



Media Statement

July 24, 2021

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

Highlights

- **Strong rebound across operating segments despite operational constraints in the wake of the second wave**
 - **Gross Revenue up 36.6%, EBITDA up 50.8%** on y-o-y basis
 - **Strong sequential recovery momentum in Cigarettes led to volumes reaching nearly pre-Covid levels in Q4 FY21; second wave caused disruptions in convenience store operations during the quarter**
 - Week-on-week improvement underway since mid-June'21 with most markets returning to normalcy and witnessing faster recovery compared to first wave
 - Certain markets in Kerala, Odisha and North East remain partially impacted
 - Cigarettes **Segment Revenue** and **Segment EBIT** up **33%** and **37%** y-o-y respectively
 - **Progressive recovery in Hotels witnessed in H2 FY21, impacted by second wave**
 - After severe disruptions during the quarter, business is rebounding with the easing of restrictions led by leisure destinations, staycations and weekend getaways
 - Structural cost management actions aid in mitigating impact
 - **Robust performance by FMCG-Others Segment; Revenue up 10.4% including Sunrise on a high base (LY+10.3%, LY comparable +18.8%) driven mainly by Hygiene products, Fragrances, Spices, Snacks, Dairy and Agarbattis**
 - **Hygiene** portfolio performs well, delivering strong sequential growth, after normalising in H2 FY21 at elevated levels
 - Strong y-o-y growth in **Discretionary/'Out-of-Home'** products on favourable base; sequential performance impacted by second wave, albeit by a lower magnitude compared to first wave
 - High base effect in **Staples and Convenience Foods** leads to moderation in y-o-y growth rates; sequential pick up in the wake of the second wave - lower impact compared to first wave in the absence of pantry loading
 - **Sales in the e-Commerce channel more than doubled** y-o-y, taking its salience to 8% of Segment Revenue during the quarter
 - **Education & Stationery Products Business** remains impacted due to continued closure of educational institutions
 - **Segment EBITDA and Segment EBIT up 16% and 38% respectively**; sharp escalation in input costs mitigated through judicious pricing & ongoing cost saving programmes and richer business mix; **Margins expand 40 bps & 100 bps** at the **Segment EBITDA** and **Segment EBIT** levels respectively
 - **Strong growth in external revenue of Agri Businesses driven 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
 - **Paperboards, Paper and Packaging Segment Revenue up 54% and Segment EBIT up 145%** driven by Value Added Paperboards, Décor paper and Carton packaging; significant improvement in profitability driven by richer product mix, higher realisations on the back of surge in global pulp prices and structural cost saving interventions
 - **Relentless focus on cost reduction:** 7% reduction in fixed 'Other Expenses' y-o-y
 - **Nearly 100% of eligible employees vaccinated with at least one dose**
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Localised lockdowns and mobility restrictions imposed by States in a bid to contain the sharp increase in daily Covid-19 infections in the second wave rendered the operating environment during the quarter extremely challenging and impacted the strong recovery momentum witnessed in recent quarters. The situation continues to improve with the progressive easing of restrictions and increased mobility from mid-June'21.

Against this backdrop, the Company delivered a resilient performance during the quarter. **Gross Revenue stood at Rs. 12,884.45 crores representing a growth of 36.6% y-o-y** while **EBITDA at Rs. 3992.16 crores grew 50.8% y-o-y**. Lower Other Income due to lower market yields and treasury corpus limited the flow through to **PBT and PAT** which grew by **28.4%** and **28.6%** y-o-y respectively. **Earnings Per Share** for the quarter was **Rs. 2.45** (previous year Rs. 1.91).

The safety and wellbeing 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. The Company has taken a host of measures to ensure employee well-being and business continuity including provision of Covid care centres for employees and their families, assistance with hospitalisation, paid leave for the infected or in quarantine, vaccination facilitation for employees, their families, associates and trade partners, etc. Nearly 100% of eligible employees have been vaccinated with at least one dose; the Company is closely monitoring and facilitating vaccination not only of employees but also of service provider personnel and supply chain partners.

The Company continues to closely monitor the situation and will respond with agility to enhance its market standing while managing risks associated with the heightened uncertainties in the business environment. Learnings in dealing with the pandemic spanning sales and distribution, supply chain operations, innovation and product development, over the last few quarters, will continue to be leveraged in this regard.

FMCG – OTHERS

- The onset of the second wave of the pandemic and restrictions/localised lockdowns to curb its spread posed significant operational challenges. Both urban & rural growth rates in the FMCG Industry moderated in the immediate aftermath of the sharp rise in new cases; however there has been a progressive rebound since June'21 with the easing of restrictions and increase in mobility. The second wave too triggered an uptick in demand in staples and convenience foods but the trend of consumers stocking up essentials was far less pronounced compared to the lockdown phase last year. Heightened concerns on hygiene and safety continued to manifest in consumers' preference for trusted brands.
- The FMCG Businesses responded with speed and agility demonstrating resilience and adaptive capacity while operating in the 'new normal'. **Segment Revenue** stood at **Rs. 3726 crores, up 10.4% y-o-y on a high base**.
 - Savlon range of **Hygiene** products bounced back after normalizing at elevated levels in H2 FY21 to deliver a robust y-o-y and q-o-q growth.
 - **Discretionary/'out-of-home'** consumption products witnessed strong growth on a favourable base; second wave impacted sequential performance although the order of magnitude was relatively lower compared to first wave.
 - Unlike in the first wave where there was a significant surge in demand for **Staples and Convenience Foods**, the current quarter witnessed a relatively mild uptick in these categories; High base effect in Staples and Convenience Foods led to moderation in y-o-y growth rates.
 - **Segment EBITDA** grew by **16%** to Rs. 299 crores. Sharp escalation in input costs was mitigated through judicious pricing & cost saving actions and richer business mix; **Margins expanded by 40 bps & 100 bps at the Segment EBITDA and Segment EBIT levels respectively**.
- The Company's deep & wide multi-channel distribution network, with growing presence in emerging channels continue to deliver competitive advantage through superior product availability, visibility and freshness. Consumer preference for 'contactless shopping' and home delivery, continues to gain prominence.
 - Market and outlet coverage is at 1.4x and 1.1x respectively compared to pre-Covid levels.
 - The stockists network doubled over the base quarter to sharp target rural markets to drive growth, mitigate the impact of disruptions in the wholesale channel and effectively service emergent demand.
 - Direct-to-market shipments were also scaled up substantially to ensure freshness and reduced time-to-market in categories such as Atta, Snacks and Biscuits.
 - Sales in the e-Commerce channel more than doubled over the same period last year taking its salience to 8% of Segment Revenue during the quarter.
 - The Businesses remained proactively engaged with e-Commerce platforms with account specific strategies, SKU assortment and aligned supply chains to service emergent demand in an efficient manner.
- 'ITC e-store', the Company's exclusive D2C platform is now operational in 11 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 800 products under one roof. Consumer response has been excellent and the platform has received the highest rating in the 'Experience Leaders' quadrant (Delivery Delight Index survey, Redseer).

- Risks and uncertainties associated with fluctuating demand levels continued to be managed with agility leveraging shorter operations planning cycles and predictive analytics.
- 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.
 - Recent initiatives include UNNATI (eB2B App) & VIRU (Virtual Salesman App) platforms, which facilitate digital ordering and trade engagement; direct-to-consumer e-Commerce platform (ITC e-Store); WhatsApp based chatbot (ITC Storelocator) enabling easier access for consumers to ITC products in their vicinity; deployment of innovative delivery models, use of alternate channels (ITC Store-on-Wheels) and use of AI/ML for outlet level actionable insights, etc.

➤ **Branded Packaged Foods Businesses**

- **'Aashirvaad' Atta** fortified its leadership position in the branded atta industry with robust growth in value added variants.
- **'Yippee!' Noodles** recorded robust sequential performance; demand remained elevated compared to pre-Covid levels.
- **In the 'Sunfeast' Biscuits and Cakes category**, recently launched products 'Sunfeast All Rounder', 'Sunfeast Dark Fantasy' Choco Crème and Vanilla Crème, Sunfeast Dark Fantasy Choco Nut Fills and Sunfeast Dark Fantasy Chocochip continue to receive excellent consumer response.
- **'Bingo!' Snacks** delivered strong growth on y-o-y basis; the 'Tedhe Medhe' range of Namkeens was augmented with the launch of four new variants – Punjabi Tadka, Moong Dal, Navrattan Mixture and Khatta Meetha and garnered favourable consumer traction.
- **'Aashirvaad Svasti'** entered the Bengali desserts space with the launch of Aashirvaad Svasti Mishti Doi in select markets of West Bengal. The range of fresh dairy products was also augmented with the launch of Aashirvaad Svasti Mango Lassi in West Bengal and Bihar. The product continues to receive excellent consumer franchise.
- Consequent to the amalgamation, operations of Sunrise have been fully integrated with the Branded Packaged Foods Businesses of the Company.

➤ **Personal Care Products Business**

- The **'Savlon'** range of Health & Hygiene products sustained its high growth trajectory despite a high base, driven by the disinfectant range of products.
 - The **Soaps** portfolio was augmented with the launch of **'Fiana'** Cooling Gel Bar Methanol & Magnolia and **Savlon Cool Hexa**.
 - In line with growing consumer preference for natural products, **'Nimyle'** floor cleaner was extended to select markets in all main towns and cities in the north and west during the quarter.
 - **'Engage'** range was augmented with the launch of four new variants of deodorants, Floral Zest, Garden Mystique, Ocean Zest, Spice Mystique.
- **'Mangaldeep' Agarbattis** posted strong growth driven by superior product mix, on a favourable base, notwithstanding the operational challenges.

FMCG - CIGARETTES

- **Segment Revenue and Segment EBIT up 33% and 37% y-o-y respectively; Margins up 210 bps y-o-y**
- The strong volume recovery momentum witnessed in the second half of FY21 was impacted by localised lockdowns and restricted hours of convenience store operations in the wake of second wave of the pandemic.
 - Product accessibility was sustained despite market disruptions leveraging the Company's multi-channel distribution network comprising traditional channels, convenience outlets and stockists network; rural stockists network and rural servicing infrastructure was scaled up to 3x and 1.2x of base quarter levels.
 - Certain markets in the South, metro cities and towns were relatively more impacted
 - After severe disruptions in May'21, there has been week-on-week improvement in market conditions from mid-June'21 with most markets returning to normalcy and witnessing faster recovery compared to the first

wave consequent to the easing of restrictions, even as certain parts of Kerala, Odisha and the North East remain partially impacted. This augurs well for a pick-up in the recovery momentum in the ensuing months.

- The Company sustained its leadership position in the cigarette industry through its unwavering focus on nurturing a portfolio of world-class products anchored on superior consumer insights, robust innovation pipeline, superior product development capabilities and execution excellence.
 - Modernised and refreshed packs were launched in Gold Flake Excel, Wills Navy Cut Filter, Berkeley Hero in focus markets. Gold Flake Premium and Capstan Special 5's packs were launched in line with evolving consumer preferences.
- Several **innovative variants** differentiated on vectors of flavor, filtration and packaging format such as Classic Connect, Gold Flake Neo SMART Filter, Wave Boss and Flake Nova have been launched in recent months to cater to the continuously evolving consumer preferences and reinforce market standing.
- Wide availability of **smuggled cigarettes** continues despite deterrent actions by concerned authorities; this remains a key challenge for the legal cigarette industry which has witnessed significant reduction in volumes in recent years. The Business continues to proactively engage with policy makers on the criticality of stability in taxation to curb the proliferation of illicit cigarettes due to high taxation on legal cigarettes.

HOTELS

- The second wave of the pandemic triggered a fresh round of mobility and travel restrictions leading to severe disruptions, impacting the progressive recovery witnessed in H2 of FY21.
- With reduction in new Covid infections and easing of travel restrictions in June'21, domestic leisure segment witnessed an uptick. Focused and curated packages were deployed to garner business. During the quarter, **Welcomhotel Tavleen Chail**, a premier mountain resort in Himachal Pradesh, located amidst the breathtaking surroundings of the Himalayas, was added to the Welcomhotel portfolio of managed properties.
 - The Welcomhotel properties located in leisure destinations (Welcomhotel, The Savoy, Mussoorie, Welcomhotel Tavleen Chail, Welcomhotel Pine N Peek Pahalgam, Welcomhotel Shimla) tapped into the growing demand of travelers looking for safe getaways with the introduction of curated packages such as "Rejuvenate & Recharge".
 - **'Flavours'** and **'Gourmet Couch'** home delivery/takeaway offerings performed well, doubling over the previous quarter; the delectable range of culinary offerings was augmented with launch of several signature dishes and desserts. The offerings are currently operational in 17 cities across 24 ITC properties.
- **'WeAssure'** programme, designed to reassure guests of best-in-class hygiene and safety standards has been rolled out at all operating hotels. ITC Hotels became the **first hotel chain in the world to receive Platinum Level Certification from DNV**, under its My Care Infection Risk Management Programme, for the **WeAssure** programme.
- ITC Windsor, Bengaluru, became the **first hotel in the world** to receive the **prestigious LEED Zero Carbon Certification**. Awarded by US Green Building Council (USGBC), this certification recognizes buildings operating with net zero carbon emission.
- **Aggressive cost reduction measures** continued to be deployed to mitigate the impact of negative operating leverage. This, coupled with actions to augment revenue from curated offerings as referred above, led to a 50% positive swing at the EBITDA level (+ Rs. 87 crores) compared to the base quarter.

PAPERBOARDS, PAPER & PACKAGING

Paperboards, Paper & Packaging Segment posted a robust performance with Segment Revenue up 54% y-o-y; Segment Results up 145% with significant margin expansion.

- In the Paperboards and Specialty Papers Business, domestic customer offtake saw positive trends in most key segments such as pharma and consumer goods. However, certain end-user segments such as publications, cupstock, On-the-Go liquid packaging and wedding cards continued to be impacted by the pandemic-related disruptions.
 - Growth during the quarter was driven by Value Added Paperboards, Décor paper and Carton packaging; Exports recorded strong growth as customers increased their inventory levels amidst heightened uncertainty.
 - Strategic investments in pulp import substitution and in strengthening the fibre chain for securing cost-competitive wood supplies aided in mitigating the impact of unprecedented increase in imported pulp prices witnessed during the quarter.

- Significant improvement in margins was driven by increase in realisations (especially in VAP and Specialty Papers), structural investments to enhance competitiveness including in-house pulp manufacturing capacity expansion and sharper focus on operational efficiency leveraging data analytics and Industry 4.0.
- The Businesses continue 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 paperboards** 'Filo' series and **biodegradable paperboards** 'Omega Series' continue to gain robust customer franchise. Pioneering 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) are under various stages of commercialisation.

AGRI BUSINESS

Segment Revenue up 9.2% and Segment Results up 9.5% y-o-y.

- Strong growth in Wheat, Rice & Leaf Tobacco exports and Soya in the domestic market.
- The Business leveraged the e-Choupal network to provide strategic sourcing support to the Branded Packaged Foods Businesses, calibrating its procurement strategies in line with category-relevant market dynamics. 'Astra', an AI/ML and advanced analytics based digital platform that enables spatial and temporal sourcing optimization, is being increasingly leveraged for competitively superior procurement efficiencies.
- The Business remains focused on its strategy to rapidly scale up its value-added product portfolio to accelerate growth and enhance value capture. Export of high quality spices to Food Safe markets continued to gain strong traction. In addition, the Company's wholly owned subsidiary, ITC Indivision Limited, is setting up a state-of-the-art facility to manufacture and export Nicotine & Nicotine derivative products. The facility is being geared to manufacture purest nicotine conforming to US and EU pharmacopoeia standards. The project is progressing as per schedule.
- The Leaf Tobacco Business continued to leverage its crop development expertise, superior product quality and world-class processing facilities to service customer requirements arising out of significant disruptions in the global supply chain due to the varying levels of intensity of the pandemic in different geographies.
- The Agri Business responded with agility to combat significant operating challenges during the quarter due to pandemic-induced closure/restrictions in operations at mandis and auction platforms by leveraging multiple sourcing models and multi-modal transportation network. These interventions aided the Business in achieving over 1 Million Tons of throughput during the quarter and service customers without any disruptions.

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.

In line with the Company's credo of 'Putting India First', the Company continued to support the nation's fight against the pandemic including debottlenecking transportation of medical oxygen, supporting the health infrastructure with the facilitation of necessary equipment, provision of PPE kits, supply of dry ration to the needy and vulnerable sections of society, etc.

Refer link below for highlights:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q1-FY2022.pdf>

The Board of Directors, at its meeting on 24th July 2021, approved the financial results for the year ended 30th June 2021, which are enclosed.



(Nazeeb Arif)
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