

ITC Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Commercial Paper Programme	Rs. 500 Crore	[ICRA]A1+ reaffirmed

ICRA has re-affirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs. 500 crore Commercial Paper Programme of ITC Limited (ITC)[†].

The reaffirmation of the rating takes into account the dominant position of ITC in the domestic cigarettes market, despite the exposure of the segment to stringent Government policies and regulations, strong cash flows from the business, and the company's highly favourable financial profile characterised by strong return on capital employed (RoCE), conservative gearing and large cash and liquid investments. ITC is also the leading company in the paperboards and specialty packaging segments in India, and has a strong presence in hotels and in the trading of agricultural commodities, notwithstanding the subdued performance of the hotel segment in recent years. The agriculture business continues to support ITC's other businesses in terms of sourcing of the required raw materials. While reaffirming the rating, ICRA has also taken note of the improving performance of ITC's "FMCG Others" business, with the segment breaking even annually since 2013-14, although certain quarters remain loss making on account of seasonality. The business will continue to involve high gestation costs and investments in brand building over the medium term. While the company has substantial capital expenditure plans across most of its business divisions, ICRA expects the effect of the same on the capital structure of the company to be low, given the strong cash accruals from its current businesses, which is likely to fund most of the outgo. Further, the substantial cash balance and the large liquid investments on its books is a strong source of financial flexibility for the company.

Company Profile

Established in 1910, ITC is the largest cigarette manufacturer and seller in the country. ITC currently operates in five business segments: FMCG Cigarettes; FMCG Others; Hotels; Paperboards, Paper and Packaging; and Agri Business.

Recent Results

During April to June, 2015 (provisional), ITC reported a profit after tax (PAT) of Rs. 2265.44 crore on net sales of Rs. 8505.53 crore. During FY15, the company reported a PAT of Rs. 9601.09 crore on net sales of Rs. 36083.21 crore.

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Disclosure: A Member of the Board of Directors of ICRA Limited is also an Independent Director on the Board of Directors of ITC Limited. This Director was not involved in any of the discussions and processes related to the Rating of the instrument(s) mentioned herein.

* 100 lakh = 1 crore = 10 million

† For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications



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