



## **Media Statement**

**November 06, 2020**

**Standalone Financial Results for the Quarter ended 30<sup>th</sup> September, 2020**

### **Highlights**

- **Strong sequential recovery across all operating segments including Cigarettes. Gross Revenue up 26% sequentially (q-o-q) and 1.2% over last year (y-o-y).**
- **Robust performance in FMCG-Others Segment: Revenue up 18.4% on a comparable basis\*; Segment EBITDA up 66%; Segment EBITDA margins expand 300 bps to 9.7%.**
  - **Staples, Convenience Foods and Health & Hygiene products, representing ~75% of the portfolio** [in base period excl. Education and Stationery Products Business (ESPB)], record **strong growth of 25%**.
  - **Discretionary/ 'out-of-home' categories post strong sequential recovery** to return to nearly pre-Covid levels (down 2% y-o-y).
- **Relentless focus on cost reduction helps mitigate impact of negative operating leverage.**

\*Excluding Lifestyle Retailing Business (restructuring underway) & Education and Stationery Products Business (impact of closure of educational institutions).

---

The operating environment remained extremely challenging during the quarter with the unabated increase in daily Covid cases prompting several states to impose localised lockdowns. This impacted the recovery momentum, particularly in the months of July'20 and August'20, and posed significant challenges to sales operations. The situation continues to improve with the progressive easing of restrictions from September'20.

Against this backdrop, the Company recorded a **strong recovery in revenue across all operating segments including Cigarettes. Gross Revenue stood at Rs.11891.91 crores** representing a growth of 26% q-o-q and 1.2% y-o-y. The FMCG-Others Segment delivered another quarter of **strong performance driven by Staples, Convenience Foods, Health & Hygiene products** leveraging the strong equity of the Company's brands and a robust portfolio of relevant and innovative products.

The Hotels Business continues to remain adversely impacted due to restrictions on travel and tourism while closure of educational institutions across the country weighed on the performance of the Education and Stationery Products Business.

The impact of negative operating leverage was partially mitigated through relentless focus on cost reduction. **Profit After Tax stood at Rs.3232.40 crores representing a decline of 12.2% on a comparable basis** (adjusting for one-time benefit of Rs. 340 crores in base period due to reduction of corporate tax rate). Total Comprehensive income stood at Rs. 3394.02 crores (previous year Rs.3979.73 crores). Earnings Per Share for the quarter was Rs.2.62 (previous year Rs.3.28).

*Progressive normalization was witnessed across all operating segments with increased mobility and recovery in economic activity.* The Company continues to closely monitor the situation and respond with agility to strengthen its market standing while sharply focusing on cost reduction measures.

The safety and wellbeing of the Company's employees, partners and associates are of paramount importance. Accordingly, the Company has instituted the highest standards of hygiene and safety protocols across all nodes of operations. Extensive and frequent communication by senior leaders, programs to support employee well-being, sharing of health and hygiene related best practices and precautions, and the recognition of exceptional contribution of employees have all played a pivotal role in sustaining ITC's highly committed workforce and delivering high levels of performance in these unprecedented/testing times. Out of the Contingency Fund of Rs. 215 crores set up for the purpose of supporting the fight against Covid-19, over 80% has already been deployed.

## **FMCG - OTHERS**

**Segment Revenue stood at Rs. 3795 crores representing a growth of 18.4% on a comparable basis. Segment EBITDA grew by 66% to Rs.366 crores with margins expanding by 300 bps y-o-y to 9.7%.** Most major categories enhanced their market standing during the quarter. This was driven by higher operating leverage, enhanced operational efficiencies, portfolio premiumisation and product mix enrichment, notwithstanding incremental operating costs due to Covid-19 and gestation costs of new categories/facilities.\_

In the immediate aftermath of the outbreak of the pandemic, there was a surge in demand for essentials along with heightened awareness and enhanced consumer preference for high quality products anchored on vectors of health, wellness, safety and hygiene. Demand for discretionary categories and those with higher 'out-of-home' consumption salience was adversely impacted while 'at-home' consumption witnessed strong traction.

With progressive easing of restrictions and increase in mobility, demand for essential products and 'at-home' consumption witnessed moderation during the quarter; however, they remain at elevated levels compared to pre-Covid period. Demand for hygiene products remained strong while discretionary/'out-of-home' consumption products staged a smart recovery.

Heightened concerns on hygiene and safety continued to manifest in consumers' preference for trusted brands. Consequently, **staples, noodles, biscuits, dairy, personal wash & hygiene/ sanitizing products, hand wash, floor cleaners, etc. witnessed robust demand.**

Anticipating the increase in consumer preference for 'contactless shopping' and home delivery, the Company proactively engaged with e-Commerce platforms and aligned the supply chain to deliver the right SKUs. Sales through the e-Commerce channel more than doubled during the quarter, taking its salience to over 5% of Segment Revenue. Sales in the Modern Trade channel however, grew at a slower pace as localised lockdowns impacted footfalls and consumers preferred neighbourhood/online stores as safer options.

The network of rural stockists was scaled up substantially to mitigate the impact of disruptions in the wholesale channel and effectively service emergent demand. This, along with sharp targeting of rural markets in certain states that witnessed reverse migration due to the pandemic, led to strong growth in rural sales.

As demand levels fluctuated significantly during the various phases of lockdown and unlock, associated risks and uncertainties were managed with agility leveraging shorter operations planning cycles and predictive analytics. Direct-to-market shipments were also scaled up substantially to ensure freshness and reduced time to market.

The FMCG Businesses continue to leverage digital technologies to drive productivity, improve market servicing, draw actionable insights for sharp-focused interventions, augment sales force capability and deepen connect with retailers. Deployment of innovative delivery models, use of alternate channels, expansion in reach, agility in execution, leveraging digital technologies to efficiently service market requirements aided the segment in achieving its **highest ever quarterly revenue.**

In the first half of the year, the Company **launched over 70 new products in record time** with compelling value propositions, demonstrating its agility and execution excellence in testing times.

- The **Branded Packaged Foods Businesses** delivered a robust performance driven by staples and convenience foods categories. Sales of discretionary products such as Bingo! Snacks gained momentum, recovering smartly from the subdued levels in the first quarter.

- **Aashirvaad atta fortified its leadership position** in the branded packaged atta industry. The Business launched a range of products comprising organic atta & pulses and low sodium salt variants in line with the growing consumer preference for natural products and healthier food options.

- **'Yippee!' Noodles** sustained its high growth trajectory strengthening its market standing.

- **'Sunfeast' Biscuits and Cakes** delivered steady growth even as the industry witnessed moderation in demand towards the end of the quarter.

- **'Bingo!' Snacks** posted strong sequential recovery; product portfolio was augmented with the introduction of a range of traditional namkeens under the sub-brand "Tedhe Medhe" in select markets. Initial response has been very encouraging.

- **'Aashirvaad Svasti'** range of fresh dairy products and ghee posted robust growth in both Bihar and Bengal markets.

- Slew of **innovative and first-to-market products** introduced in record time: 'Sunfeast Farmlite' Veda Marie Digestive, Nuts Digestive & Seed Digestive biscuits; 'Sunfeast Caker' Trinity and Swiss Roll cakes; Tedhe Medhe 'Bingo!' Namkeen Aloo Bhujia, Pulse Mix, Nut Cracker & Nut Mix; 'Candyman Jelimals' Immunoz; 'Aashirvaad Svasti' Lassi; 'B Natural' Nagpuri Santra & immunity range of juices and 'Aashirvaad' Organic atta, Organic Dals, Salt Proactive (low sodium salt) & Iodised Crystal Salt.

- The **Personal Care Products Business** continued to grow at a rapid pace driven by the Savlon range of antiseptic liquids, handwash, sanitizers and soaps.

- **Savlon** recorded **significant market share gains** across sub-segments and is on course to become a **Rs. 1000 crore brand** in terms of annual consumer spend in FY21.

- Wide range of **innovative and first-to-market products** introduced in record time: Savlon Surface Disinfectant Spray, Savlon Clothes Disinfectant Spray, Savlon Spray and Wipe, Savlon Germ protection Wipes, Savlon Hexa Hand Sanitizer, Savlon Hexa Advanced Bodywash, etc.

- **Liquids** portfolio comprising **Handwash & Bodywash** continued to grow rapidly.

- **Fragrances** category witnessed **progressive recovery** as demand for 'on-the-go' consumption products picked up; however, still below pre-Covid levels.

- With growing preference for natural products, **Nimyle**, a 100% natural floor cleaner grew rapidly strengthening its market standing in the East; the brand also continues to gain robust traction in new markets in the South. **Nimwash**, a 100% natural action product for cleaning fruits and vegetables, is also gaining consumer franchise.

- **Matches and Agarbatti Business** posted strong growth leveraging strong brand equity and focused initiatives to enhance availability. The Mangaldeep Temple Fragrance of God range of agarbattis was augmented with the launch of Marigold & Red hibiscus variants; two more offerings in the sandal fragrance range of agarbattis were also introduced.
- **Digital marketing interventions**

The Company scaled up utilisation of its Marketing Command Centre - '**Sixth Sense**' which leverages cloud-technology, cutting-edge social-media engagement tools and a digital marketing & analytics platform to gain deep consumer insights; several contextual and relevant communication campaigns were launched to deepen consumer engagement. Some of the moment marketing campaigns launched include:

§ IPL: Sunfeast Dark Fantasy, Candyman Fantastik, Bingo! Snacks

§ Festive Season: Aashirvaad, Mangaldeep, Kitchens of India etc.

- **The Company remains focused on building purpose-led brands anchored on larger consumer needs.** Key interventions during the quarter are highlighted below:

- '**Sunfeast India Run as One**' – launched on the Nation's 74<sup>th</sup> Independence day

§ India's largest citizen-led movement in support of livelihoods with enthusiastic participation of 22000 runners.

- Savlon Swasth India Mission - launched the **#NoHandUnwashed movement** on **Global Handwashing Day** in partnership with Mouth and Foot Painting Artists driving home the message to make hand hygiene a priority for all.

§ Widely acclaimed social media campaign created awareness and engagement through multiple initiatives to foster good hand hygiene behaviour.

- Vivel's **#VoiceofArt** initiative

§ To commemorate Gender Equality Day, Vivel brought together 500 young artists to weave a narrative of gender equality through art.

### **FMCG – CIGARETTES**

- **Strong sequential recovery in volumes and revenue with progressive normalization of market operations.**

- **Net Revenue decline restricted to 14.4 % y-o-y compared to 37% y-o-y in Q1. Sharp focus on costs enabled minimal impact on operating margin.**

- Localised lockdowns in several regions and restricted hours of convenience store operations impacted the recovery momentum witnessed towards the end of the last quarter. Certain markets in the South, metros and large towns were relatively more impacted due to disruption in sales operations. Temporary disruption in some wholesale markets also impacted sales.

§ Easing of restrictions from September'20 has enhanced the ability to service markets more effectively and address emerging demand.

- Several innovative variants such as Classic Connect, Gold Flake Indie Mint and Capstan Fresh were launched in recent months to cater to the continuously evolving consumer preferences and reinforce market standing. Portfolio laddering was further strengthened with the introduction of Gold Flake Luxury Filter, Navy Cut Deluxe Filter and Gold Flake Star. Other portfolio interventions in focus markets include Gold Flake Regal Special, Gold Flake Super Star (Super Mint) and Player's Gold Leaf Rush.

- Strengthened direct reach in target markets across all traditional trade channels; stockist network augmented to service rural/semi-urban markets more efficiently.

- Further consolidated market standing, with appreciable progress in the capsule segment, leveraging a well-laddered portfolio, wide distribution reach, superior market servicing infrastructure and portfolio interventions.

- Wide availability of smuggled cigarettes continues despite deterrent actions by concerned authorities; remains a key challenge for the legal cigarette industry which has witnessed significant reduction in volumes in recent years.

## HOTELS

Restrictions on travel and tourism weighed on performance during the quarter. While Occupancy and Revenue continue to improve month-on-month with leisure locations witnessing a marked uptick, they remain below last year levels. F&B Revenue, including banquets, continue to improve with the easing of restrictions and increasing mobility.

- Aggressive cost reduction measures led to ~50% reduction in controllable cash fixed costs.

- ITC Hotels launched 'Flavours' and 'Gourmet Couch' menus as home delivery and takeaway offerings which received encouraging response.

- "WeAssure" programme, designed to reassure guests of best-in-class hygiene and safety standards, rolled out to all operating hotels.

- Business remains focused on **bouncing back stronger**. Key interventions include customised packages for short getaways/workations/staycations, revamped packages with curated offers for the MICE segment, attractive additional benefits for

Club ITC members, enhanced guest connect through sharing of contextual content in social media etc.

## **PAPERBOARDS, PAPER & PACKAGING**

**Segment Revenue posts strong recovery of 42 % q-o-q; degrew by 6.8% on y-o-y basis (Vs. 33% y-o-y in Q1)**

- Consumer offtake in pharma, home care, packaged foods, personal care recovered to pre-Covid levels while wedding cards, publication, notebooks remain subdued. Exports recorded strong growth.

- Maintained Segment margins at last year levels despite volume and pricing pressure through product mix enrichment, sharp focus on operational efficiency and structural cost-saving interventions to enhance competitiveness leveraging data analytics and Industry 4.0.

- Strengthened **market standing** in **Value Added Products** by **500 bps**.

- Business continues to focus on developing **sustainable paperboard and packaging solutions** for end-customers leveraging the Company's state-of-the-art Life Sciences and Technology Centre. The **recyclable barrier board** 'Filo' series and **biodegradable** 'Omega Series' continues to gain robust customer franchise. Similarly, the Packaging Business has developed unique and novel solutions including **Bio-seal** (bio-degradable packaging solution for QSR, personal care and packaged foods industries) and **Oxyblock** (a recyclable packaging solution with enhanced barrier properties) which are under commercialisation.

## **AGRI BUSINESS**

**Robust growth of 12.8% in Segment Revenue** driven by trading opportunities in **rice, mustard, coffee** and higher **wheat supplies** for Aashirvaad atta.

- **Leveraged the e-choupal network** to enhance direct procurement amidst challenging operating conditions due to Covid-19 pandemic.

- **Value added portfolio** (ex. aqua) comprising spices for 'food-safe' markets, processed fruits, frozen snacks etc. **posted 25% growth in revenue**.

§ The delectable range of ITC Master Chef Frozen Snacks comprising 30 differentiated variants continues to garner increasing consumer franchise. During the year, product range was augmented with the introduction of 13 variants while availability was extended to 116 new markets in a short span of time taking the aggregate to 128 towns.

§ Portfolio augmented with the launch of Farmland Frozen Vegetables (5 vegetables).

§ Aqua exports impacted mainly by Covid-related supply chain disruptions.

- Subdued demand for leaf tobacco in international markets and adverse business mix weighed on Segment Results. However, easing of operational constraints aided sequential pick-up in leaf tobacco exports.

## CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

ITC has been ranked **#1 globally amongst peers** (comprising companies with market capitalisation between USD 38 Bln. and USD 51 Bln.) and **overall #3 globally on ESG performance** in the Food Products industry by **Sustainalytics** – a renowned global ESG ratings company. ITC has been rated **‘AA’ by MSCI-ESG** - the highest among global tobacco companies.

ITC is a **global exemplar in sustainability**, the key highlights of which are given below:



The Board of Directors, at its meeting in Kolkata on 6<sup>th</sup> November, 2020, approved the financial results for the quarter ended 30<sup>th</sup> September, 2020, which are enclosed.

Product/initiative	Link
'Yippee!' Noodles	<a href="https://youtu.be/0zk6Hke_uVY">https://youtu.be/0zk6Hke_uVY</a>
Disinfectant Spray	<a href="https://www.youtube.com/watch?v=6Wpa2nLiYdk">https://www.youtube.com/watch?v=6Wpa2nLiYdk</a>
Mangaldeep Temple Fragrance of God range	<a href="https://youtu.be/3E7Ccy13WXY">https://youtu.be/3E7Ccy13WXY</a>
Candyman Fantastik	<a href="https://www.youtube.com/watch?v=l-iYYyg7hgl&amp;feature=emb_rel_end">https://www.youtube.com/watch?v=l-iYYyg7hgl&amp;feature=emb_rel_end</a>
Bingo! Snacks	<a href="https://youtu.be/g8uuZv4UOVk">https://youtu.be/g8uuZv4UOVk</a>
Sunfeast India Run as One initiative	<a href="https://sunfeastindiarunasone.procam.in/">https://sunfeastindiarunasone.procam.in/</a>
#NoHandUnwashed movement	<a href="https://youtu.be/RI5Nb3wcvU">https://youtu.be/RI5Nb3wcvU</a>
#VoiceofArt initiative	<a href="https://www.youtube.com/watch?v=jdkNbUJwi5o">https://www.youtube.com/watch?v=jdkNbUJwi5o</a>
"WeAssure" programme	<a href="https://www.itchotels.in/content/dam/projects/hotelswebsite/it-hotels/WeAssure/WeAssure-itch-hotels.pdf">https://www.itchotels.in/content/dam/projects/hotelswebsite/it-hotels/WeAssure/WeAssure-itch-hotels.pdf</a>