



ITC Limited
Virginia House
37 J. L. Nehru Road
Kolkata, 700 071, India
Tel.: 91 33 2288 9371
Fax: 91 33 2288 4016 / 1256 / 2259 / 2260

Media Statement

October 20, 2022

Standalone Financial Results for the Quarter ended 30th September, 2022

Highlights

- **Strong performance continues across segments**
 - Gross Revenue and EBITDA up 27.1% on YoY basis
 - Gross Revenue (ex- Agri Business) up 6.1% sequentially
 - Segment PBIT margin (ex-Agri Business) up ~150 bps YoY and ~40 bps sequentially.
- **Robust performance in FMCG – Others; Segment Revenue up 21.0% YoY, at appx. 1.5x of Q2 FY20**
 - Staples & Convenience Foods and Discretionary/Out of Home categories drive growth
 - Education & Stationery Products Business continues to witness strong traction
 - Segment EBITDA margin at 9.5% (-50 bps YoY; +170 bps sequentially) – severe inflationary impact mitigated through multi-pronged interventions.
- **Stability in taxes on cigarettes, backed by deterrent actions by enforcement agencies, enable continued volume recovery from illicit trade**
 - Cigarettes Segment Revenue up 23.3% YoY; Segment PBIT up 23.6% YoY
 - Market standing continues to be reinforced through focused portfolio/market interventions and agile execution.
- **Hotels Segment Revenue up 81.9% YoY and 25.6% over Q2 FY20**
 - ARR and Occupancy ahead of pre-pandemic levels
 - Segment EBITDA at 156 cr. (up 138 cr. YoY and 68 cr. over Q2 FY20)
 - Segment EBITDA margin at 29.0% (Vs. 20.4% in Q2 FY20) driven by higher RevPAR and structural cost interventions.
- **Robust growth in Agri Business; Segment Revenue up 44.0% YoY driven by wheat, rice and leaf tobacco exports**
 - Leveraged strong customer relationships, robust sourcing network and agile execution
 - ITCMAARS being scaled up with 460+ FPOs in 9 states with about 180,000 farmer registrations till date.
- **Paperboards, Paper and Packaging Segment continues to deliver strong performance; Segment Revenue up 25.0% YoY while Segment PBIT up 54.0% YoY; Segment PBIT margin at 27.5%**
 - Strong demand across end-user segments; sustainable products portfolio continues to be scaled up
 - Nadiad unit in Gujarat commenced operations during the quarter
 - Integrated business model, Industry 4.0 initiatives and strategic investments in pulp import substitution and proactive capacity augmentation in Value Added Paperboards segment enable margin expansion amidst commodity price escalation.

Economic activity continued to gather momentum during the quarter along with improvement in business and consumer sentiments. However, input prices remained elevated even as some commodities witnessed softening in course of the quarter. Inflationary headwinds continued to weigh on consumption expenditure which was partly offset by early onset of festive season this year in some parts of the country.

Amidst such a challenging operating environment, the Company's focus on accelerated digital adoption, customer centricity, execution excellence and agility enabled it to continue to deliver strong growth across operating segments during the quarter, both sequentially and on YoY basis. Gross Revenue stood at Rs. 16,971 crores representing a growth of 27.1% YoY while EBITDA at Rs. 5,864 crores also grew by 27.1% YoY. PAT grew by 20.8% YoY to Rs. 4,466 crores. Earnings Per Share for the quarter was Rs. 3.6 (previous year Rs. 3.0).

The anticipated moderation in inflation going forward, normal monsoons in most parts of the country and proactive interventions by the Government and RBI augur well for sustained recovery and a pick-up in consumption expenditure in the second half of the year.

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FMCG – OTHERS

- **The FMCG Businesses continue to deliver strong performance with Segment Revenue growing 21.0% YoY; Segment Revenue and Segment EBITDA up 49% and 110% respectively over Q2 FY20.**

- Staples & Convenience Foods recorded robust growth mainly driven by Biscuits, Atta and Noodles
- Discretionary/Out of Home categories viz. Snacks, Confectionery, Agarbattis and Fragrances continue to witness strong traction
- The 'Fiama' and 'Vivel' range of Personal Wash products performed well; Hygiene segment was subdued, while remaining significantly ahead of pre-pandemic levels.
- Segment EBITDA margin at 9.5% (Q1 FY23: 7.8%; Q2 FY22: 10.0%)

The FMCG Businesses witnessed strong growth across channels and markets (both urban and rural) driven by ramp-up in outlet coverage, enhanced penetration and last mile execution. Sharp escalation in input costs was mitigated through multi-pronged interventions viz. strategic cost management, premiumisation, supply chain agility, judicious pricing actions, fiscal incentives, leveraging digital and optimising channel assortments. Segment EBITDA margins have expanded by 280 bps over Q2 FY20.

- The Company remains focused on rapidly scaling up the FMCG businesses anchored on strong growth platforms and a future-ready portfolio powered by purpose-led brands and supported by agile innovation leveraging the robust R&D platforms of ITC Life Sciences and Technology Centre (LSTC). In addition to fortifying their core portfolio, the Businesses continue to address adjacent growth opportunities by leveraging the 25+ powerful mother brands established over the years. Simultaneously, the Businesses continue to make strategic investments in building categories of the future and establishing the Company's 'right to win' by progressively scaling up those nascent categories where beachheads have been created.
- The FMCG Businesses continue to create structural competitive advantages and enhance profitability by leveraging world-class distributed infrastructure, multi-channel distribution network, delayed operations, smart buying & value engineering and smart manufacturing anchored on the twin pillars of Digital and Sustainability.
- The Company's deep & wide multi-channel distribution network with growing presence in emerging channels and tailored channel-specific assortments continues to deliver competitive advantage through superior product availability, visibility and freshness.
 - Market and Outlet coverage at appx. 2.0x and 1.3x of pre-pandemic levels
 - e-Commerce continues to scale up rapidly leveraging account specific strategies, new product introductions (including e-Commerce first brands) and customised supply chain solutions; availability of products has been further expanded with new trade partners on Quick Commerce and Social Commerce platforms
 - Modern Trade sales accelerated with resumption of activities, higher store footfalls and joint business planning with key accounts

- Product availability and accessibility continues to be augmented by leveraging new routes-to-market through multiple strategic partnerships covering a range of brands including 'B Natural', 'Sunfeast', 'ITC Master Chef', etc.
- The ICML at Medak, Telangana, commissioned in March 2022 is being scaled up rapidly. The ten ICMLs operating in proximity to large demand centres enable delivery of fresher products, reduction in distance to market and higher cost agility. In addition, three co-located automated logistics facilities have been established which together with next generation agile supply chains will enable superior and efficient fulfilment.
 - Several of these manufacturing facilities represent industry leading gender diversity in the labour force. With every successive ICML coming on-stream, the representation of women has progressively increased and the recent ICMLs at Pudukkottai and Medak have a large majority of women in the on-roll labour force, reflecting the Company's commitment to foster Diversity and Inclusion.
- Cutting-edge digital technologies including Industry 4.0, Advanced Analytics, Big Data and industrial Internet of Things (IoT) continue to be deployed towards strengthening the Company's real time operations and execution platform. Several digitally powered interventions are underway towards enhancing productivity, driving efficiency and reducing costs. These initiatives are anchored on the key pillars of deepening trade & consumer connect, synchronised planning & forecasting, next generation agile supply chain, smart manufacturing & sourcing, and smart demand capture & fulfilment.
 - 'ITC e-store' (<http://www.itcstore.in>), the Company's exclusive D2C platform, continues to receive excellent consumer response
 - 'Unnati', the digitally powered eB2B platform, has been rolled out to over 4.4 lakh retailers facilitating focused and direct engagement with retailers, superior analytics, personalised recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.

➤ **Branded Packaged Foods Businesses**

- **'Aashirvaad' Atta** consolidated its leadership position in the branded atta industry and continues to focus on enhancing penetration and premiumisation.
 - Aashirvaad's value-added atta range, part of the Business' growing portfolio of 'Good For You' / 'Free From' offerings, witnessed robust growth. The 'Meri Chakki' atta Direct to Consumer (D2C) initiative, which redefines consumer experiences by providing customisation options, continues to generate interest among target groups. Towards enhancing consumer awareness on nutrition and digestive health, a dedicated content marketing platform 'Happy Tummy', created with blogs, expert videos, nutritionist consultations and high fibre recipes continues to witness favourable consumer response.
- **'Bingo! Snacks** witnessed strong consumer traction and grew at a rapid pace driven by 'Tedhe Medhe' and 'Mad Angles'. In addition, several recently launched variants viz. 'Bingo! Hashtags Cream & Onion', 'Bingo! Hashtags Spicy Masala', 'Bingo! Street Bites Dahi Chaat Remix' and 'Bingo! Street Bites Pani Puri Twist' continue to witness excellent consumer response.
- **'YiPpee! Noodles** posted robust growth on the back of increased brand outreach and consumer engagements with normalisation of mobility. Innovative media campaigns and focused digital interventions viz. 'Magic with Plastic' – a fun and exciting series of art & craft workshops for children to create awareness on how to make useful objects out of waste materials - continued to create buzz around the brand, resulting in sustained traction with consumers.
- **'Sunfeast' Biscuits and Cakes** recorded robust growth led by the 'Dark Fantasy' range of premium offerings and 'Mom's Magic' range of cookies. The portfolio mix was further enriched with the launch of 'Sunfeast Mom's Magic Cashew Fills' (*Centre filled cookies with cashews and molten creme*), 'Sunfeast Mom's Magic Golden Edition' (*Cashew cookies loaded with cashews & butter*) and 'Sunfeast Mom's Magic Butter Fills' (*Centre filled cookies with molten butter creme*). The

recently launched range of thin potato biscuits, 'Sunfeast All Rounder' was augmented with the launch of All Rounder 'Cream and Herb' variant.

- **Dairy & Beverages** Business posted strong growth during the quarter, gaining strong consumer traction on the back of best-in-class quality standards, differentiated offerings and superior taste profile. The milk procurement network continues to be strengthened, empowering farmers by providing infrastructure and imparting package of best practices to improve operational efficiency, maintain high quality and ensure identity preservation and traceability. The '**Aashirvaad Svasti**' brand continues to be enhanced with focus on growing the value-added dairy portfolio. During the quarter, the Business launched 'Aashirvaad Svasti Organic Cow Ghee' – made with 100% organic cow milk. The '**Sunfeast**' range of milk shakes was further expanded with the launch of 'Sunfeast Kids Dailyshake'. The '**B Natural**' range of Juices continued to progressively scale up during the quarter, leveraging emerging channels and augmenting new routes-to-market. Consumer engagement was further deepened through the Business' purpose led brands e.g. 'B Natural's #MainBhiKisaan #Farmerette campaign which aims to spark conversations, create awareness about women in agriculture and change the existing belief that farmers are almost exclusively male, in keeping with the Company's focus of Diversity and Inclusion across all nodes of operations.
- '**Mangaldeep**' **Agarbattis and Dhoop** witnessed strong growth across product segments. The Agarbatti portfolio continues to provide differentiated offerings to consumers and further strengthened its presence in emerging channels with the launch of channel-specific assortments viz. 'Chandan 3in1' and 'Temple'; the portfolio was also augmented with launch of 'Deetyaa Luxury Fragrance' and 'Mangaldeep 3in1' variants. The Dhoop portfolio was enhanced with the launch of 'Dhuno Cups' and 'Dry Dhoop Sticks'. 'Mangaldeep Upaveda' range of 'Naturals' agarbattis, which draw inspiration from ancient scriptures, also garnered increasing consumer traction.
- In the **Education and Stationery Products Business**, 'Classmate' Notebooks further strengthened its leadership position leveraging its flagship campaign 'Learn with Classmate'. Notebooks sales continued to witness strong traction in the premium portfolio comprising 'Paperkraft', 'Classmate Pulse' and 'Classmate Interaktiv'. Creative brand campaigns leveraging Digital were launched to promote 'Classmate Interaktiv - AR series' of notebooks and craftbooks in collaboration with Disney India. The Business continues to leverage topical themes viz. Teachers' Day to deepen consumer engagement.
- Within the **Personal Care Products Business**, the Fragrances category registered strong growth driven by 'Engage'. 'Fiama' and 'Vivel' range of personal wash products performed well during the quarter; 'Nimyle' also continued to scale up in the Homecare segment leveraging the Naturals proposition of the brand. The 'Hygiene' category remained subdued, though significantly ahead of pre-pandemic levels. The Business portfolio continues to be enhanced with innovative launches viz. 'Vivel VedVidya' – range of soaps that are inspired by ingredients used in ancient beauty rituals and 'Fiama Men Deep Clean Gel Bar, with Charcoal & Grapefruit', which contains charcoal that enables deep cleaning and grapefruit which offers a refreshing feel.

FMCG – CIGARETTES

Segment Revenue and Segment Results up 23.3% and 23.6% YoY respectively

- The Business continues to counter illicit trade and reinforce market standing by fortifying the product portfolio through innovation, democratising premiumisation across segments and enhancing product availability backed by superior on-ground execution.
 - The Business also continues to launch several differentiated variants to further strengthen and ensure future-readiness of the product portfolio.
- As seen in the past, stability in taxes on cigarettes, backed by deterrent actions by enforcement agencies, continues to enable volume recovery for the legal cigarette industry from illicit trade, thereby engendering domestic demand for Indian tobaccos, while also mitigating loss of tax revenue to the exchequer. The Company continues to 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, cognising for the unique tobacco consumption pattern in India.

HOTELS

Stellar performance across properties; Segment Revenue at Rs. 536 cr. (up 25.6% over Q2 FY20); Segment EBITDA up 138 cr. YoY and 68 cr. over Q2 FY20.

- ARR and Occupancy ahead of pre-pandemic levels driven by Retail (packages), Leisure, Weddings and MICE segments. Domestic business travel continues to witness progressive normalisation; inbound foreign travel has also picked up. Iconic cuisine brands continue to be leveraged to promote dine-ins with limited-period menus, curated for festive occasions featuring global and Indian favourites.
- Segment EBITDA margin for the quarter stood at 29.0% (Vs. 20.4% in Q2 FY20); margin expansion driven by higher RevPAR, operating leverage and structural cost interventions.
- ITC Narmada – a luxury 291-key hotel in Ahmedabad was launched in August '22. The property is architecturally inspired by the traditional stepwells of Gujarat and is a befitting tribute to the rich heritage, grandeur and vibrant culture of the State. It is also the first hotel in Gujarat to receive the LEED® Platinum certification for its sustainability interventions and environmental stewardship.
- During the quarter, two new properties were added to the portfolio under the 'Storii by ITC Hotels' brand – Storii Shanti Morada in Goa and Storii Amoha Retreat in Dharamshala.
 - In line with its 'asset-right' strategy, the Business has generated a healthy pipeline of management contracts under its brands viz. Welcomhotel, Mementos, Storii and Fortune, which is expected to be a key vector of growth. More properties under these brands are expected to be launched in a phased manner over the next few quarters.
- Welcomhotel Bengaluru received the prestigious LEED® Zero Carbon certification by USGBC during the quarter, reaffirming the Company's commitment to the ethos of 'Responsible Luxury'. This is the fourth Hotel in the chain to have received this certification.
- Digital investments continue to be leveraged towards facilitating guest acquisition, enhancing guest experience, augmenting revenue generation and driving operational efficiency. The recently launched full stack ITC Hotels App with cutting-edge user experience continues to receive good response and enables swift and easy access to Room and F&B Reservations, F&B delivery offers, loyalty benefits besides a host of exclusive offers.

PAPERBOARDS, PAPER & PACKAGING

Paperboards, Paper & Packaging Segment continues to deliver strong performance; Segment Revenue up 25.0% and Segment Results up 54.0% YoY; Segment PBIT margin for Q2 FY23 stands at 27.5%

- Segment Revenue growth driven by strong demand across end-user segments and exports.
 - Value Added Paperboard (VAP) sales grew at a rapid pace aided by higher realisation and strong exports performance
 - Fine Paper segment witnessed robust performance with pick up in the Publications and Notebooks segments
 - Strategic investments in capacity expansion in VAP segment, pulp import substitution, cost-competitive fibre chain, decarbonisation of operations, sharper focus on operational efficiency leveraging data analytics and Industry 4.0 enabled scaling up the Business and margin expansion despite escalation in key input prices.
- The Packaging and Printing Business witnessed robust growth across Cartons and Flexibles platforms; Nadiad unit in Gujarat commenced operations during the quarter.
- Digital and emergent technologies remain deeply embedded in the operations of the Business, and continue to be leveraged towards enhancing operational efficiency, reducing wastages and enabling

cost optimisation across the value chain. The multi-dimensional digital interventions encompass Industrial IoT for Smart Operations, Integrated Data Infra/Platform, AI/ML algorithms for optimisation in the manufacturing process, AI/ML based image analytics and IoT based crop monitoring & advisory.

- In line with its strategic focus on developing sustainable paperboards/packaging solutions as a new vector of growth leveraging cutting-edge innovation platforms (LSTC capabilities as well as external collaborations), the Company is actively engaged in developing and promoting suitable paper and paperboard substrates to substitute single-use plastics.
 - The sustainable products portfolio, comprising recyclable paperboards, 'FiloPack' and 'FiloServe', and biodegradable paperboards, 'OmegaBev' and 'OmegaBarr', which are alternatives to plastic coated containers, cups and other deep freeze applications, witnessed robust growth across applications (at appx. 2.5x of last year's levels)
 - Similarly, the Packaging Business is pro-actively engaging with end users to scale up adoption of sustainable packaging solutions viz. 'Bioseal' (compostable packaging solutions for Quick Service Restaurants, personal care and packaged foods industries), 'Oxyblock' (a recyclable coating solution with enhanced barrier properties for packaged foods, edible oils, etc.) and Germ-free coating (solution for microbial free packaging surface addressing the consumer consciousness towards hygiene and safety).

AGRI BUSINESS

Robust growth in Segment Revenue, up 44.0% driven by wheat, rice and leaf tobacco exports.

- 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.
- ITCMAARS (Metamarket for Advanced Agriculture and Rural Services) – a crop-agnostic 'phygital' full stack AgriTech platform is being scaled up with 460+ FPOs in 9 states encompassing about 180,000 farmers (registered till date). This platform provides farmers with AI/ML driven personalised and hyperlocal crop advisories, access to good quality inputs and market linkages as well as allied services like pre-approved loans. It also offers advanced technologies like real-time soil testing, quality assaying and precision farming at the doorstep of farmers.
- The Business continues to enhance value capture by steadily growing its value-added portfolio straddling multiple value chains comprising Spices, Coffee, Frozen Marine Products and Processed Fruits etc., leveraging the Company's deep rural linkages and extensive sourcing expertise.
 - Construction of the value-added spices manufacturing facility at Guntur is progressing well and is expected to be commissioned shortly. The Business seeks to significantly scale up its presence in food safe export markets leveraging this world-class facility together with its identity-preserved sourcing expertise, custody of supply chain and strong customer relationships
 - 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 making steady progress. The facility is being geared to manufacture purest nicotine derivatives conforming to US and EU pharmacopoeia standards and is expected to be commissioned by the end of the current financial year.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

ITC is a global exemplar in 'Triple Bottom Line' performance 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 20 years)**, **'carbon positive' (for 17 years)**, and **'solid waste recycling positive' (for 15 years)**. The Company sustained its **'AA' rating by MSCI-ESG for the 4th successive year** - the highest amongst global tobacco companies. The Company has also been included in the **Dow Jones Sustainability Emerging Markets Index** - a reflection of being a sustainability leader in the industry and a recognition of its continued commitment to people and planet.

ITC has also been rated at the '**Leadership Level**' score of '**A-**' for both **Climate Change** and **Water Security** (Asia and Global average at 'B-' for climate change and 'B' for water security) by CDP, a reputed independent global platform for disclosures on environmental impacts.

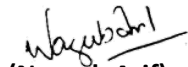
The Sustainability & Integrated Report 2022 is available on the Company's corporate website at

<https://www.itcportal.com/sustainability/sustainability-integrated-report-2022/ITC-Sustainability-Integrated-Report-2022.pdf>

Please refer link below for performance highlights of the quarter:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q2-FY2023.pdf>

The Board of Directors, at its meeting on 20th October 2022, approved the financial results for the quarter ended 30th September 2022, which are enclosed.



(Nazeeb Arif)

Executive Vice President

Corporate Communications