Analysis of Revenue Growth, Profitability and Asset Utilization

ITC Ltd.

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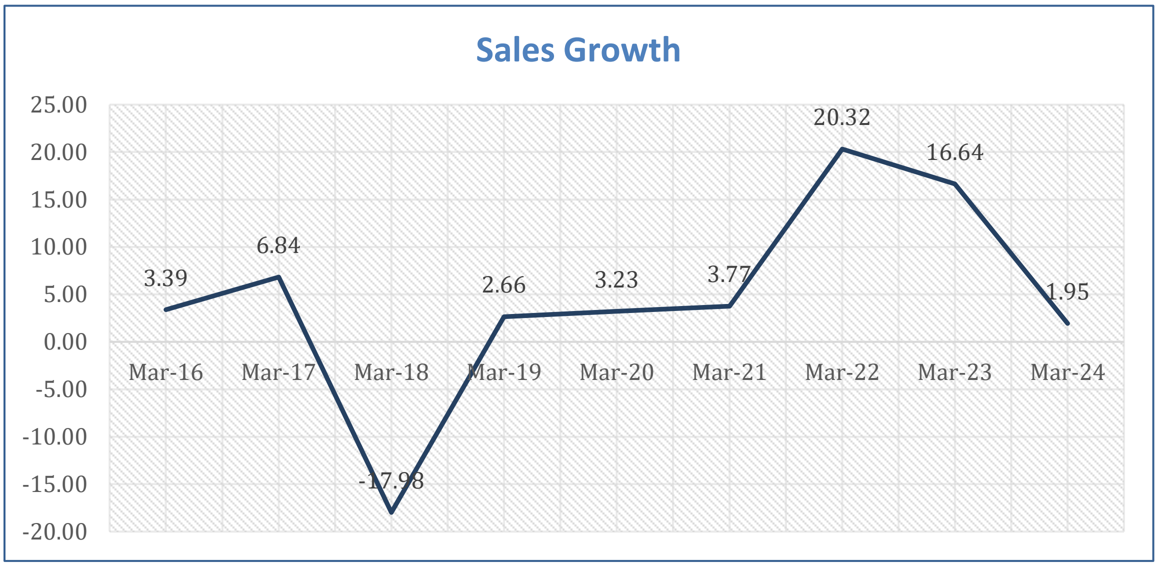
ITC Ltd. (Rs. Crore)	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Total Income	52,086.32	53,850.80	57,534.19	47,191.02	48,443.96	50,007.18	51,890.43	62,435.76	72,826.68	74,246.07
Total Income (Growth %)		3.39	6.84	-17.98	2.66	3.23	3.77	20.32	16.64	1.95
									CAGR	4.10
Operating Profit Margin	28.98	28.87	28.88	38.79	41.19	41.89	36.33	34.48	36.37	38.46
Net Profit Margin	18.5	17.32	17.73	23.78	25.73	30.27	25.11	24.12	25.75	27.51
Return on Equity (ROE)	33.88	25.94	23.71	23.55	23.25	25.07	21.23	25.23	29.46	30.07
Return on Capital Employed (ROCE)	33.76	26.02	23.27	22.37	23.09	25.13	21.2	25.05	29.22	29.15
Return on Assets (ROA)	22.86	19.66	19.51	19.29	19.01	20.91	17.68	20.54	23.91	24.46
Quick Ratio	1.337	2.25	2.297	1.767	2.161	2.972	2.065	1.614	1.896	1.818
Current Ratio	2.03	3.661	3.527	2.718	3.013	3.939	3.084	2.576	2.846	2.914
Debt to Equity Ratio	0.002	0.001	0.001	0	0	0.005	0.006	0.005	0.005	0.005
Turnover Ratio	2.353	2.29	2.325	2.236	2.38	2.279	2.14	2.374	2.824	2.625
Work-in-Progress (WIP) Turnover Ratio	64.741	71.363	91.954	90.517	84.524	88.588	96.75	99.238	107.706	97.292
Asset Turnover Ratio	1.235	1.135	1.101	0.811	0.739	0.691	0.704	0.852	0.928	0.889



Year 2018

In March 2018, ITC Ltd's total income declined by 17.98% to ₹47,191.02 crore, largely due to GST-related tax pressures on the cigarette segment and rising illegal trade. Despite this, operational efficiency improved, with an operating profit margin of 38.79% and a net profit margin of 23.78%.

The FMCG-Others segment grew by 11.3%, driven by branded packaged foods, supported by scale, product mix enrichment, and cost management, despite higher brand investments. The Hotels segment posted a 5.6% revenue rise and 26% growth in results, due to higher room rates and F&B sales.

Challenges in the Agri Business from poor crop quality and trading issues impacted performance, while the Paperboards, Paper & Packaging segment delivered solid results through a better product mix and cost controls. Overall, ITC's Gross Sales Value (GSV) grew 3.6%, with a 9.9% increase in post-tax profit, driven by FMCG-Others and Hotels.

Year 2019

In March 2019, ITC Ltd's total income rose by 2.66% to ₹48,443.96 crore, marking a modest recovery.

The FMCG-Others segment led the growth, with a 12% revenue increase, excluding the Lifestyle Retailing Business. The operating profit margin improved to 41.19%, while the net profit margin increased to 25.73%.

Return on Equity (ROE) and Return on Capital Employed (ROCE) saw slight declines to 23.25% and 23.09%, respectively, showing stable yet slightly reduced returns. Return on Assets (ROA) also fell to 19.01%, indicating reduced asset efficiency. Liquidity strengthened, with a quick ratio of 2.161 and a current ratio of 3.013. While the turnover ratio improved to 2.38, reflecting better sales efficiency, the asset turnover ratio dropped to 0.739, and the WIP turnover ratio decreased to 84.524, signaling lower inventory management efficiency.

The FMCG-Others segment benefited from scale, product mix improvements, and cost management, despite rising input costs.

The Hotels segment grew its revenue by 17.5%, with results up 27.1%, driven by higher RevPAR and new properties.

The Agri Business saw growth in wheat, coffee, oilseeds, and spices trading but faced challenges in the leaf tobacco sector due to lower demand and increased costs.

The Paperboards, Paper & Packaging segment posted a 19% profit increase, aided by a better product mix and strategic investments.

Though the cigarette industry remained under pressure from tax hikes, stability in taxation during the year offered some relief. ITC also divested its 'John Players' trademark in a strategic move to streamline its portfolio.

Year 2020

In March 2020, ITC Ltd's total income rose by 3.23% to ₹50,007.18 crore, driven by strong growth in the FMCG-Others segment, particularly essential consumer goods, despite disruptions in the Education and Stationery Products Business due to lockdowns.

Operational efficiency declined slightly, with the turnover ratio dropping to 2.279 and the asset turnover ratio falling to 0.691.

Despite pandemic challenges, the FMCG-Others segment saw a 32.8% increase in EBITDA due to strategic cost management and scale.

The Hotels segment performed well early in the year but was severely impacted by COVID-19.

The Agri Business initially grew by 15% in revenue but faced supply chain issues and lower demand for leaf tobacco later on.

Paperboards, Paper & Packaging saw a 5.3% rise in results, benefiting from higher in-house pulp production and cost efficiencies despite lower demand.

The legal cigarette industry encountered increased tax duties and pandemic disruptions, though ITC's operations began normalizing. ITC strengthened its ESG performance, acquired Sunrise Foods to expand its spice offerings, and set up a COVID-19 Contingency Fund to support relief efforts during the pandemic.

Year 2021

In March 2021, ITC Ltd's total income grew by 3.77% to ₹51,890.43 crore, led by strong performance in the FMCG-Others segment despite pandemic challenges.

However, operational efficiency declined, with the operating profit margin decreasing to 36.33% and the net profit margin falling to 25.11%. Return on Equity (ROE) dropped to 21.23%, while Return on Assets (ROA) and Return on Capital Employed (ROCE) also decreased, indicating lower returns and asset efficiency.

Liquidity remained strong, with a quick ratio of 2.065 and a current ratio of 3.084.

The debt-to-equity ratio stayed low at 0.006, signaling financial stability. Operational efficiency slightly declined, with a turnover ratio of 2.14 and an asset turnover ratio of 0.704, though inventory management improved, reflected in a WIP turnover ratio of 96.75.

The FMCG-Others segment achieved a 16% revenue increase and a 19% rise in EBITDA, driven by recovery in discretionary categories. The Cigarettes business saw recovery, with Q4 revenue up 14% as restrictions eased.

The Agri Business segment grew significantly in Q4, with revenues up 78.5%, driven by higher sales in staples and value-added products.

The Paperboards, Paper & Packaging segment saw a sequential recovery, and the Hotels segment showed improvement, breaking even in Q3 and posting gains in Q4.

Despite the second wave of the pandemic causing disruptions, ITC managed to avoid major supply chain issues. The company supported COVID-19 relief efforts, focusing on cost reduction and agile response to the evolving situation.

Year 2022

In March 2022, ITC Ltd's total income surged by 20.32% to ₹62,435.76 crore, driven by strong performance in the FMCG-Others segment and recovery across key verticals.

However, operating profit margin declined to 34.48% and net profit margin fell to 24.12%, indicating reduced operational efficiency. This drop was mitigated by the reopening of educational institutions, which boosted the Education & Stationery Products Business, though still below pre-pandemic levels.

The Cigarettes business saw robust growth, with volumes surpassing pre-pandemic levels, leading to improvements in ROE (25.23%) and ROCE (25.05%).

ROA also rose to 20.54%, driven by recovery in the agri-business and paperboards sectors, benefiting from strong exports and demand revival.

Liquidity slightly weakened, with the quick ratio falling to 1.614 and the current ratio to 2.576, likely due to increased working capital needs in agri-business amid supply chain challenges.

Despite this, operational efficiency improved, with the turnover ratio rising to 2.374 and asset turnover increasing to 0.852, supported by strong paperboards, packaging, and hotel recovery.

The WIP turnover ratio grew to 99.238, reflecting better inventory management. ITC's integrated business model and digital initiatives helped mitigate margin pressures despite rising commodity costs.

Year 2023

In March 2023, ITC Ltd.'s total income rose by 16.64% to ₹72,826.68 crore, driven by robust growth in the FMCG-Others segment, including staples, biscuits, snacks, noodles, dairy, beverages, and personal care products.

Operating profit margin increased to 36.37% and net profit margin to 25.75%, fueled by premiumization, agile supply chain management, strategic cost measures, and fiscal incentives like the PLI scheme.

ROE rose to 29.46%, and ROCE to 29.22%, driven by sustained growth in key segments like Education & Stationery and volume recovery in Cigarettes, aided by anti-illicit trade measures.

ROA improved to 23.91%, supported by strong performances in Hotels and Agri businesses. RevPAR in Hotels surpassed pre-pandemic levels, and the Agri business saw growth in value-added products and leaf tobacco exports, despite export restrictions on wheat and rice.

Liquidity strengthened, with the quick ratio rising to 1.896 and the current ratio to 2.846, while the debt-to-equity ratio remained low at 0.005, ensuring financial stability. Operational efficiency also improved, with the turnover ratio rising to 2.824 and asset turnover to 0.928. The WIP turnover ratio increased to 107.706, reflecting better inventory management.

Challenges in the paperboards and packaging segment, due to planned pulp mill shutdowns and softening global demand, were offset by the fine paper segment's strong performance. Insurance claims for leaf tobacco losses further supported profitability.

Year 2024

ITC Ltd.'s total income grew by 1.95% to ₹74,246.07 crore, driven by strong performance in staples, biscuits, snacks, dairy, and homecare products despite a consumption slowdown.

Operating profit margin improved to 38.46% and net profit margin rose to 27.51%, reflecting profitability gains from premium offerings, cost management, and pricing strategies.

ROE increased to 30.07%, while ROCE slightly decreased to 29.15%, maintaining capital efficiency. ROA improved to 24.46%, supported by higher hotel revenues and operating leverage. Liquidity remained solid, with the quick ratio at 1.818 and current ratio at 2.914.

Operational efficiency saw a slight decline, with the turnover ratio falling to 2.625 and asset turnover to 0.889, mainly due to challenges in the Agri business from trade restrictions and geopolitical factors.

The WIP turnover ratio dropped to 97.292, reflecting lower inventory management efficiency, particularly in the paperboards and packaging segment, impacted by cheaper Chinese imports and rising wood costs.

Despite these pressures, ITC's integrated business model and capacity expansions helped mitigate margin issues. Strategic investments in value-added products and partnerships with farmers under the Climate Smart Agriculture program supported the Agri business. Positive macroeconomic indicators and rural demand recovery position ITC for future growth.

References:

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