings remain lumpy.

### Company Description

ITC Ltd (ITC) was incorporated on August 24, 1910, as the Imperial Tobacco Company of India Ltd, and today stands as one of India's most diversified, multi-business conglomerates. Headquartered in Kolkata, the company operates across four principal segments: FMCG (Cigarettes and Others), Paperboards, Paper & Packaging, and Agri Business.

Post the demerger of its Hotels Business into ITC Hotels Limited (effective January 1, 2025), ITC has further sharpened its capital allocation towards higher-ROCE FMCG, Agri, and Paperboards businesses. ITC commands ~75-80% organised market share in domestic cigarettes, with leading brands including Gold Flake, Classic, Wills Navy Cut, and India Kings.

Its FMCG (non-Cigarettes) portfolio — anchored by Aashirvaad, Sunfeast, Bingo!, Savlon, Fama, and Engage — has crossed Rs 22,000 in annual revenue and is on a structural trajectory towards higher profitability. The company's ITC Next strategic framework emphasises three new growth vectors: FoodTech, ITCMAARS (digital agri platform), and Sustainable Packaging

## Financial Statements

### Income Statement

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>70,937</b>	<b>67,932</b>	<b>75,323</b>	<b>79,704</b>	<b>84,486</b>	<b>89,344</b>
<b>Growth (%)</b>	<b>16.9</b>	<b>-4.2</b>	<b>10.9</b>	<b>5.8</b>	<b>6.0</b>	<b>5.8</b>
Operating Expenses	45,272	42,682	49,345	53,561	56,352	59,056
<b>EBITDA</b>	<b>25,665</b>	<b>25,250</b>	<b>25,978</b>	<b>26,143</b>	<b>28,134</b>	<b>30,287</b>
<b>Growth (%)</b>	<b>24.2</b>	<b>-1.6</b>	<b>2.9</b>	<b>0.6</b>	<b>7.6</b>	<b>7.7</b>
<b>EBITDA Margin (%)</b>	<b>36.2</b>	<b>37.2</b>	<b>34.5</b>	<b>32.8</b>	<b>33.3</b>	<b>33.9</b>
Depreciation	1,809	1,518	1,646	1,700	1,779	1,816
Other Income	1,980	2,693	2,530	2,471	2,535	2,591
<b>EBIT</b>	<b>25,836</b>	<b>26,425</b>	<b>26,862</b>	<b>26,913</b>	<b>28,889</b>	<b>31,063</b>
Interest expenses	43	39	45	70	70	77
<b>PBT</b>	<b>25,866</b>	<b>26,386</b>	<b>26,817</b>	<b>26,843</b>	<b>28,819</b>	<b>30,985</b>
Tax	6,438	6,209	6,890	6,765	7,262	7,808
<b>PAT</b>	<b>19,428</b>	<b>20,176</b>	<b>19,926</b>	<b>20,079</b>	<b>21,556</b>	<b>23,177</b>
Share of Asso./Minority Int.	-236	-278	-195	-25	-25	-25
<b>Adj. PAT</b>	<b>19,119</b>	<b>19,898</b>	<b>19,731</b>	<b>20,054</b>	<b>21,531</b>	<b>23,152</b>
<b>Growth (%)</b>	<b>25</b>	<b>4</b>	<b>-1</b>	<b>2</b>	<b>7</b>	<b>8</b>
EPS	15.4	15.9	15.8	16.0	17.2	18.5

\*FY24 and FY25 reflect demerger of Hotels business

### Balance Sheet

Particulars (in Rs Cr) - As at March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCE OF FUNDS</b>						
Share Capital	1,243	1,248	1,251	1,251	1,251	1,251
Reserves	67,912	73,259	68,779	70,051	71,549	73,415
<b>Shareholders' Funds</b>	<b>69,155</b>	<b>74,507</b>	<b>70,030</b>	<b>71,302</b>	<b>72,800</b>	<b>74,666</b>
Minority Interest	384	383	368	693	1,068	1,493
Total Debt	306	303	285	400	475	525
Other Non-Curr. Liab	759	872	639	691	738	771
Net Deferred Taxes	1,629	2,141	2,582	2,582	2,582	2,582
<b>Total Sources of Funds</b>	<b>72,233</b>	<b>78,207</b>	<b>73,904</b>	<b>75,668</b>	<b>77,663</b>	<b>80,037</b>
<b>APPLICATION OF FUNDS</b>						
Net Block & Goodwill	25,499	27,479	21,632	21,932	21,953	21,937
CWIP	3,003	2,861	1,091	1,091	1,091	1,091
Investments	29,767	31,455	35,042	35,042	35,042	35,042
Other Non-Curr. Assets	5,175	1,910	2,719	2,877	3,050	3,225
<b>Total Non-Current Assets</b>	<b>63,445</b>	<b>63,705</b>	<b>60,485</b>	<b>60,943</b>	<b>61,136</b>	<b>61,296</b>
Inventories	11,771	14,153	15,638	16,814	17,722	18,634
Debtors	2,956	4,026	4,720	5,459	5,787	6,119
Cash & Equivalents	463	626	620	1,132	2,186	3,644
Other Current Assets	7,247	9,317	6,629	7,014	7,435	7,862
<b>Total Current Assets</b>	<b>22,438</b>	<b>28,121</b>	<b>27,606</b>	<b>30,419</b>	<b>33,129</b>	<b>36,259</b>
Creditors	4,659	4,798	4,807	5,765	6,076	6,389
Other Current Liab & Provisions	8,991	8,822	9,379	9,929	10,526	11,129
<b>Total Current Liabilities</b>	<b>13,650</b>	<b>13,619</b>	<b>14,187</b>	<b>15,694</b>	<b>16,602</b>	<b>17,518</b>
Net Current Assets	8,788	14,502	13,419	14,726	16,527	18,741
<b>Total Application of Funds</b>	<b>72,233</b>	<b>78,207</b>	<b>73,904</b>	<b>75,668</b>	<b>77,663</b>	<b>80,037</b>

## Cash Flow Statement

Particulars (in Rs Cr)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	25,915	27,140	42,582	27,143	29,169	31,385
Non-operating & EO items	-1,715	-2,367	-17,863	-139	-151	-154
Interest Expenses	43	46	50	70	70	77
Depreciation	1,809	1,816	1,951	1,700	1,779	1,816
Working Capital Change	-924	-3,337	-2,742	-762	-722	-746
Tax Paid	-6,250	-6,120	-6,350	-6,765	-7,262	-7,808
<b>OPERATING CASH FLOW ( a )</b>	<b>18,878</b>	<b>17,179</b>	<b>17,627</b>	<b>21,248</b>	<b>22,883</b>	<b>24,571</b>
Capex	-2,694	-3,455	-2,103	-2,000	-1,800	-1,800
Free Cash Flow	16,184	13,724	15,524	19,248	21,083	22,771
Investments	-4,374	3,845	882	0	0	0
Non-operating income	1,335	1,173	826	0	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-5,732</b>	<b>1,563</b>	<b>-396</b>	<b>-2,000</b>	<b>-1,800</b>	<b>-1,800</b>
Debt Issuance / (Repaid)	-60	-60	-30	115	75	50
Interest Expenses	-41	-46	-50	-70	-70	-77
FCFE	13,044	18,635	17,151	19,294	21,088	22,743
Share Capital Issuance	2,477	1,443	797	0	0	0
Dividend	-15,397	-19,899	-17,763	-18,782	-20,034	-21,286
Others	15	12	8	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-13,006</b>	<b>-18,551</b>	<b>-17,037</b>	<b>-18,736</b>	<b>-20,029</b>	<b>-21,313</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>139</b>	<b>191</b>	<b>194</b>	<b>512</b>	<b>1,054</b>	<b>1,458</b>

## Key Ratios

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Profitability Ratios (%)</b>						
EBITDA Margin	36.2	37.2	34.5	32.8	33.3	33.9
EBIT Margin	36.4	38.9	35.7	33.8	34.2	34.8
APAT Margin	27.0	29.3	26.2	25.2	25.5	25.9
RoE	29.1	27.7	27.3	28.4	29.9	31.4
RoCE	39.1	36.6	37.0	37.9	39.9	41.8
<b>Solvency Ratio (x)</b>						
Net Debt/EBITDA	0.0	0.0	0.0	0.0	-0.1	-0.1
Net D/E	0.0	0.0	0.0	0.0	0.0	0.0
<b>PER SHARE DATA (Rs)</b>						
EPS	15.4	15.9	15.8	16.0	17.2	18.5
CEPS	16.9	17.1	17.1	17.4	18.6	19.9
BV	55.7	59.7	55.9	56.9	58.1	59.6
Dividend	15.5	13.8	14.4	15.0	16.0	17.0
<b>Turnover Ratios (days)</b>						
Debtor days	14	19	21	23	24	24
Inventory days	58	70	72	74	75	74
Creditors days	23	25	23	24	26	25
<b>Valuation (X)</b>						
P/E	20.5	19.8	20.0	19.7	18.3	17.0
P/BV	5.7	5.3	5.6	5.5	5.4	5.3
EV/EBITDA	14.7	15.1	14.6	14.4	13.4	12.4
EV / Revenues	5.3	5.6	5.0	4.7	4.5	4.2
Dividend Yield (%)	4.9	4.4	4.6	4.8	5.1	5.4
Dividend Payout (%)	100.6	86.3	91.1	93.7	93.0	91.9

(Source: Company, HDFC sec.)

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