



Media Statement

October 27, 2021

Standalone Financial Results for the Quarter ended 30th September, 2021

Highlights

- **Strong pick-up across all operating segments after severe disruptions in Q1**
 - **Gross Revenue up 11.1%, PAT up 13.7% on y-o-y basis**
 - Sequentially, Revenue (Ex-Agri) up 12%, EBITDA up 16%
 - **After significant disruptions in Q1, Cigarette volumes witnessed smart recovery with exit volumes at near pre-Covid levels**
 - Faster recovery in volumes vs. first wave of the pandemic
 - Broad-based recovery witnessed across markets during the quarter; certain markets in Kerala and East remain relatively subdued
 - **Net Segment Revenue up 10.3% y-o-y and 10.5% q-o-q**
 - **Segment EBIT up 10.4% y-o-y and 11.2% q-o-q**
 - Market standing reinforced through focused innovation and agile execution
 - **FMCG - Others Segment delivers resilient performance, growing on a high base quarter which witnessed exceptional surge in sales; Revenue up 23% over Q2 FY20 and 8% q-o-q**
 - **Segment EBITDA at 403 cr., up 35% sequentially and 82% over Q2 FY20; EBITDA margins sustained at 10% in spite of unprecedented commodity inflation**
 - Sharp rebound in 'Out-of-Home' consumption on the back of improved mobility even as 'at-home' consumption moderates
 - Discretionary/'Out-of-Home' portfolio posts sharp recovery both on sequential and y-o-y basis
 - Staples and Convenience Foods witness moderation in y-o-y growth on a high base while well above pre-Covid levels; performs well on a sequential basis for the second consecutive quarter
 - Hygiene portfolio continues to witness marked demand volatility; moderates sequentially in line with lower intensity of the pandemic; remains significantly above pre-pandemic levels
 - Closure of educational institutions continues to impact the Education & Stationery Products Business
 - **Marked improvement in Occupancy (3x of Q2 LY) drives faster recovery in Hotels; Q2 turns EBITDA positive (+134 cr. swing vs. SPLY)**
 - Leisure destinations continue to perform well while Business travel gathers momentum
 - Structural cost management actions undertaken in the past year aided in reduction of controllable cash fixed costs by 31% over Q2 FY20
 - **Strong growth in Agri Business external revenue driven mainly by Wheat, Rice and Leaf tobacco exports, leveraging strong customer relationships and robust sourcing network**
 - Zero disruptions in supplies to key customers despite significant operational challenges; however, shortage in availability of shipping containers/port congestions and inclement weather delay call-offs
 - Timing of Wheat supplies to Branded Packaged Foods Business aligned with market dynamics
 - **Paperboards, Paper and Packaging Segment delivers strong performance; Segment Revenue up 25% y-o-y**
 - **Paperboards volumes at record high**; robust performance aided by revival of demand across most end-user segments
 - **About 90% of eligible employees fully vaccinated; 100% vaccinated with at least one dose**
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The quarter witnessed broad-based recovery in sales across markets and channels. Reduction in the intensity of the pandemic along with a pick-up in the pace of vaccination led to improvement in the demand environment and consumer sentiment during the quarter. However, unprecedented inflation in key input costs coupled with significant disruptions in global supply chains and logistics weighed on the operating environment.

The Company delivered strong performance across all operating segments during the quarter. **Gross Revenue stood at Rs. 13,356.15 crores** representing a growth of **11.1% y-o-y** while **PAT at Rs. 3,697.18 crores** grew by **13.7% y-o-y**. **Earnings Per Share** for the quarter was **Rs. 3.00** (previous year Rs. 2.64).

The safety and well-being of the Company's employees, partners and associates continue to be accorded paramount importance with the highest standards of hygiene and safety protocols being followed across all nodes of operations. About 90% of eligible employees have been fully vaccinated. The Company continues to facilitate vaccination of employees and their families, service provider personnel and supply chain partners. Staggered rosters have been implemented across all offices with employees being extended flexibility of working-from-home, wherever feasible, to ensure safety and minimise touch points in the workplace.

FMCG – OTHERS

- **The FMCG Businesses delivered resilient performance growing on a high base quarter which witnessed exceptional surge in sales (Q2FY21 up by 19%). Segment Revenue and Segment EBITDA up 23% and 82% respectively over Q2FY20.**
 - Sequential growth of 8% in Revenue.
 - Snacks, Confectionery, Beverages performed well as 'Discretionary/'Out-of-Home' categories recorded strong growth on sequential and y-o-y basis.
 - Staples and Convenience Foods witnessed moderation on a high base of Q2 FY21 while well-above pre-Covid period; performed well on sequential basis for the second consecutive quarter.
 - Hygiene products witnessed marked demand volatility and moderated sequentially in line with lower intensity of the pandemic; remained significantly above pre-pandemic levels.
 - Continued closure of educational institutions impacted the Education & Stationery Products Business.
 - Segment EBITDA margins at 10% in spite of unprecedented commodity inflation; sharp escalation in input costs offset largely through focused cost management actions, premiumisation, judicious pricing actions, fiscal incentives and favourable business mix.
 - Robust performance in emerging channels leveraging the Company's deep & wide multi-channel distribution network.
 - Modern Trade sales grew strongly, both y-o-y (favourable base) and sequentially on the back of improved mobility and store footfalls.
 - e-Commerce channel posted robust growth on the back of account specific strategies, new product introductions including e-Commerce first brands and customised supply chain solutions; channel salience stood at 7% in H1 – 3x of H1 FY20 level.
 - Availability in rural markets enhanced through scale-up of stockist network (2x of LY levels).
 - Market coverage and direct outlet servicing at 1.4x and 1.1x of LY levels respectively.
 - The FMCG Businesses continue to leverage cutting-edge digital technologies including Industry 4.0, Advanced Analytics, Big Data and industrial Internet of Things (IoT) to enhance productivity, drive efficiency and reduce costs. These initiatives encompass drawing actionable insights for sharp-focused interventions, synchronised planning & forecasting, next generation agile supply chain, smart manufacturing & sourcing, deepening connect with retailers and smart demand capture & fulfilment.
 - 'ITC e-store' (<http://www.itcstore.in>), the Company's exclusive D2C platform is now operational in 15 cities. Powered by state-of-the-art digital technologies and a robust fulfilment infrastructure, the platform offers consumers on-demand access to a wide range of the Company's FMCG products across 45+ categories and over 850 products under one roof. Consumer response has been excellent.
- **Branded Packaged Foods Businesses**
- **'Aashirvaad' Atta** consolidated its leadership position in the branded atta industry; forayed into the value-added adjacent vermicelli category, leveraging the strong equity of the Aashirvaad brand.
 - Aashirvaad Atta with Multigrains launched its 'Happy Tummy' campaign (<http://www.happytummy.aashirvaad.com>) which features an interactive tool facilitating consumer

engagement on the critical aspect of digestive health. Through this tool, consumers can assess their digestive quotient, interact with experts and select from several high-fibre recipes tailored to their needs.

- **'Yippee! Noodles'** portfolio fortified with the launch of 'YiPpee!' Max Masala in select markets, customised to regional tastes and preferences.
- **'Sunfeast Biscuits and Cakes'** range expanded with the launch of 'Sunfeast Dark Fantasy Vanilla Fills' and 'Bounce Fills' – Orange Vanilla, Strawberry Vanilla and Choco Crème.
- **'Bingo! Snacks'** delivered robust growth with improved mobility; recently launched 'Tedhe Medhe' range of Namkeens extended to target markets.
- **'B Natural' Beverages** portfolio augmented with the launch of differentiated variants of **'B Natural-Nutriline'** co-created with Amway; these 'No added sugar' products were developed leveraging ITC LSTC expertise in Nutrition and Nutrilite's ingredients.
- Businesses continue to leverage alternate and on-the-go channels to enhance product accessibility. Recent interventions include strategic partnerships with large food service outlet chains, covering a range of brands including 'B Natural', 'Sunfeast', 'Kitchens of India', etc.

➤ **Personal Care Products Business**

- **'Savlon'** range of Health & Hygiene products witnessed moderation in demand in line with reduction in Covid cases. Consumer-friendly low unit packs rolled out for convenient and on-the-go usage leveraging the brand's strong 'germ-protection' equity.
- **'Fiama'** range of premium shower gels and soaps witnessed appreciable growth with restaging of the brand on the proposition of 'Mood Upliftment', supported by enhanced digital investments.
- **'Engage'** fragrances witnessed resurgence in demand with increase in mobility; portfolio augmented with the launch of 'Engage On' Chhota Pocket – a convenient pack to drive penetration.
- **'Nimyle'** range of 100% natural action floor cleaners has been extended to all markets in the country; convenient packs in sachet format have also been introduced to drive trial generation and penetration.
- Homecare portfolio augmented with the launch of **'Nimeasy'** Natural Disinfectant and Power Cleaner, a kitchen cleaner with natural extracts to offer protection against bacteria and virus including the coronavirus.

- **Safety Matches and Agarbatti Business** delivered robust performance driven by strong brand equity, festive season promotions, focused consumer engagement and superior product mix.

FMCG – CIGARETTES

Segment Net Revenue and Segment Results up 10.3% and 10.4% y-o-y respectively

- Progressive normalisation of convenience store operations across markets.
 - Faster recovery in volumes vs. first wave; exit volumes near pre-Covid levels.
 - Broad-based recovery witnessed across markets during the quarter; certain markets in Kerala and East remain relatively subdued.
- Market standing reinforced, leveraging a portfolio of world-class products, focused innovation and agile execution.
 - Recent launches include differentiated offerings anchored on the vectors of filters, variants and packaging formats - Classic Connect, Gold Flake Neo SMART Filter, Gold Flake Kings Mixpod, American Club Smash, Wave Boss and Flake Nova.
 - Modernised and refreshed packs of Flake Excel, Wills Navy Cut Filter, Berkeley Hero launched in focus markets.
 - 5s packs of Gold Flake Premium, Capstan Special and Flake Mint were launched in line with evolving consumer preferences.
- Scaled up accessibility by augmenting stockist network (2.1x y-o-y) and rural servicing infrastructure (1.1x y-o-y).
- Wide availability of smuggled cigarettes continues despite deterrent actions by concerned authorities leading to significant revenue loss to the Government and adversely impacting the legal cigarette industry. The Business continues to proactively engage with policy makers for a framework of equitable, non-discriminatory, pragmatic, evidence-based regulations and taxation policies that balance the economic imperatives of the country and tobacco control objectives, having regard to the unique tobacco consumption pattern in India.

HOTELS

Smart sequential recovery in Hotels Business - Revenue back to Q4 FY21 levels; EBITDA at 17 cr. (positive swing of 134 cr. over SPLY)

- With easing of travel restrictions imposed during the second wave, domestic leisure segment and staycations witnessed an uptick during the quarter; Business travel continues to gather momentum.
 - Strong recovery in Occupancy levels; ARRs improve on sequential and y-o-y basis, but remain below pre-Covid levels.
 - Revenue growth driven through sharply targeted packages catering to emerging trends and consumer needs along with focused communication campaigns.
- Continuing with the pursuit of its 'asset-right' strategy, the Business
 - Launched two new brands – '**Storii**' and '**Mementos**' – to expand footprint across the country through management contracts.
 - '**Storii by ITC Hotels**' is positioned as a collection of handpicked properties offering unique bespoke experience-led stays and co-exists in harmony with the environment and the local community.
 - '**Mementos by ITC Hotels**' brings together a collection of unique hotels across varied destinations ranging from modern marvels, hidden retreats to historic treasures, leaving guests with experiences & memories which become prized mementos long after their visit.
 - Launched **Welcomhotel Katra**, in August'21. Located at the foothills of the holy shrine of Mata Vaishno Devi, the property offers a perfect balance of modern minimalism and classic elegance. The Business also launched **Welcomhotel Bhubaneswar** on 1st October'21. The hotel draws inspiration from the magnificence of 500+ temples that adorn the city and is a visual ode to the architectural traditions and eventful history of the Golden Triangle of the East. Leveraging its iconic brands, the Business has also generated a healthy pipeline of leads for management contracts.
- Structural cost management actions undertaken in the past year aided in reduction of controllable cash fixed costs by 31% over Q2 FY20.
- The Business continues to leverage digital investments towards facilitating guest acquisition, enhancing guest experience, augmenting revenue generation and driving operational efficiency.

PAPERBOARDS, PAPER & PACKAGING

Paperboards, Paper & Packaging Segment delivers strong performance; Segment Revenue up 25% y-o-y, Segment Results up 24%

- Paperboards and Specialty Papers Business witnessed revival of demand across most end-user segments. Publications, Quick Service Restaurants (QSR) and wedding card segments, however, remain relatively subdued.
 - Robust growth in VAP segment; strong performance in exports on a high base notwithstanding logistical challenges.
 - Higher realisations, investments in pulp import substitution, cost-competitive fibre chain, sharper focus on operational efficiency leveraging data analytics and Industry 4.0 enabled margin expansion despite escalation in key input prices.
- Packaging and Printing Business performed well, driven primarily by cartons segment.
- The Businesses continue to focus on developing **sustainable paperboard and packaging solutions** for end-customers leveraging the expertise of ITC LSTC.
 - The **recyclable barrier paperboards** 'Filo' series and **biodegradable paperboards** 'Omega Series' continue to gain robust customer franchise. **InnovPack** campaign launched towards driving end-user adoption of sustainable packaging products such as '**Bioseal**' (compostable packaging solution for Quick Service Restaurants, personal care and packaged foods industries), '**Oxyblock**' (a recyclable packaging solution with enhanced barrier properties for packaged foods, edible oils, etc.) and '**Antimicrobial coating**' (solution for germ free packaging surface).

AGRI BUSINESS

Robust growth in External Businesses led by Wheat, Rice, Leaf Tobacco, Aqua and Spices exports. Margin expansion driven by favourable business and customer mix

- Shortage in availability of shipping containers/port congestions and inclement weather towards the end of the quarter delayed customer call-offs.
- The Business leveraged the e-Choupal network to provide strategic sourcing support to the Branded Packaged Foods Businesses with sharply aligned procurement strategies in line with category-relevant market dynamics.
- 'Astra', the AI/ML and advanced analytics based digital platform that enables spatial and temporal sourcing optimisation, is being increasingly leveraged for competitively superior sourcing of agri-commodities.
- Business remains focused on its strategy to rapidly scale up its value-added products portfolio to accelerate growth and enhance value capture. Export of high-quality spices to Food Safe Markets continued to gain strong traction.
- The project for the state-of-the-art facility to manufacture and export Nicotine & Nicotine derivative products being set up by the Company's wholly owned subsidiary, ITC IndiVision Limited, is progressing as per schedule. The facility is being geared to manufacture purest nicotine derivatives conforming to US and EU pharmacopoeia standards.

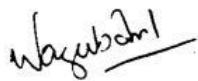
CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

ITC is a global exemplar in sustainability, and is the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being 'water positive' (for 19 years), 'carbon positive' (for 16 years), and 'solid waste recycling positive' (for 14 years). ITC is rated 'AA' by MSCI-ESG - the highest amongst global tobacco companies and is also a part of Dow Jones Sustainability Emerging Markets Index - a reflection of being a sustainability leader in the industry and a recognition of the Company's continued commitment to people and planet.

Refer link below for highlights:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q2-FY2022.pdf>

The Board of Directors, at its meeting on 27th October 2021, approved the financial results for the quarter ended 30th September 2021, which are enclosed.



(Nazeeb Arif)
Executive Vice President
Corporate Communications