

COMPANY ANATOMY

ITC Limited

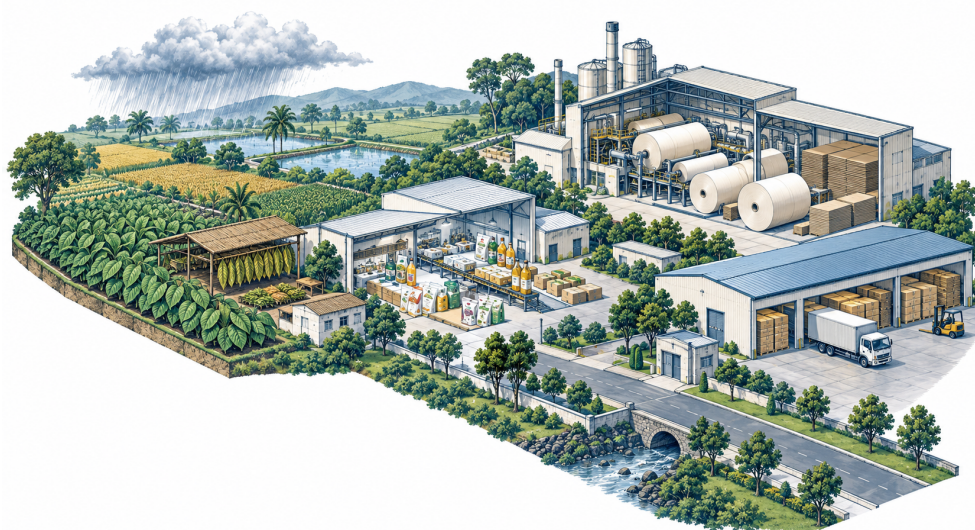
Value opportunity or recovery trap?

Research report | 18 September 2026

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Free report: ₹0 | 5,000 scenarios; indicative September valuation

Financial interest: the analyst holds ITC shares as a long-term investment; relatives may also hold shares. Read the dated disclosures before using this report.



AI-generated editorial illustration; not a photograph of company facilities.

At the verified publisher quote of ₹266.20, ITC looks inexpensive if cigarette earnings recover and FMCG delivers the assumed growth. The indicative central value is ₹382; the 5,000-run median is ₹370. That is a valuation case, not a promise that the market will agree.

The safety-first conclusion: consider staged additions below about ₹269, only while the recovery evidence holds. Reassess holdings above ₹370 and consider reducing above ₹413 unless new evidence raises value. A combined downside test is only ₹206.

Quote: 17 Sep 2026, 15:57 IST, Upstox; corroborated by Stock Analysis. Not independently certified as the exchange closing price. Values use an explicitly estimated September date bridge, not an observed September balance sheet. Report charge ₹0. [\[S17\]](#) [\[S18\]](#) [\[S19\]](#) [\[S32\]](#)

When to add, hold or reduce

A margin of safety is the discount you demand to an estimated value. If you estimate a business at ₹100 and pay ₹80, the margin is 20%. It is a cushion against mistakes, not insurance against loss.

Conditional price bands, using today's model

Share price	General research stance	Reason
Up to ₹237	Strongest model cushion; consider small staged additions	20% below the lower-tail P5 value. Still not a guaranteed floor.
₹237 to ₹269	Staged add candidate if the thesis is intact	20% below lower-quartile value at the top of this band.
₹269 to ₹296	Selective additions after operating evidence	Still 20% below median at the upper boundary, but less downside cushion.
₹296 to ₹370	Hold / monitor; avoid automatically averaging up	Less than 20% safety margin to the median.
₹370 to ₹413	Review position size; consider trimming	Above the median. Increasing dependence on better outcomes.
Above ₹413	Consider reducing / avoid fresh additions without stronger evidence	Upper-quartile territory; above ₹486, fewer than 5% of model values are higher.

At ₹266.20, the quote is in the staged-add band and 28.1% below the median. Yet the combined downside of ₹206 is 22.7% below the quote. Price alone is insufficient.

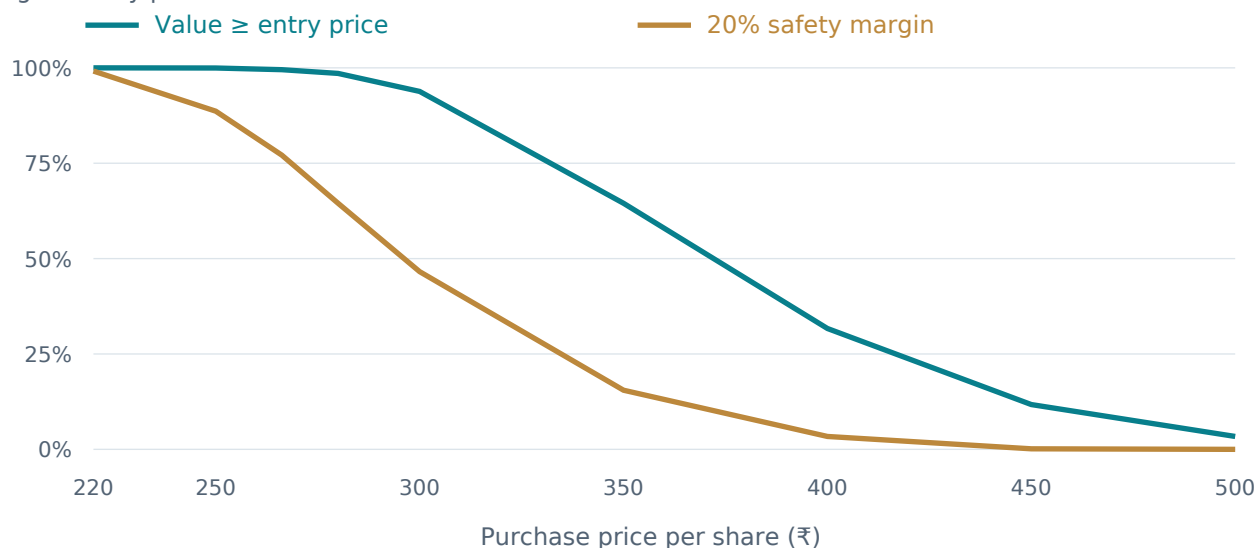
When: review after each quarterly result, any tobacco-tax change, material acquisition or capital-allocation announcement. Add only if retained realization, volume recovery and cash conversion support the forecast. If evidence weakens, reduce the valuation first; do not average down simply because the price fell.

Research horizon: 3-5 years, not a dated price target. Reference benchmark for later performance review: Nifty 50 Total Return Index; relative outperformance is not modelled. Consult a SEBI-registered investment adviser/qualified financial adviser for suitability, diversification, taxes and position sizing. These are general conditional rules, not individualized trade orders.

How entry price changes the model's odds

Entry price and conditional valuation support

A higher entry price leaves less room for model error.



Model frequencies from 5,000 conditional valuations. The second line requires a 20% value cushion. Not investment-success odds. [\[S32\]](#)

What percentage of model outcomes supports each entry price?

Entry price	Value ≥ price	20% safety margin	Discount to median
₹220.00	100.00%	99.16%	40.5%
₹250.00	99.96%	88.64%	32.4%
₹266.20	99.52%	77.12%	28.1%
₹280.00	98.54%	64.50%	24.3%
₹300.00	93.82%	46.58%	18.9%
₹350.00	64.50%	15.50%	5.4%
₹400.00	31.68%	3.38%	-8.1%
₹450.00	11.74%	0.14%	-21.6%
₹500.00	3.38%	0.00%	-35.1%

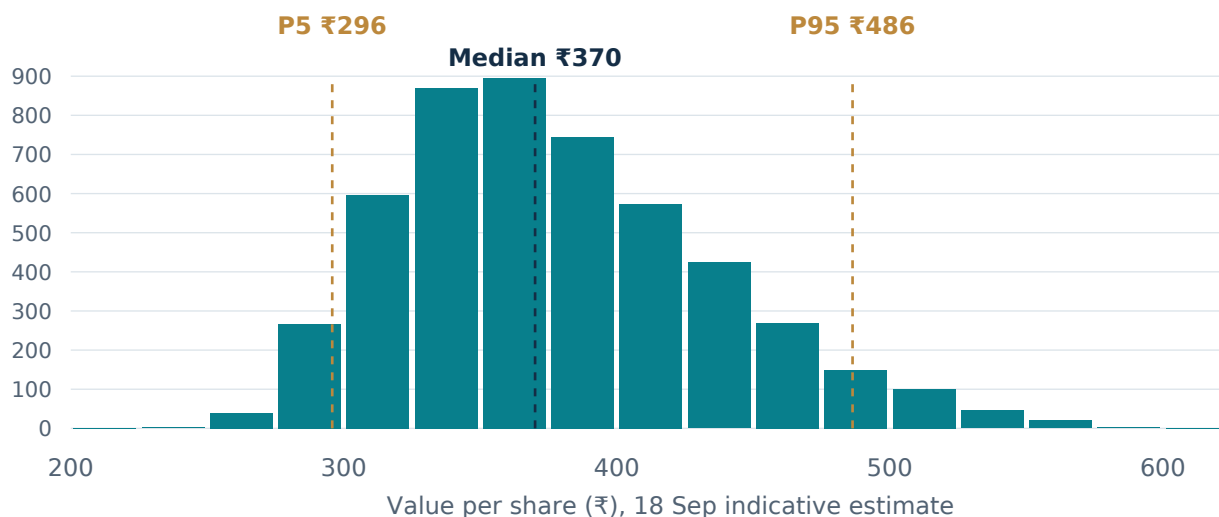
At ₹266.20, 99.5% of draws exceed the quote, but only 77.1% support a 20% safety margin. At ₹450 the corresponding figures are 11.7% and 0.1%. These high/low frequencies are caused by the assumed model, not independently established likelihoods.

Formula: frequency = qualifying trials / 5,000. A 20% cushion requires model value ≥ entry price / 0.80. Neither column measures future market prices, total returns, drawdown or the probability of beating the benchmark.

5,000 scenarios, not 5,000 promises

5,000 simulated valuations

Conditional model frequencies, not the probability of earning an investment return.



All original 500 trials replayed independently; the same random-seed stream was extended to 5,000. [\[S10\]](#) [\[S32\]](#)

Simulation range (₹ per share)

Statistic	31 Mar base	18 Sep estimate
P5	291.87	295.76
P25	331.02	335.79
Median	364.61	370.06
P75	407.35	413.43
P95	478.39	486.33
Mean	372.19	377.73
Number of trials	5,000	5,000

The middle half of the September outcomes is ₹336-₹413; the central 90% spans ₹296-₹486. The model fixes FMCG target achievement, mid-FY27 cigarette volume run-rate recovery and no additional near-term tobacco tax shock.

More runs reduce random sampling noise; they do not make optimistic assumptions true. Even a 100% simulated frequency is not certainty. Around a 50% event, 5,000 independent draws have about ± 1.4 percentage points of Monte Carlo sampling error at a rough 95% level, before the much larger uncertainty about the model itself.

Where the economics come from

ITC combines high-profit cigarette operations with growing consumer brands, agricultural sourcing and trading, paper and packaging, and services. Consolidated cigarette results include Surya Nepal. "Others" includes ITC Infotech, the retained Grand Central hotel and fresh food. Demerged ITC Hotels is an associate, not the former consolidated hotel operating segment. [S1]

FY26 sales mix is not the profit mix

Consolidated external net sales vs segment EBITDA before corporate adjustments.

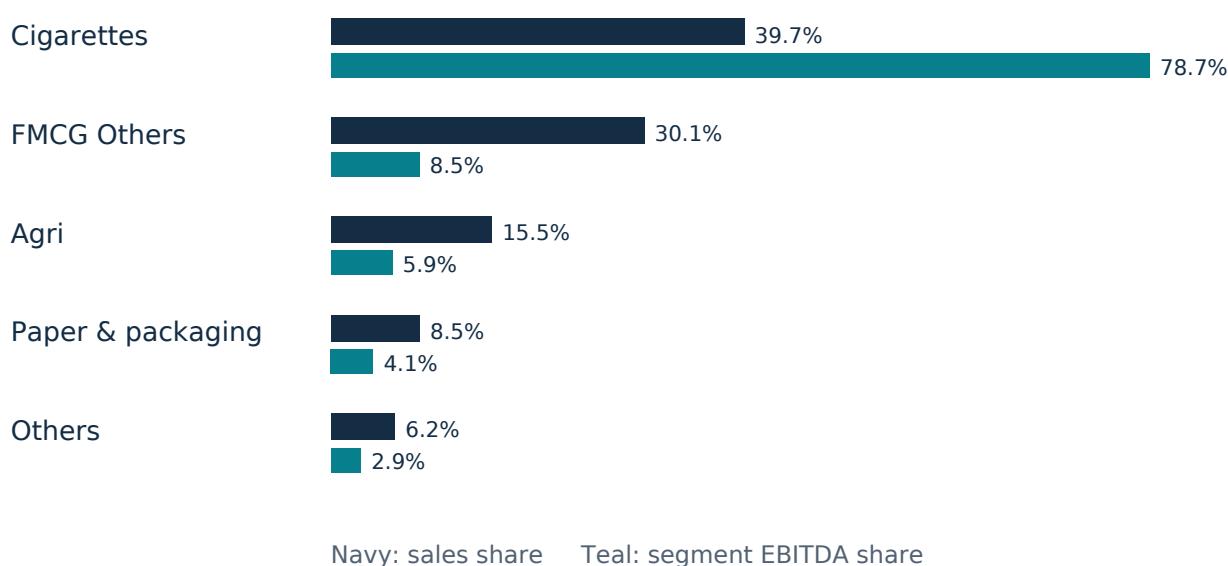


Figure 1. Company Anatomy calculations from audited consolidated segment results plus D&A. Sales shares exclude other operating revenue; profit shares are before corporate costs and eliminations. [S1]

FY2026 business economics (₹ crore)

Business	External net sales	Segment EBITDA	Margin basis
Cigarettes	32,080.64	22,539.17	70.3% of net sales
FMCG Others	24,314.95	2,431.67	10.0% incl. internal sales
Agri	12,486.13	1,690.45	8.1% incl. internal sales
Paper & packaging	6,889.90	1,160.62	13.2% incl. internal sales
Others	4,966.23	821.95	16.3% incl. internal sales

Diversification is a revenue fact, but cigarette economics still dominate segment profit. Faster growth in a lower-margin business can dilute the group margin even when each business improves. Tobacco taxation, illicit substitution and public-health regulation therefore remain central risks, not footnotes.

India's FMCG opportunity: large, but not all ITC's

FMCG means everyday packaged consumer goods: food, personal care and household products. A growing market helps, but ITC still has to win shelf space, repeat purchases and profitable market share.

Four numbers with four different meanings

Measure	Reported size	What it does and does not say
India's broad FMCG market, 2025	US\$288 billion	IBEF industry estimate, not an audited census or ITC's addressable sales. [S20]
ITC FMCG annual consumer spending	Over ₹37,000 crore	Retail spending on its brands, including value captured outside ITC; not consolidated company revenue. [S1]
ITC FY26 FMCG external net revenue	₹24,314.95 crore	The consolidated revenue denominator used in our model. [S1] [S10]
ITC-addressable market in 2035	Around ₹8 lakh crore	Management estimate of future category opportunity, not ITC sales guidance. [S7]

Do not divide the ₹24,315 crore revenue number by the dollar market estimate and call the answer ITC's market share. Currency, calendar year, geography, category coverage and retail-versus-company-sales definitions differ. Neither the industry estimate nor the 2035 opportunity is independently used as a growth multiplier.

What the FMCG target requires

FY31 revenue assumption	Five-year growth needed from FY26	Indicative ITC value
₹50,000 crore	15.5% annually	₹382
₹40,000 crore	10.5% annually	₹365
₹35,000 crore	7.6% annually	₹357

₹50,000 crore is a reported medium-term aspiration; FY31 is our assumed deadline. Achieving it is already built into every main simulation. The lower-target rows are separate tests with other central assumptions unchanged, not assigned probabilities. [\[S8\]](#) [\[S32\]](#)

Where ITC leads, and where shares are undisclosed

The FY26 annual report attributes category standing to Nielsen and Kantar Household Panel. It provides ranks, not current market-share percentages for every category. “Not disclosed” below means missing public evidence; it does not mean zero market share. [S1]

Core FMCG category position: latest verified company disclosure

Category / brand	Verified standing	Current % share
Branded atta / Aashirvaad	No. 1	Not disclosed
Cream biscuits / Sunfeast	No. 1 in cream biscuits	Not disclosed
Bridges snacks / Bingo!	No. 1 in this snack subcategory	Not disclosed
Instant noodles / YiPPee!	No. 2	Not disclosed
Notebooks / Classmate	No. 1	Not disclosed
Incense sticks / Mangaldeep	No. 2	Not disclosed

Other material consumer categories covered in company reporting

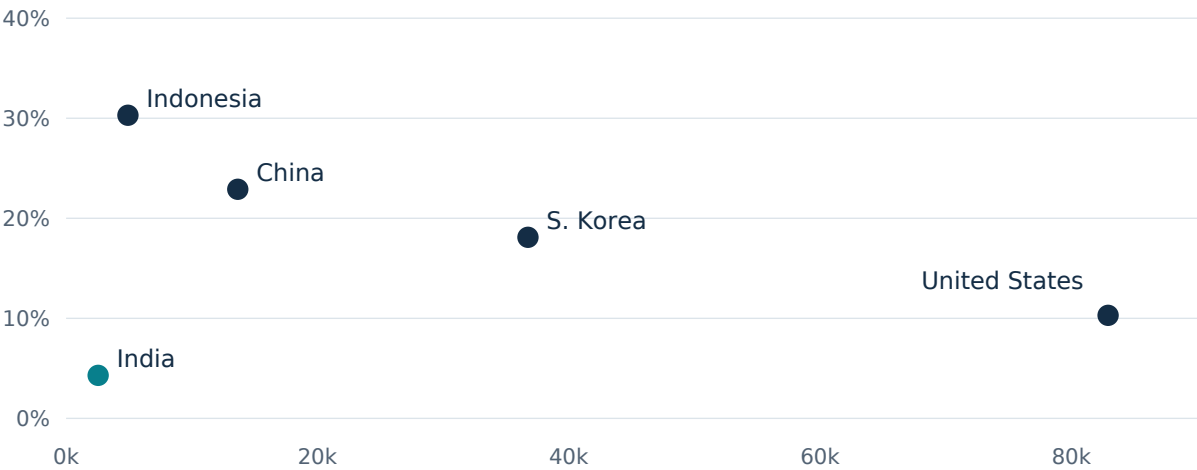
Categories / brands	Share evidence and modelling treatment
Spices, salt, dairy and other staples / Sunrise, Aashirvaad	No matched current national percentage verified. Regional leadership is not national share.
Other biscuits, cakes, chips, namkeen, confectionery	A subcategory leadership claim cannot be applied to the entire snacks or biscuit market.
Personal wash, fragrance, hygiene and homecare / Fiama, Vivel, Engage, Savlon, Nimyle	No current category-by-category percentage verified. Competition and advertising needs remain real.
Matches and dhoop; stationery beyond notebooks	No verified current percentage. Older FAQ gives dhoop leadership; do not relabel it FY26 share.
Nutrition, organic foods, frozen foods, chocolate, coffee, baby care	Yoga Bar, 24 Mantra, Prasuma, Fabelle, Sunbean and Mother Sparsh broaden exposure; no verified national share assigned.

All these categories sit within the FMCG forecast; no separate category-share forecast is added on top. A defensible percentage-share model requires licensed category data with matching year, value/volume measure, geography and organized/unorganized denominator. Current public reports do not support a complete numerical share map. [S1] [S21]

Higher income does not mechanically mean more smoking

Income alone does not explain cigarette use

Comparable WHO smoking measure; selected countries, not a causal model.



2024 GNI per capita (US\$); y-axis: current cigarette smokers, 2023

GNI per capita: World Bank, 2024, Atlas-method US\$. Cigarette smoking: WHO modelled, age-standardized current use, both sexes age 15+, 2023. Different reference years; descriptive comparison only. [\[S22\]](#) [\[S23\]](#) [\[S24\]](#) [\[S25\]](#) [\[S26\]](#) [\[S27\]](#)

Comparable cigarette metric; income is not take-home salary

Country	GNI/person US\$	Cigarette smokers	Affordability cost
India	2,550	4.3%	8.43%
Indonesia	4,920	30.3%	5.01%
China	13,660	22.9%	1.93%
South Korea	36,750	18.1%	0.92%
United States	82,910	10.3%	1.03%

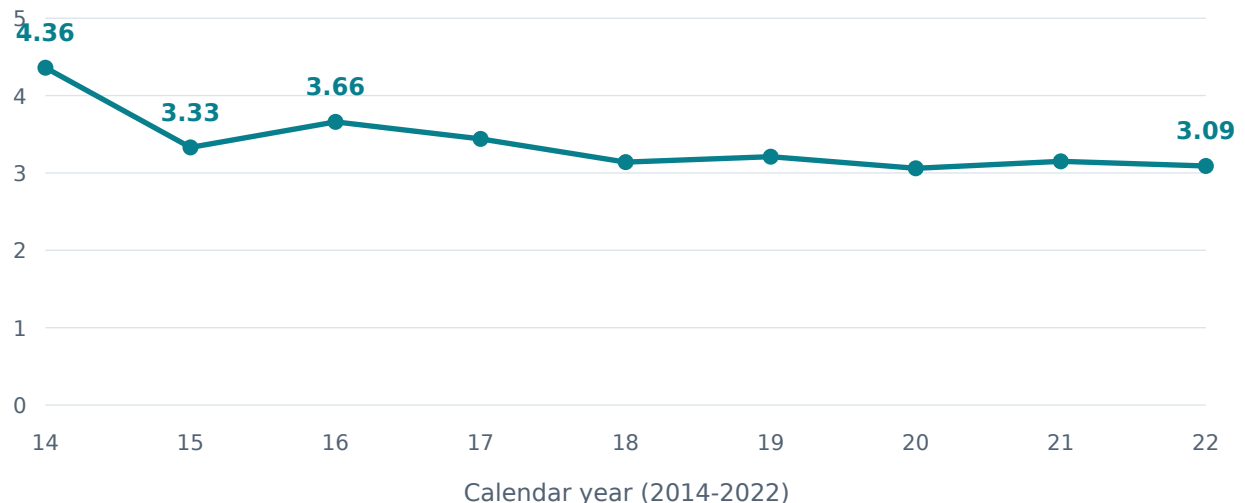
Affordability cost = percentage of annual GDP per person needed for 2,000 cigarettes of the most-sold brand, WHO 2024. Higher means less affordable. It uses GDP, not the GNI column, and predates India’s 2026 tax changes. Prevalence measures people who smoke, not sticks per smoker or company volumes.

India’s low cigarette prevalence is not empty demand waiting to be filled: bidis and smokeless tobacco, health awareness, affordability, gender differences and regulation matter. Income growth can support premium products, but country comparisons do not prove causality or a future conversion rate to cigarettes. No five-country correlation is used to calibrate ITC growth.

Tax shocks: recovery is possible, full recovery is not automatic

A rebound is not the same as full volume recovery

South Korea cigarette sales, billion packs; tax-price shock in 2015.



Tax-related retail prices rose 80% in 2015. The first rebound did not restore the old sales level. Later years also reflect policy, alternatives and demographic changes. [\[S28\]](#) [\[S29\]](#)

What happened after major tobacco-tax changes

Episode	Observed outcome	What it means for ITC
South Korea, 2015	2015 sales -23.7%; 2016 +9.9%, still 16.1% below 2014	A rebound from a depressed base is not full recovery.
China, 2015 reform	Prices about +10%; sales -3.3% over Apr15-Mar16	Pass-through can reduce consumption; government tax revenue is not producer profit. [S30]
Philippines, 2012 onward	Tobacco-smoking prevalence 28.2% (2009), 22.7% (2015), 18.5% (2021)	A long policy sequence, not an isolated experiment proving a single tax effect. [S31]
India, 2014-15	ITC described repeated excise hikes and pressure on legal industry volumes	Company commentary supports downside mechanisms but not a quantified probability of mid-FY27 recovery. [S34]

These examples are not a random sample of independent events. Inventory stocking, illicit trade, inflation, income, other tobacco controls and product substitution confound the results. They inform stress tests; they do not establish the probability that ITC recovers by a particular quarter.

Can ITC keep raising cigarette prices?

There are three prices to distinguish: what the smoker pays, what ITC retains after taxes and trade margins, and what the investor pays for the share. A tax hike may lift the first, reduce the second and hurt the third.

Normal retained price/mix growth: the model's assumed frequencies

Annual growth parameter	Share of 5,000 draws	Interpretation
Below 4%	20.6%	Lower pricing-power states
4% to below 6%	67.9%	Middle pricing states
6% to 7%	11.5%	Stronger pricing states
At least 5%	45.0%	Overlapping threshold, not an additional bucket

Distribution: beta-PERT minimum 2%, most-likely 5%, maximum 7%; selected once per trial, then growth fades later. Positive pricing occurs in 100% of these draws because negative growth was excluded by assumption. These are not empirical probabilities that ITC will deliver such pricing. The 85% retained-price recovery assumption is a separate catch-up, not another ordinary annual price rise. [S32]

Illustrative demand sensitivity, not an ITC forecast

Retail-price rise	Volume at elasticity -0.3	At -0.5	At -0.8
10%	-2.8%	-4.7%	-7.3%
20%	-5.3%	-8.7%	-13.6%
30%	-7.6%	-12.3%	-18.9%

Calculated as $(1 + \text{price change})^{\text{elasticity}} - 1$, holding income and other factors fixed. WHO's broad evidence often puts consumption loss near 4-5% for a 10% price rise. Our wider sensitivity is judgment, not an ITC-specific estimate. Do not apply retail-price elasticities directly to a net-of-tax revenue shock. [S33]

Model consequence: keep the main simulation conditional, but test normal retained pricing of only 2%, no catch-up and weaker volume together. A real probability of pricing success would require consistent ITC volume/realization data, tax-adjusted prices and a fitted, out-of-sample tested demand model. Public cross-country averages are insufficient.

History informs recovery; it does not guarantee it

Five-year consolidated operating record

FY	Net revenue ₹cr	Cigarette margin	FMCG margin	Paper margin
2022	60,715	74.1%	9.2%	27.6%
2023	71,128	74.1%	10.3%	29.1%
2024	67,840	73.7%	11.2%	20.8%
2025	75,308	72.3%	9.9%	15.2%
2026	81,393	70.3%	10.0%	13.2%

Margins above are segment results plus D&A, using net cigarette revenue and total segment revenue for the other businesses. FY22-FY23 include the pre-demerger hotel perimeter; FY24 uses later-restated continuing figures. The series is not perfectly constant-perimeter. [\[S1\]](#) [\[S2\]](#) [\[S3\]](#) [\[S4\]](#) [\[S5\]](#)

FY26 group EBITDA reconciliation (₹ crore)

Bridge item	Amount
Sum of segment EBITDA	28,643.86
Profit eliminations	(37.56)
Corporate expenses net of unallocated income	(1,282.44)
Unallocated D&A add-back	132.81
Model operating EBITDA	27,456.67
Net revenue from operations	81,392.97
Comparable model margin	33.73%

The denominator matters. Cigarette gross revenue includes ₹8,520.36 crore of revenue taxes; the model removes them to derive net sales. Agri and paper profits include internal trading, which must be considered when applying segment margins but eliminated from consolidated sales. This correction removes the earlier denominator mismatch. [\[S1\]](#)

Screener's historical operating-profit proxy and revenue presentation are not identical to this bridge. Its historical margins cannot be pasted onto this denominator. A complete vendor-to-annual-report line-item bridge remains outstanding; this report uses the audited segment definition consistently. [\[S10\]](#)

Management: implementation is stronger evidence than aspiration

Plans, observed outcomes and forecasting consequences

Business	Evidence of progress	Counter-evidence / model consequence
Cigarettes	FY22-FY23 management described availability improvements and legal-market recapture.	Reopening, enforcement and taxes also changed. Recovery growth is not a permanent volume-growth rate. [S4] [S5]
FMCG	Brand scaling and distribution supported margin improvement into FY24.	Margin fell back toward 10% in FY25-FY26. A 16% endpoint requires execution, not merely sales growth. [S1] [S2] [S3]
Paper	Integrated sourcing and value-added products are strategic strengths.	The FY23 margin peak was not sustained. Imports, realizations and wood costs remain cyclical. [S1] [S4]
Agri	Value-added products and sourcing reach expand opportunities.	Export restrictions and commodity-price swings can overwhelm a simple GDP link. [S1] [S2]
IT services / new businesses	Digital capabilities, partnerships and acquisitions widen the opportunity set.	Revenue growth and acquired scale need not improve cash returns immediately. No separate AI/platform “option value” is added. [S1] [S2]

Q1 FY27: management describes staggered cigarette pricing and product interventions, with consolidated FMCG revenue up 15% and group EBITDA down 24% year on year. These observations support adaptation, but neither proves a quantified cigarette recovery schedule. [\[S6\]](#)

The ₹50,000 crore FMCG topline aspiration was reported as medium-term. FY2031 is our model convention, not a verified deadline. It is company revenue, not consumer spending or the addressable market. The distinction materially affects forecast credibility. [\[S8\]](#)

The chairman’s ₹20,000 crore medium-term capex plan is treated as a five-year floor in the model. That timing is an analytical choice, not precise annual guidance. [\[S7\]](#)

What actually drives forecast revenue?

FMCG expands faster than cigarette net revenue

Company Anatomy model. Actual FY26; FY27-FY36 are estimates.

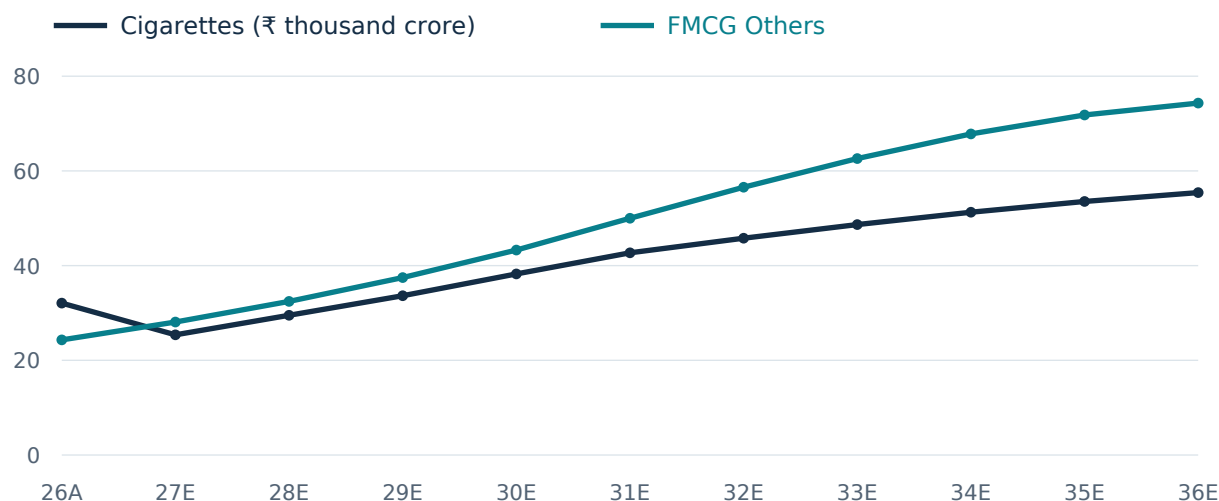


Figure 2. External net revenue only; internal sales are excluded from consolidated revenue. Central model, not company guidance. [S10]

Revenue hypotheses and their transmission

Driver	Central assumption	How it enters the forecast
Cigarettes	3% normal volume; 5% price/mix	Multiplicative, not additive: $(1+\text{volume}) \times (1+\text{price}) - 1$, plus separately modelled transition recovery.
FY27 disruption	H1 volume -7%; H2 at prior-year run-rate; retained-price shock -18%	Volume run-rate recovery does not reverse a producer net-price loss automatically.
Catch-up	85% of retained-price shock recovered by FY31	Cumulative catch-up weights: 0%, 20%, 50%, 80%, 100% of the selected recovery fraction.
FMCG	₹50,000cr by FY31; 15.5% CAGR	Target achieved in every trial. GDP is not added again to this same target.
Agri / Paper / Others	6.5% / 6% / 10% before fade	Agri equals central real GDP by user convention; not a proven nominal-revenue relationship.
Acquired paper capacity	₹2,000cr FY27; ₹3,200.63cr FY28	CPP contribution is a provisional run-rate estimate, not audited future revenue.

FY32-FY36 growth fades toward 3.5%. Income per person is derived from GDP and population, so it is not an independent extra growth term. Cigarette volume responds by 0.25 percentage points for a one-point deviation in per-person growth from the centre: a judgment, not an estimated causal coefficient. [S10]

Operating leverage must be earned

Recovery is gradual, not a flat 35% assumption

Company Anatomy model. Actual FY26; FY27-FY36 are estimates.

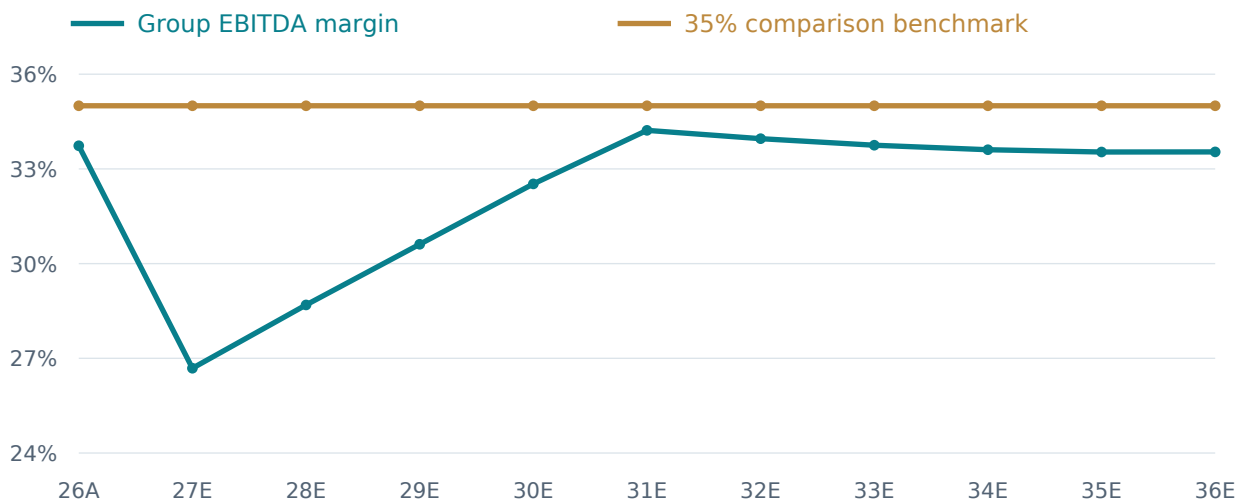


Figure 3. The 35% line is a comparison benchmark, not a profit plug. Later mix change slightly reduces the group margin even after segment margins normalize. [S10]

Cost recovery assumptions

Item	Central treatment	Critical qualification
Cigarette cost structure	30% of normalized operating costs fixed/mixed; 70% variable	Analytical classification, not disclosed cost accounting.
Margin endpoints by FY31	Cigarettes 74%; FMCG 16%; paper 20%	Above FY26 outcomes; require price, mix and input-cost normalization.
Other segment margins	Agri 8%; Others 16%	Fixed assumptions, applied to total segment sales.
Corporate / fixed costs	5% annual growth before fading to 3.5%	Revenue growth above cost growth creates operating leverage.
Implied cigarette variable cost/unit	FY27-FY31: +4.0%, +0.8%, +0.4%, -1.4%, -5.7%	After FY27 this is a residual implied by the margin path, not independently identified savings.

A one-time tax-rate rise can permanently change the level of legal volumes or retained realization. “No further tax rise” does not imply full recovery. The central case grants recovery but leaves failure possible in the retained-price range.

Q1 FY27 actual EBITDA is ₹5,181 crore on ₹18,955 crore net product/service revenue (27.33%). The remaining nine months require 26.78% on the same basis, rather than an abrupt 35% full-year margin. Full-year group margin of 26.69% uses a slightly broader revenue denominator. [S9] [S10]

Growth consumes cash before it creates value

Cash flow funds growth before accruing to investors

Company Anatomy model. Actual FY26; FY27-FY36 are estimates.

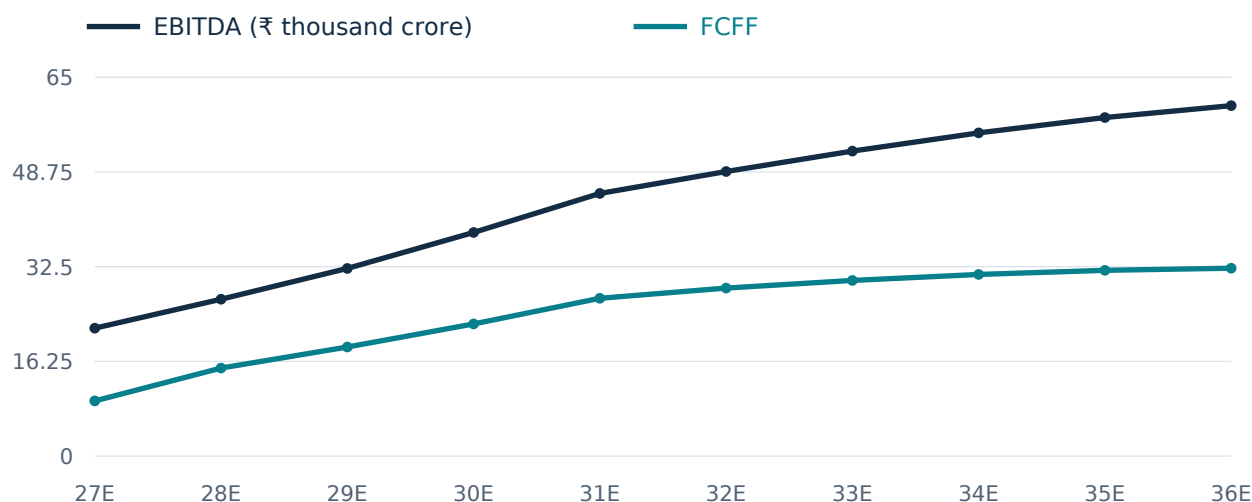


Figure 4. FCFF is unlevered operating cash after tax and reinvestment, including scheduled acquisition cash. It is not a dividend forecast. [S10]

Working capital and reinvestment controls

Assumption	Model input	Cash-flow effect
Receivables / inventory / payables	18 / 205 / 60 days	Receivables use sales; inventory/payables use materials cost.
Materials / revenue	44%	Higher procurement costs can raise stock financing needs.
Other operating WC	-5.56% of revenue	Historical ratio proxy; not a detailed tax/payroll ledger.
Opening operating WC	₹12,630.52cr	Increase in operating WC reduces FCFF.
Acquisition cash / acquired WC, FY27	₹3,528cr / ₹500cr	Acquired WC excluded from organic change to avoid double counting.
Organic capex, FY27-FY31	At least ₹20,000cr and at least 3.5% of sales	Higher of the two; later capex fades consistently with terminal returns.
Cash tax / depreciation	25.168% / 2.2% of revenue	Corporate operating tax, not investor personal tax.

Formula: operating WC = sales × DSO/365 + materials cost × (DIO-DPO)/365 + other operating WC. FCFF = EBIT × (1-tax) + D&A - organic capex - lease investment - organic ΔWC - acquisition cash. [S10]

Ten years of sales, earnings and cash flow

Central consolidated forecast (₹ crore, except EPS)

Year	Net sales	EBITDA	Margin	EPS ₹	FCFF
FY26A	81,393	27,457	33.7%	16.51	Not shown
FY27E	82,223	21,942	26.7%	13.44	9,458
FY28E	93,790	26,909	28.7%	16.20	15,098
FY29E	105,163	32,193	30.6%	19.15	18,710
FY30E	117,955	38,365	32.5%	22.60	22,667
FY31E	131,677	45,061	34.2%	26.34	27,070
FY32E	143,775	48,823	34.0%	28.37	28,824
FY33E	155,039	52,326	33.8%	30.26	30,133
FY34E	165,000	55,453	33.6%	31.94	31,160
FY35E	173,208	58,086	33.5%	33.36	31,869
FY36E	179,270	60,124	33.5%	34.45	32,231

FY26-FY36 revenue CAGR is 8.22%; continuing EPS CAGR is 7.64%. EPS falls in FY27 then recovers. Flat treasury income, financing, associates, minorities and dilution explain why EPS does not exactly track sales or EBITDA. These are estimates, not audited future financial statements. [\[S10\]](#)

Growth bridge: recovery versus long-run compounding

Metric	FY26-FY31	FY26-FY36
Cigarette net revenue CAGR	5.9%	5.6%
FMCG external revenue CAGR	15.5%	11.8%
Group net revenue CAGR	10.1%	8.2%
Continuing EPS CAGR	9.8%	7.6%

FY27 group revenue grows only about 1% despite faster FMCG and acquired paper capacity. Cigarette net revenue contracts about 21%. The initial earnings-level loss is not removed by calling the tax increase “one-off”; the model must earn it back through subsequent pricing, volumes and cost normalization. [\[S10\]](#)

The original DCF: a transparent starting point

Original 31 March 2026 model basis (not today's value)

Component	₹ crore
Present value of FY27-FY36 FCFF	150,385.97
Present value of terminal operations	288,446.51
Enterprise value	438,832.48
Net non-operating equity bridge	32,343.89
Equity value	471,176.37
Diluted shares (crore)	1,253.2468
DCF value per share (₹)	375.96

Formula: enterprise value = $\sum FCFF_t / (1+r)^t + \text{terminal FCFF} / [(r-g) \times (1+r)^{10}]$. Equity value = enterprise value + net non-operating bridge. Divide by diluted shares. Year-end discounting is used. [\[S10\]](#)

Classification checks required when refreshing the bridge

Category	Avoid this valuation error
Cash, deposits and treasury investments	Do not assume all investments are unrestricted cash; account for liquidity, ownership and valuation basis.
Associate / strategic stakes	If separately valued, exclude their profits from operating FCFF. Do not also capitalize the same income stream.
Operating assets, debt and other claims	Working capital belongs in operations; debt and non-controlling interests must be treated consistently with cash-flow ownership.
Post-base-date cash movements	Reconcile acquisitions, dividends, net cash generation and dilution before comparing with a current share price.

Internal-trading weights are assumptions: 75% of Agri internal sales are linked to cigarette volume/input inflation and 25% to FMCG sales; paper uses 50%/50%. Corporate profit eliminations scale with internal turnover. These are not disclosed procurement shares. Other operating revenue grows 5% before fade; lease investment is about 0.081% of sales. [\[S10\]](#)

The next page rolls this starting point to the comparison date. The original bridge is not reclassified or marked to market merely because the report now includes a current share quote.

Bringing the valuation to today's comparison date

The earlier ₹375.96 value used a 31 March base date. Comparing it with September without accounting for the ₹8 dividend already paid would be inconsistent. We now use an explicit, estimated stub-year bridge. It is a valuation timing update, not a fresh audited September balance sheet.

Central estimated date bridge, ₹ crore unless per share

Step	Amount / rule
Elapsed fraction of FY27	0.468493 (171/365)
FY27 model FCFF	9,457.83
Recurring FCFF before acquisition cash	12,985.83
Estimated elapsed FCFF, after assumed acquisitions	2,555.77
Dividend deducted (₹8 × model share count)	10,025.97
Original non-operating bridge	32,343.89
Estimated September bridge	24,873.69
Remaining FY27 cash flow	6,902.06
September operating enterprise value	453,636.98
Indicative September equity value / share	₹381.82

Method: spread recurring FY27 cash flow evenly across the year; assume the model's ₹3,528cr acquisition cash is already spent; deduct the ₹8 final dividend paid 28 July 2026; shorten future discount periods by 171/365. Keep the remaining FY27 cash flow at year-end. Cash earns zero in this bridge. [\[S19\]](#) [\[S32\]](#)

Limitations: actual seasonality, acquisition payment schedules, share dilution, minority claims and investment market values are not fully refreshed. These can change the answer. A ₹5,000cr adverse change in the non-operating bridge reduces value by about ₹3.99/share. No precision beyond rounded rupees is economically warranted.

No double counting: elapsed operating cash is removed from future cash flows before being added to the bridge. The acquisition outflow and paid dividend are deducted once. The already-paid dividend is not included in potential future upside. The share quote does not enter any forecast assumption.

The discount rate is a judgment with a large price

What the model uses, and what it does not prove

Rate item	Value	Interpretation
Selected hurdle	8.57835%	Midpoint of a user-specified range; not an independently estimated WACC.
Simulation bounds	7.0167% to 10.14%	Saved 11 Sep sovereign-yield reference to user ceiling.
Underlying standard deviation	0.780825 percentage points	Normal draw truncated at bounds; not a confidence interval.
Earlier conventional WACC reference	Approximately 10.10%	Country-risk/beta-based reference, not the selected central hurdle.
Terminal nominal growth	3.5% from FY37	Mature-growth judgment below near-term growth; not Indian real GDP.
Terminal incremental ROIC	15%	Requires reinvestment of $g/ROIC = 23.33\%$ of NOPAT.

The earlier conventional build used: (7.0167% sovereign yield - 1.7499% default spread) + 0.5132 beta × 4.20% mature equity premium + 2.7202% country equity premium ≈ 10.14% cost of equity. A 1% assumed debt weight, a 0.75% borrowing spread and corporate tax shield yield about 10.10% WACC. Revenue-weighted global industry betas are an imperfect proxy for business-value weights. [\[S11\]](#) [\[S12\]](#) [\[S10\]](#)

An FD yield plus an explicit equity premium is an investor hurdle, not automatically WACC. Deposit credit risk, tenor and tax treatment differ from perpetual equity. No particular “RBI tax-free bond” has been identified; the model must not invent its yield or tax status. The selected midpoint leaves only 1.56 percentage points above the saved sovereign reference. This may undercompensate equity risk.

Terminal cash flows represent about 66.1% of the date-adjusted operating value. In plain English, most of the valuation depends on cash earned beyond the ten-year forecast. The 10% discount-rate test values the share near ₹300, not ₹382.

What can break the attractive valuation?

What changes the indicative September value?

Full operating recalculations; combined downside is not a worst case.



Bars start at zero. Values are ₹ per share.

Recomputed operating cases; no broker target or current quote used to fit the assumptions. One-change tests are not probability-weighted scenarios. [\[S32\]](#)

Indicative September values, ₹ per share

Test	Value	What changed
Central	₹382	Original recovery assumptions
Higher required return	₹300	Discount rate 10%
No retained-price catch-up	₹343	Recovery fraction 0%
FMCG target miss	₹357	₹35,000cr in FY31
Weaker normal pricing	₹344	2% net price/mix growth
Combined downside	₹206	10% discount; ₹35,000cr FMCG; no catch-up; 2% pricing; 0% normal volume

The combined downside is 22.7% below today's quote even before stronger margin, weather or funding stress. It is illustrative, not a worst case or a probability estimate. This is why a 99.5% favourable model frequency must never become "99.5% chance of investment success."

Ranges and dependencies: the model's contract

Simulation inputs; low / central or mode / high

Variable	Range / fixed setting	Distribution or dependency
Annual real GDP	4% / 6.5% / 8%	Bounded beta-PERT, concentration 4. Mean 6.33%, not mode 6.5%.
Real income per person	Derived; population +1%	$(1+GDP)/(1+population)-1$. Not independent of GDP.
GDP across forecast years	Latent correlation 0.60	Common-factor convention, not a historical estimate of actual GDP correlation.
Normal cigarette volume	0% / 3% / 5%	Bounded PERT; income response adds a deviation adjustment.
Normal net price/mix	2% / 5% / 7%	Bounded PERT. Separate from catch-up.
FY27 retained-price shock	-28% / -18% / -8%	Bounded PERT; not the statutory tax rate.
FY27 H1 volume shock	-12% / -7% / -2%	Bounded PERT; H2 prior-year run-rate fixed.
Price-shock recovery	0% / 85% / 100%	Bounded PERT; separate from volume recovery.
Recovered cigarette margin	70% / 74% / 76%	Shared profitability-regime draw.
Recovered FMCG margin	12% / 16% / 20%	Same regime; not an independently sampled margin.
Recovered paper margin	16% / 20% / 24%	Same regime; positive rank dependence is imposed.
Discount rate	7.0167% / 8.57835% / 10.14%	Truncated normal; independent of business draws.

The shared profitability factor is beta-PERT on 0-1 with midpoint 0.5; segment endpoints are mapped piecewise around their central values. These margins have perfect rank dependence by construction. Other non-macro risk draws are independent. This is neither a fitted covariance model nor proof of causality. [\[S10\]](#)

Fixed conditions: FMCG reaches ₹50,000cr in FY31; Agri follows GDP before fade; terminal g 3.5%; terminal ROIC 15%; selected WC days and tax rate. No additional near-term tax shock is drawn. Later adverse tax events, target failure, future acquisition funding and multi-year weather regimes are not fully represented.

What could invalidate the investment case?

Hypothesis audit and monitoring framework

Exposure	Opportunity and opposing risk	Evidence that would change the model
Cigarette economics	Pricing and mix may rebuild retained revenue. Illicit substitution and downtrading can persist after taxes stabilize.	Compare disclosed volumes, realization and margin across quarters. Revenue alone cannot identify volume recovery.
FMCG scale	Distribution, premium products and digital channels can improve growth. Channel costs, competition and acquisitions may absorb profits.	Track organic versus acquired growth, margin, incremental capital and cash conversion, not the target alone.
Monsoon / crops	Good harvests support rural demand and sourcing. Poor or uneven rainfall can reduce crop availability and raise materials prices together.	IMD spatial rainfall, crop output, leaf/wood/food costs and rural demand. Do not add an arbitrary GDP penalty twice.
Agri trade	Value-added exports and sourcing can create profitable niches. Trade bans, logistics and commodity-price declines disrupt turnover.	External sales and contribution margins; distinguish prices, volumes and export permissions.
Paper / packaging	Value-added products, fiber supply and utilization may lift returns. Imports, wood, energy and expansion can weaken cash flow.	Realizations, wood cost, utilization and post-acquisition return on invested capital.
IT / capital allocation	New capabilities can create growth. AI price compression, integration and overpayment can destroy value.	Organic earnings/cash conversion and funded transaction economics; no unearned synergy premium.
Long-duration value	Durable brands support reinvestment. Regulation, tobacco health costs and a higher equity hurdle can impair terminal value.	Re-test terminal margins, growth, ROIC and discount rates together, not only one optimistic variable.

These mechanisms are economic hypotheses, not established causal coefficients. Monsoon, inflation, demand and costs can move together. The current simulation does not capture all such joint downside states; it would be misleading to describe the bounded range as comprehensive. [\[S1\]](#) [\[S6\]](#) [\[S7\]](#) [\[S10\]](#)

Questions a retail investor should ask

Is ITC a buy at ₹266.20?

It is a conditional staged-add candidate in this framework, below the ₹269 safety band. That conclusion assumes the recovery case remains intact and is subject to individual suitability and adviser checks. It is not a universal recommendation for every investor.

What is the difference between value and return?

Value estimates what future business cash might be worth today. Return depends on your entry price, dividends received, future selling price, timing, taxes and costs. The model does not simulate the price at which you will actually sell.

What do DCF, EBITDA and terminal value mean?

DCF discounts future cash into today's rupees. EBITDA is operating profit before interest, tax and depreciation; it is not free cash. Terminal value estimates the cash earned after the detailed forecast ends. Growing sales can consume cash through inventory and factories.

What does Benjamin Graham's formula say?

The limited heuristic $EPS \times (8.5 + 2g)$, using normalized EPS ₹16.07 and separate EPS-growth input $g=6$, gives ₹329.44. It is not a date-aligned cash-flow target or independent proof. It cannot model tax shocks, reinvestment or changing business mix.

[S10]

What will change the view?

Evidence of sustained cigarette volume/retained-realization recovery, FMCG organic growth and cash margins, or a different required return. Further taxes, poor monsoon transmission, expensive acquisitions or weaker cash conversion can lower value even if the stock falls.

Is the report free, and are trading costs included?

The report charge is ₹0. Brokerage, exchange/statutory charges and investor taxes are separate and are not included in the valuation gaps. Consult an adviser before acting; past business performance and model outcomes do not assure future returns.

Disclosures and publication status

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Financial interests and ownership

The analyst holds ITC shares as a long-term investment. Relatives may also hold ITC shares as long-term investments. This financial interest can create a potential conflict. In response to the ownership question for 31 August 2026, the analyst states that, to his knowledge, no person within the queried analyst/associate/relative scope holds 1% or more. These are analyst declarations, not an independent holdings audit.

Compensation, relationships and conduct

The analyst declares no ITC-related compensation, including in the preceding 12 months. Apart from the disclosed holdings, he declares no ITC-related roles, service/client relationships, non-cash benefits, other material conflicts or relevant disciplinary matters involving himself or applicable associates. The declaration covers the queried officer/director/employee, market-making and public-offering relationships. He confirms compliance with the applicable personal-trading restriction under Regulation 16(2).

Analyst approval and AI assistance

The named analyst has approved the analytical views, conditional accumulation/holding/reduction framework and AI assistance, subject to the release-date price refresh, and retains responsibility for the published research. AI assisted data collection, analysis, calculations/code, readability, some writing and document production. The editorial illustration is AI-generated, not a photograph; numerical charts are calculated from the stated data. Errors may remain: readers should verify material information and perform their own due diligence. This warning does not displace the analyst's responsibilities.

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Raise a complaint with the analyst first. If unresolved, use SEBI SCORES (<https://scores.sebi.gov.in/>) and, where applicable, SMART ODR (<https://smartodr.in/>). Website terms, disclosures, Investor Charter and complaint information remain applicable: <https://companyanatomy.com/disclosures-disclaimers/> ; <https://companyanatomy.com/investor-charter/> ; <https://companyanatomy.com/grievance-redressal/> .

Release scope: price and valuation timing refreshed on 18 September 2026 before market opening, using the latest available 17 September quote. Operating evidence and forecast assumptions remain those of the 16 September analytical checkpoint. Cash/investment values and share count are carried-forward estimates, not newly observed September accounts. Changes after the information cut-off may invalidate the analysis. No undertaking to update continuously is made.

The 5,000-scenario companion contains frozen operating forecasts with live valuation formulas. The separately dated 500-trial source model is retained for operating-formula inspection and is not an updated price comparison. Neither file was newly executed in native Microsoft Excel. Statistical outputs are conditional model results, not forecasts of future traded prices.

Figures and tables are original analytical presentations of attributed facts. Third-party annual reports and research publications remain the property of their respective owners and are linked, not republished as website downloads. Distribution is intended only where lawful. Refer to the dated original report for corrections and revisions.

Sources and data notes 1

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[S2] ITC Report and Accounts 2025

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[S3] ITC Report and Accounts 2024

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[S4] ITC Report and Accounts 2023

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Article metadata should match visible author/content and real publication details. No invented author credentials or publication URL. Publisher implementation reference. [Open original source](#)

[S17] Upstox ITC quote

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[S25] WHO tobacco profile: China

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