



# Passport

## IRANIAN TOBACCO CO IN TOBACCO (IRAN)

Euromonitor International

September 2014

# LIST OF CONTENTS AND TABLES

Strategic Direction .....	1
Key Facts .....	1
Summary 1    Iranian Tobacco Co: Key Facts .....	1
Company Background .....	1
Production .....	2
Competitive Positioning .....	2
Summary 2    Iranian Tobacco Co: Competitive Position 2013 .....	3

# IRANIAN TOBACCO CO

## STRATEGIC DIRECTION

- The laws regulating Iran's State tobacco monopoly give Iranian Tobacco Co (ITC) strong authority over Iran's entire tobacco industry. These laws establish the company as the only domestic player in tobacco in Iran and confer upon it complete control over all tobacco related commercial activities throughout the country, including importation, exportation, production and distribution. The key strategy of ITC is to limit the extent of the illicit tobacco trade. Throughout the review period, ITC produced cigarette brands for both BAT Pars and Japan Tobacco Inc Pars in Iran. This kind of cooperative agreement is making a positive contribution to the control of illicit trade and is creating jobs for Iranians. The main objectives of the venture are to meet local demand, expand cigarette manufacturing capacity and introduce new packaging machinery in order to improve product quality.

## KEY FACTS

### Summary 1 Iranian Tobacco Co: Key Facts

Full name of company:	Iranian Tobacco Co
Address:	No 12, 14th Street, Vozara Avenue, Tehran, Iran
Tel:	+98 (21) 8870 3894
Fax:	+98 (21) 8870 4106
www:	www.irtobacco.com
Activities:	Production, importation and sale of cigarettes and plain tobacco

Source: Euromonitor International from company reports, company research

## COMPANY BACKGROUND

- ITC was launched in 1928 as a State-run monopoly in order to develop the tobacco industry in Iran. It is one of the oldest tobacco companies in the Middle East and is engaged in the cultivation of tobacco and the production of cigarettes, pipe tobacco and Iranian Tobacco. ITC's first cigarette factory was established in Tehran in 1937, with subsequent factories located at Rasht, Gorgan, Sari, Orumiyeh and Khoy.
- The company is 100% owned by the Iranian Government, and there is no private sector involvement or ownership. The managing director of the company is appointed by the Ministry of Industry and Mines.
- In 2002 ITC entered into agreements with several major multinational cigarette manufacturers, including BAT Plc, Japan Tobacco Inc and KT&G Corp. This enabled these major players to import and produce their products in Iran in cooperation with ITC. As such, BAT Plc began to ship cigarette production machinery to Iran in 2003 and a BAT factory was opened in the country in 2004. Mass production of BAT and Japan Tobacco Inc started in Iran during 2005.

- ITC has been increasing the production of its own brands since then and also engaged in joint production of Kent and Winston brands in cooperation with their multinational owners since 2011. The most recent activity of the government was the 2012 signing of a joint-venture agreement with Croatia-based TDR to produce the Ronhill brand.
- ITC's brands include the highly popular Bahman, Tir, Day, Zar and Farvardin. BAT's Montana brand and Japan Tobacco's Magna brand are also produced domestically by ITC in the form of joint venture.

## PRODUCTION

- ITC has factories located in Rasht, Tehran, Khoy, Saghez, Gorgan and Isfahan, and these production facilities account for the manufacture of all of the company's brands. ITC's Rasht factory has a production capacity of 30 billion sticks per annum, and the company hopes to increase this to 40 billion sticks per annum through expansion. ITC manufactures cigarettes for certain key multinationals under licence, such as the Montana brand for BAT and Magna for Japan Tobacco Inc.
- ITC exports Iranian grown Tombac tobacco to other countries in the Middle East including Lebanon, Syria and Iraq. It also exports cultivated and processed tobacco to several countries in the Middle East and Europe.
- Rovinj Tobacco Factory (TDR), a member of the Adris group, also built a tobacco plant in Iran to expand its business in the Middle East. Adris has announced it invested €30 million in these planned projects. The respective heads of TDR and ITC, Davor Tomaskovic and Mahmood Abtahi, have already signed a provisional agreement. The plant was built in Sari, the provincial capital of Mazandaran, located in the north of Iran. Construction began towards the end of 2010 and the factory is now capable of producing 6.5 billion cigarettes per year. TDR is set to use its technology and experience in tobacco processing in the operation of the factory. TDR is now producing its brands Ronhill as a joint Croatian-Iranian brand in the planned production facility.
- ITC has a strategic plan to convert the entire current import volume of cigarettes in Iran to domestic production. In line with this strategy, the company has an agreement with Japan Tobacco Inc to continue domestic production of the Winston brand in Iran. One of the key motives of ITC in seeking this agreement is to stop the growth in the illicit tobacco trade in Iran, with the Winston brand a particular favourite of Iranian cigarette smugglers. Pilot production of Winston cigarettes was undertaken for two months during 2009 at a plant in Gilan province and official production of Winston started during 2010. The main target of the Winston project will be to cater for at least 25% of local demand for the Winston brand through domestic production. The project continued very well and JTI has achieved 100% of domestic production for Winston during 2013 which made company independent of imports.

## COMPETITIVE POSITIONING

- ITC commanded a volume share of 57% in cigarettes and a volume share of 34% in smoking tobacco during 2013. The company is a key player in both of these categories and enjoys the benefit of being able to define the rules for all other players. ITC manufactures cigarettes for some multinationals under licence, such as Montana for BAT and Magna for Japan Tobacco Inc. These domestically produced cigarettes are sold alongside imported examples of the same brands.

- ITC's volume share in tobacco stagnated over the review period as a result of an increase in the number of imported brands on offer in Iran. However, the company is making every effort to improve its performance by expanding its production, specifically for its licensed brands.
- In addition to multinational brands, ITC also markets its own brands, the most popular of which are Bahman, Tir and Farvardin.

**Summary 2 Iranian Tobacco Co: Competitive Position 2013**

Product type	Volume share	Rank
Cigarettes	57.0%	1
Smoking tobacco	34.0%	2

Source: Euromonitor International from trade sources, trade interviews