

ITC Q4FY21

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)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14929	13734	8.70%	12176	22.61%	51776	49821	3.92%
PBT	4854	4880	-0.53%	4512	7.58%	17164	19167	-10.5%
PAT	3748	3688	1.63%	3797	-1.29%	13032	15136	-13.90%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	15984	14670	8.96%	13228	20.83%	55788	53991	3.33%
PBT	5039	4905	3%	4743	6.24%	17945	20026	-10%
PAT	3817	3587	6%	3926	-2.78%	13390	15585	-14.08%

Detailed Results:

1. The company had a decent quarter with a 9% consolidated revenue growth YoY and a rise of 6% YoY in consolidated profits in Q4. Pat grew 8.4% YoY
2. FMCG-Others segment grew almost 16% YoY in Q4 and 16% YoY in FY21. Segment EBITDA grew 19% YoY and EBITDA margin improved 115 bps YoY to 8.9% in FY21 and 8.3% in Q4. Staples, Convenience Foods, and Health & Hygiene products record growth of 13% YoY in Q4 & 20% YoY in FY21. Discretionary/'out-of-home' categories grew 23% YoY in Q4 & 2% YoY in FY21. Savlon saw consumer spend of Rs 1200 Cr in FY21.
3. ITC e-commerce FMCG Sales doubled: now accounts for close to 5% of revenue.
4. In Staples, Snacks, and Meals category, 'Aashirvaad' atta fortified its leadership position in the branded packaged atta industry during the year while Aashirvaad Svasti range of dairy products saw a good response.
5. Sunrise Foods process integration completed.
6. Personal Care products saw capacity expansion across categories like Handwash 4.5x, Sanitizers 100x, Floor Cleaner 2.3x, Soaps & Antiseptic Liquids 6x during FY21.
7. The hotel business earned an EBITDA of Rs 25 Cr in Q4. Construction of 3 new properties -ITC Narmada, a Luxury Collection hotel in Ahmedabad, and Welcomhotels at Bhubaneswar and Guntur -with around 500 rooms are nearing completion.
8. In the Cigarette segment, Revenues grew 14.2% YoY while EBIT rose 7.7% YoY.

9. In the Hotels business, leisure destinations turned in a strong performance in the wedding business and staycations leading the charge. The company reduced fixed costs by 41% in FY21. ITC also commissioned Welcomhotel Shimla & Welcomhotel Ahmedabad.
10. In the Paper & Paperboard business, the company saw revenues rise 13.5% YoY & an EBIT rise of 13.1%. It saw strong growth in Specialty papers –Pharma & Décor segments.
11. Paper Machine Rebuild Project at Bhadrachalam successfully commissioned in March'21.
12. Agribusiness saw a robust revenue growth of 78.5% YoY & an EBIT growth of 54.2% YoY driven by wheat exports to Bangladesh, Malaysia, Sri Lanka & UAE. It also saw strong growth in value-added spices in food-safe markets.
13. ITC launched a total of 120+ products in FY21.
14. The company also announced a final dividend of Rs 5.75 per share bringing the total dividend for FY21 to Rs 10.75 per share.

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 good performance in the current quarter with the Agribusiness growing 78% YoY on the back of wheat exports and the FMCG-Others doing very well 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 in the health & hygiene space which was witnessed by the more than Rs 1200 Cr consumer spend on Savlon alone in FY21. It has also done well to keep expanding the Aashirwad range and maintain market share in strong areas like atta while expanding into pulses, breakfast meals, and most recently dairy products. The Hotel business is also on its way back with demand coming in from weddings and staycations and has earned Rs 25 Cr EBITDA in Q4. It remains to be seen how the company will mitigate the effects of the systematic decline of the cigarette industry and how long will it take for the Hotel business to get back to pre-covid level of operations. Nonetheless, given its history of building and maintaining durable brands, its leadership in various operating segments, and its mammoth cash-generating ability & the 5%, ITC remains a critical stock to watch for any investor interested in the themes of FMCG and consumption, all the while providing a consistent 5% dividend with a strong runway for business for many years to come.

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