

## ITC Q1FY21

### Financial Results & Highlights

#### Brief Introduction:

ITC Limited is an Indian multinational conglomerate company headquartered in Kolkata, West Bengal. Established in 1910 as the 'Imperial Tobacco Company of India Limited', the company was renamed as the 'India Tobacco Company Limited' in 1970 and later to 'I.T.C. Limited' in 1974. It has a diversified presence in FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. It has many famous brands under its stable like Wills, Classic, Gold Flake, Aashirvaad, Sunfeast, Bingo, Fiama, Vivel, Classmate and many others.

Standalone Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	10399	12123	-14.22%	12175	-14.59%
PBT	3128	4812	-35.00%	4512	-30.67%
PAT	2343	3174	-26.18%	3797	-38.29%
Consolidated Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	11404	13305	-14.29%	13228	-13.79%
PBT	3436	5192	-33.82%	4743	-27.56%
PAT	2567	3437	-25.31%	3926	-34.62%

#### Detailed Results:

1. The company had a dismal quarter with a 14% consolidated revenue decline YoY and a fall of 25% YoY in consolidated profits.
2. FMCG-Others segment grew almost 12.2% YoY and segment EBITDA grew 42.4% YoY. The revenues excluding education and stationery products have grown 34% YoY.
3. The hotel business was similarly severely impacted in Q1 due to restrictions on travel and hotel operations. Q1 revenues fell 94% YoY. Aggressive reduction in controllable fixed costs partly mitigated the impact.
4. The Agribusiness revenues were up 4% YoY on the back of trading opportunities in oilseeds and rice.
5. The paper & packaging segment saw its performance impacted by lower offtake from end-user industries. Here export growth helped mitigate weak domestic demand. segment revenues declined by 32.8% YoY.
6. In Staples, Snacks and Meals category, 'Aashirvaad' atta posted strong growth across markets. The brand further fortified its leadership position in the branded packaged atta industry during the quarter with significant value and volume growth.
7. Sunfeast' Biscuits and Cakes recorded robust growth driven mainly by a surge in 'at home' consumption and the consumers' preference for trusted brands.

8. In the Dairy & Beverages category, 'Aashirvaad Svasti' range of fresh dairy products and ghee recorded strong growth.
9. The Chocolates and Confectionery categories were severely impacted reflecting the subdued demand for discretionary products.
10. The Personal Care Products Business recorded substantial growth in revenue driven by heightened awareness and demand for hygiene products such as hand sanitizers, hand wash, antiseptic liquids, and floor cleaners in the wake of COVID-19 pandemic.
11. The newly set-up perfume manufacturing plant at Manipura, Himachal Pradesh was re-purposed to manufacture hand sanitizers and service increased demand.
12. The portfolio was augmented with the launch of several products like 'Savlon Surface Disinfectant Spray', 'Savlon Hexa' hand sanitizing liquid, 'Savlon Germ Protection Wipes', Savlon Hand Sanitizer Sachet, 'Savlon Hexa advanced' Soap.
13. The Agarbatti industry was confronted with significant operational challenges, especially in the initial lockdown phase, mainly due to the higher focus of consumers and trade channels on essential products.
14. The significant surge in demand across categories in the portfolio was met through technology-enabled solutions leveraging predictive analytics tools, shortened demand planning cycles, focus on fewer SKUs, and higher-value packs, backed by flexible manufacturing plans and responsive supply chain operations to cater to variability in demand.
15. During the lockdown phase, nearly two-thirds of the throughput was delivered direct-to-customer/market from factories leading to a reduction in time-to-market.
16. The company was the first in the industry to launch an online ordering system for retailers. It also facilitated swift scaling up of cold-calling and Whatsapp based order taking from retailers and deployed mechanized and non-mechanized delivery modes.
17. The company also enhanced the presence of its product portfolio in alternative channels and entered into a collaboration with several companies such as Dominos, Swiggy, Zomato, Dunzo.
18. The company expanded its presence in the emerging channels of Modern Trade and e-Commerce during the quarter, growing at over 20% and 90% respectively.
19. In the Cigarettes segment, manufacturing operations were resumed in mid-May and thereafter rapidly scaled up. Currently, all factories are operational and production has been scaled up to pre-COVID levels.
20. The company has launched many new cigarette variants like Gold Flake Luxury filter in the Longs segment, and Navy Cut Deluxe Filter, Gold Flake Indie Mint and Capstan Fresh in the regular size filter segment. The Flake brand was launched in an innovative 5s pack in target markets.
21. In the Hotels business, the company is progressing towards accreditation by the National Accreditation Board for Hospitals & Healthcare Providers (NABH) for its operating procedures.
22. In Agribusiness, the company ramped up the direct milk sourcing network in West Bengal to cater to the increasing requirements on the back of the growing franchise of the Aashirvaad Svasti range of dairy products.
23. While demand for packaging in Pharma has remained stable, there has been a significant adverse impact in categories like publications, décor, wedding cards.
24. Swift resumption of business ahead of the competition, strong dealer network, and agility in servicing customer needs to be aided in further strengthening market share in the Value Added Paperboards segment. Strategic cost management and import substitution continue to aid margin expansion and strengthen competitive advantage in this space.

**Analyst's View:**

ITC has been one of the biggest conglomerates in the history of modern India. The company has done well to diversify into other FMCG segments and build many leading brands like Aashirvaad, Bingo, etc. The company has seen a modest performance in the current quarter with severe disruption in its FMCG-Cigarettes and the Hotels business due to the lockdown. The company is doing well in maintaining a leadership position in many of its brands. The company has shown resilient growth in its FMCG segment due to the increase in at-home consumption and the migration towards trusted brands in the food space. It has also done well to expand the manufacturing capability of Savlon Brand and to capitalize on the demand surge for Health & Hygiene products by introducing many new products under the Savlon brand. It remains to be seen whether there are any more disruptions in the future from COVID-19 and how long will it take for the Hotels business to get back to its feet. Nonetheless, given its history of building and maintaining durable brands, its leadership in various operating segments, and its mammoth cash-generating ability, ITC remains a critical stock to watch for any investor interested in the themes of FMCG and consumption.

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