

## ITC Q2FY21

### 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)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	12587	12526	0.49%	10399	21.04%	22985	24649	-6.75%
PBT	4274	4808	-11.11%	3128	36.64%	7403	9619	-23.04%
PAT	3232	4023	-19.66%	2343	37.94%	5575	7197	-22.54%
Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	13730	13497	1.73%	11404	20.40%	25134	26802	-6.22%
PBT	4565	5042	-9.46%	3436	32.86%	8001	10234	-21.82%
PAT	3419	4173	-18.07%	2567	33.19%	5986	7610	-21.34%

#### Detailed Results:

1. The company had a mixed quarter with a 1.7% consolidated revenue growth YoY and a fall of 18% YoY in consolidated profits in Q2.
2. FMCG-Others segment grew almost 18.4% YoY and segment EBITDA grew 66% YoY. The revenues excluding education and stationery products have grown 25% YoY. Segment EBITDA margins expanded 300 bps YoY to 9.7%.
3. The hotel business was similarly severely impacted in Q2 due to restrictions on travel and hotel operations.
4. In Staples, Snacks and Meals category, 'Aashirvaad' atta fortified its leadership position in the branded packaged atta industry during the quarter and added new products like organic atta & pulses and low sodium salt variants.
5. The company also added new products like 'Sunfeast Farmlite' Veda Marie Digestive, Nuts Digestive & Seed Digestive biscuits; 'Sunfeast Caker' Trinity and Swiss Roll cakes; Tedhe Medhe 'Bingo!' Namkeen Aloo Bhujia, Pulse Mix, Nut Cracker & Nut Mix; 'Candyman Jelimals' Immunoz; 'Aashirvaad Svasti' Lassi; 'B Natural' Nagpuri Santra & immunity range of juices and 'Aashirvaad' Organic atta, Organic Dais, Salt Proactive (low sodium salt) & Iodised Crystal Salt in Q2.

6. In Personal Care Products Business, Savlon recorded significant market share gains across sub-segments and is on course to become a 1000 crore brand in terms of annual consumer spend in FY21.
7. Under the Savlon brand, the company added many new products in Q2 like Savlon Surface Disinfectant Spray, Savlon Clothes Disinfectant Spray, Savlon Spray and Wipe, Savlon Germ protection Wipes, Savlon Hexa Hand Sanitizer, Savlon Hexa Advanced Bodywash, etc.
8. With growing preference for natural products, Nimyle, a 100% natural floor cleaner grew rapidly strengthening its market standing in the East. Nimwash, a 100% natural action product for cleaning fruits and vegetables, is also gaining consumer franchise.
9. In the Cigarettes segment, Revenues declined 14.4% YoY. The company introduced new variants like Classic Connect, Gold Flake Indie Mint, Capstan Fresh, Gold Flake Luxury Filter, Navy Cut Deluxe Filter, Gold Flake Star, Gold Flake Regal Special, Gold Flake Super Star (Super Mint), and Player's Gold Leaf Rush in Q1.
10. In the Hotels business, the company reduced its fixed costs by close to 50%. It launched 'Flavours' and 'Gourmet Couch' menus as home delivery and takeaway offerings which received an encouraging response.
11. In the Paper & Paperboard business, the company saw revenues decline 6.8% YoY. It maintained segment margins at last year's levels despite volume and pricing pressure through product mix enrichment, sharp focus on operational efficiency, and structural cost-saving interventions. ITC also strengthened the market standing in Value Added Products by 500 bps.
12. Agribusiness saw a robust growth of 12.8% YoY driven by trading opportunities in rice, mustard, coffee, and higher wheat supplies for Aashirvaad atta. Value-added portfolio (ex. aqua) comprising spices for 'food-safe' markets, processed fruits, frozen snacks etc. posted 25% growth in revenue.

#### **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 mixed performance in the current quarter with its FMCG-Cigarettes still not recovered to pre-covid levels and the FMCG-Others doing very good and rising steadily. The company is doing well in maintaining a leadership position in many of its brands and always introducing new products under these 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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