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## Media Statement

**February 11, 2021**

**Standalone Financial Results for the Quarter ended 31<sup>st</sup> December, 2020**

### Highlights

- **Board recommends Interim Dividend of Rs. 5 per share for the Financial Year ending 31<sup>st</sup> March, 2021.**
- **Strong sequential recovery momentum continues across segments including Cigarettes. Gross Revenue up 5% sequentially (q-o-q) and over last year (y-o-y); PBT up 13% q-o-q.**
- **FMCG-Others Segment sustains double-digit revenue growth** despite demand moderation in certain categories with consumers broadening their purchase assortment and lower 'at-home' consumption on the back of increased mobility.
  - **Revenue up 11% y-o-y on a comparable basis\* (up 16% YTD December'20)**
    - Staples, Convenience Foods and Health & Hygiene products record growth of 11% (YTD +23%).
    - Discretionary/'out-of-home' categories post smart recovery to grow by 11% (YTD -5%).
    - 'Savlon' clocks Rs. 1000 crores consumer spend in YTD December'20.
    - **Segment EBITDA up 28% (YTD up 44%); Segment EBITDA margins expand 150 bps to 9.2% (YTD +210 bps).**
- **Progressive improvement in Hotels Revenue** aided by higher RevPar and F&B business across most locations; turned **EBITDA positive** in December'20 and break-even for the quarter.
- **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).

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The operating environment remained challenging even as economic activity picked up pace progressively during the quarter with the easing of restrictions and increased mobility. High frequency lead economic indicators pointed to green shoots of recovery in aggregate demand and supply, leading to upward revisions in GDP growth estimates for FY 2020-21. The agriculture sector remained resilient while core sector industries witnessed persistent weakness although an improving trajectory was visible there as well. Contact-intensive

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segments of the services sector such as aviation and hospitality, and discretionary consumption continued to lag the rest of the economy.

Against this backdrop, the Company recorded a strong recovery in operational performance. **Gross Revenue** stood at Rs. 12491.63 crores, up 5% y-o-y (Q1: -17%, Q2: +1%) driven mainly by the Agribusiness and FMCG-Others Segment, which sustained double-digit comparable revenue growth momentum despite moderation of demand in certain categories after a sharp lockdown induced surge in the first half of the financial year. The impact of negative operating leverage was partially mitigated through relentless focus on cost reduction. **Profit After Tax** stood at Rs.3662.85 crores representing a decline of 3.7%, 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. 3726.18 crores (previous year Rs.3777.71 crores). Earnings Per Share for the quarter was Rs. 2.98 (previous year Rs.3.37).

The Company was declared the 'Best Governed Company' at the 20th Institute of Company Secretaries of India (ICSI) National Awards for Excellence in Corporate Governance, 2020, in the 'Listed Segment: Large Category'.

The marked reduction in daily Covid cases and ongoing vaccination drive are expected to provide a fillip to business sentiment and consumer confidence, as well as boost economic activity going forward. The Company continues to closely monitor the situation and is well prepared to respond with agility to strengthen its market standing.

The focus of the Union Budget 2021 on enhanced capital expenditure, heightened spends on agriculture, rural infrastructure development, healthcare, innovation and R&D along with stability in taxation will provide an accelerated thrust to economic recovery and engender a virtuous cycle of consumption, investment and employment.

## **FMCG - OTHERS**

The significant surge in demand for staples and convenience foods witnessed during the lockdown phase ebbed during the quarter with consumers broadening their purchase assortment and lower 'at-home' consumption on the back of increased mobility. Demand for health & hygiene products remained elevated even as the pace of growth moderated as compared to the first half of the year. Discretionary/'out-of-home' consumption products witnessed smart recovery buoyed by pent-up demand and increased availability across channels. Heightened concerns on hygiene and safety continued to manifest in consumers' preference for trusted brands.

Against this backdrop, the 'Savlon' range of Health & Hygiene products sustained its high growth trajectory, albeit at a relatively lower pace as compared to the previous two quarters. 'YIPpee!' Noodles continued to record strong growth while 'Aashirvaad' Atta and 'Sunfeast' Biscuits, which had witnessed significant surge in demand in H1, moderated during the quarter. 'Bingo!' Snacks regained double-digit revenue growth while deodorants and confectionery saw appreciable sequential uptick.

**Segment Revenue stood at Rs. 3562 crores representing a growth of 11% on a comparable basis driven mainly by robust growth in Health & Hygiene products, Noodles, Snacks, Spices, Dairy, Agarbatti and Matches. Most major categories enhanced their market standing during the quarter. Segment EBITDA grew by 28% to Rs.326 crores with margins expanding by 150 bps y-o-y to 9.2%.** 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.

Consumer preference for 'contactless shopping' and home delivery, continues to gain prominence. The Businesses remained proactively engaged with e-Commerce platforms and aligned supply chains to deliver the right SKUs and service emergent demand in an efficient manner. Sales through the e-Commerce channel continued to grow at a rapid pace, doubling over last year. The channel now accounts for 5% of Segment Revenue. The Modern Trade channel, staged a strong recovery after a soft H1. Sales in rural markets remained strong while urban markets witnessed progressive improvement aided by increased mobility and easing of restrictions.

Risks and uncertainties associated with fluctuating demand levels continued to be managed with agility leveraging shorter operations planning cycles and predictive analytics. Market and outlet coverage were stepped up to appx. 1.3x and 1.1x respectively compared to pre-Covid levels. Direct-to-market shipments were also scaled up substantially to ensure freshness and reduced time-to-market in categories like atta, snacks and biscuits.

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 and use of alternate channels (ITC Store-on-Wheels) and use of AI/ML for outlet level actionable insights, etc.

The Company's innovation strategy remains focused on addressing continuously evolving consumer needs through world-class products leveraging the state-of-the-art capabilities of its Life Sciences & Technology Centre. During the first nine months of the year, the Company **launched over 100 new products in record time** with compelling value propositions, demonstrating its agility and execution excellence in testing times. A range of innovative and first-to-market products were recently launched, which include:

- 'YiPPee!' Saucy Masala Noodles, in unique red colored noodle blocks, with a drizzle of tomato sauce;
- 'Sunfeast Dark Fantasy' Choco Chip and Choco Nut Fills biscuits comprising a combination of cashews, almonds and hazelnuts;
- 'B Natural' Pom+ immunity juice and ready-to-drink immunity soups in two variants - Red Veggie and Tomato;

- 'Aashirvaad Svasti' 'Select Milk' with the added assurance to consumers through ready online access to quality report for each pouch;
  - Khatta Meetha Poha, Veggie Upma, Mini Idli Sambar, Suji Halwa with Jaggery under Aashirvaad range of breakfast and snacking meals made with the goodness of grains and vegetables;
  - 'Sunfeast Caker' an exciting range of cakes with variants such as Trinity and Swiss Roll;
  - Range of organic dals and pulses under 'Aashirvaad Nature's Super Foods';
  - Range of frozen snacks and all-purpose gravies under 'ITC Master Chef';
  - 'Savlon 'Pichkiao' Handwash in a unique easy squeeze pack.
- The **Branded Packaged Foods Businesses** delivered a resilient performance driven by strong growth in Noodles, Snacks, Spices and Dairy categories.
- **Aashirvaad Atta fortified its leadership position** in the branded atta industry with robust growth in value added variants. **Aashirvaad Salt** also recorded strong growth. Organic atta & pulses and low sodium salt variants, launched in recent months, continued to receive encouraging consumer response.
  - **YiPpee! Noodles** sustained its high growth trajectory with **significant gains in** market standing.
  - **Sunfeast Biscuits** sales moderated after robust growth in the first half, in line with industry trends. The recently launched **Sunfeast Caker** Trinity and Swiss Roll cakes received excellent response from consumers.
  - **Bingo! Snacks** regained double-digit growth, driven by potato chips and Tedhe Medhe.
  - **Aashirvaad Svasti** range of fresh dairy products and ghee posted robust growth; product range was expanded in select markets of Patna and Kolkata.
  - The **ITC Master Chef range of Frozen Snacks**, comprising 30 differentiated variants, continued to garner increasing consumer franchise.
- The **Personal Care Products Business recorded strong growth**, albeit at a lower pace compared to the first half of the financial year.
- In the **Health and Hygiene** space, the Savlon range of antiseptic liquids, handwash, sanitising products and soaps continued to grow at a rapid pace; the brand clocked over Rs.1000 crores of consumer spend during the nine months period ending December'20.
  - **Liquids** portfolio comprising **Handwash & Bodywash** continued to grow at a fast clip.
  - With growing preference for natural products, '**Nimyle**', a 100% natural floor cleaner grew rapidly strengthening its market standing in the East (No.1 brand of floor cleaner in West Bengal and Odisha) while continuing to gain traction in new

markets. The range was augmented with the launch of a lemongrass fragrance variant.

- The product range of '**Dermafique**', a Digital First premium skin care brand, was augmented with the launch of bio-cellulose sheet masks - co-designed by dermatologists and made from bio-degradable fibres derived from 100% natural coconut water using patented technology. Leveraging the face equity of the '**Charmis**' brand, the Business launched the 'Charmis Radiance Range' of face wash, face serum and hand cream in target markets.
  
- **The Matches and Agarbatti Business** posted strong growth driven by festive season demand, strong brand equity, focused initiatives to enhance availability and targeted trade inputs. The 'Mangaldeep' Agarbatti & Dhoop portfolio stood augmented with the launch of Anushri 3-in-1 & Anushri Pineapple Agarbattis and Treya 3-in-1 Dhoop.
  
- **Digital marketing interventions**  
Capabilities of the state-of-the-art Marketing Command Centre - '**Sixth Sense**' continued to be leveraged to launch several contextual and relevant communication campaigns based on real time insights and data analytics.
  - Key campaigns during the quarter include:
    - **Home Plate League (HPL)**: a creative idea that ran during the IPL enabled home chefs to interact with leading food bloggers.
    - **#ChillwithBingo**: a campaign on social media platforms deepening consumer engagement with Bingo!
    - Aashirvaad's association with the popular Tamil webseries 'Vallamai Tharayo' on YouTube drove consumers to access the brand's innovative recipes online.
  - Focused campaigns led to manifold increase in followers of YiPPee! and Bingo! on Instagram during the period April-December'20, enhancing brand engagement on social media.
  - A virtual summit on 'Digital Enablement for Kirana Outlets' was held to educate and upskill retailers on best practices in retail management. The summit saw an overwhelming participation of over 1500 retailers, securing a place in the **GUINNESS WORLD RECORDS®** for '**Most viewers for a retail management live stream on a bespoke platform**'.

## **FMCG - CIGARETTES**

- Volumes and revenue witnessed strong sequential recovery led mainly by metros and large town markets on the back of progressive easing of restrictions and enhanced mobility. On a y-o-y basis, Net Revenue was lower by 7.6% compared to 14.4% y-o-y in Q2.
- Several innovative variants such as 'Gold Flake Neo' in a new format, 'Classic Connect', 'American Club Clove Mint', 'Gold Flake Indie Mint' and 'Capstan Fresh Flavour' were launched in recent months to cater to continuously evolving consumer preferences and reinforce market standing.

- Portfolio was further fortified with the introduction of 'Gold Flake Luxury Filter', 'Gold Flake Neo SMART Filter', 'Navy Cut Deluxe Filter', 'Player's Gold Leaf Chase', 'Gold Flake Star'.
- Refreshed packs of 'Navy Cut', 'Navy Cut Deluxe Filter', 'Navy Cut Special' and 'Navy Cut Century' were launched.
- Other portfolio interventions in focus markets include 'Player's Gold Leaf Rush', 'Gold Flake Super Star', 'Gold Flake Regal Special', 'Royal Rich Flavour' and 'Royal Premium Blend'.
- Strengthened direct reach in target markets across all traditional trade channels; stockist network was also augmented to service rural/semi-urban markets more efficiently.
- Further consolidated market standing leveraging a robust portfolio, wide distribution reach, superior market servicing infrastructure and portfolio interventions.
- 13% Tax hike w.e.f 1st Feb.'20 continues to weigh on Legal Industry volumes.
- Wide availability of smuggled cigarettes continues despite deterrent actions and heightened levels of seizures by concerned authorities; remains a key challenge for the legal cigarette industry which has witnessed significant reduction in volumes in recent years.

## HOTELS

- **Segment Revenue witnessed progressive recovery with improvement in Room and F&B business. Turned EBITDA positive in December'20 and break-even for the quarter.**
  - Wedding business, staycations/motorable getaways were the key drivers besides healthcare/quarantine related business.
  - Leisure destinations turned in a strong performance reflecting the continuing trend of short getaways with hill stations, Rajasthan and Goa leading the charts.
  - New F&B initiatives received excellent response. Home delivery/takeaway offerings augmented with the introduction of 'Biryani & Pulao Collection' comprising timeless flavours of classic culinary dishes from across the nation.
  - RevPar improves across business locations; however, remains below pre-Covid levels.
- Aggressive cost reduction measures led to ~44% reduction in controllable cash fixed costs.
- In line with the 'Asset-Right' growth strategy, the portfolio of managed properties was augmented with the addition of Welcomhotel Shimla; Welcomhotel Port Blair (formerly, Fortune Resort Bay Island) was relaunched after comprehensive refurbishment of rooms and other amenities.

## PAPERBOARDS, PAPER & PACKAGING

- Paperboards and Specialty Papers business recorded strong recovery in volumes with exports continuing to grow at a rapid pace. Softer realisations weighed on revenue growth.

- Consumer offtake continued to improve across most major end user segments in paperboards barring publication, notebooks and wedding cards. Specialty papers witnessed strong growth driven by pharma and décor segments.
- The cartons segment of the Packaging and Printing Business recorded robust growth led by exports.
- The 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’** continue to gain robust customer franchise. Further, the Business has also developed antiviral paper for applications in pharma and education & stationery businesses which is in the process of commercialisation. 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 various stages of commercialisation.

## AGRI BUSINESS

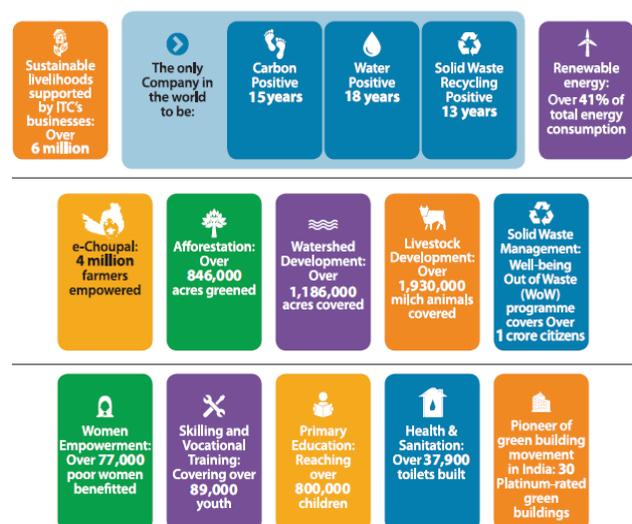
**Robust growth of 18.5% in Segment Revenue** driven by higher **wheat supplies** for Aashirvaad atta and trading opportunities in **rice, soya and wheat exports**.

- Leveraged the e-Choupal network to enhance direct procurement amidst challenging operating conditions.
- In the Value Added portfolio, export of spices to Food Safe markets continued to gain strong traction.
- Leaf exports were impacted by subdued demand for leaf tobacco in international markets. Adverse business mix weighed on Segment Results.

## CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

ITC has sustained its **‘AA’ rating by MSCI-ESG** - the highest amongst global tobacco companies. ITC 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 the Company’s continued commitment to people and planet.

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



The Board of Directors, at its meeting in Gurugram on 11<sup>th</sup> February, 2021, approved the financial results for the quarter ended 31<sup>st</sup> December, 2020, which are enclosed.

Product/initiative	Link
YiPPee! Saucy Masala Noodles	<a href="https://youtu.be/7EL60151PRE">https://youtu.be/7EL60151PRE</a>
Sunfeast Caker Trinity	<a href="https://youtu.be/T5WXDHLS18c">https://youtu.be/T5WXDHLS18c</a>
Aashirvaad Svasti Select Milk	<a href="https://www.aashirvaadsvasti.in/select-milk.aspx">https://www.aashirvaadsvasti.in/select-milk.aspx</a>
Khatta Meetha Poha, Veggie Upma, Mini Idli Sambar, Suji Halwa	<a href="https://www.aashirvaad.com/Instant-meal">https://www.aashirvaad.com/Instant-meal</a>
Charmis Deep Radiance Face Serum	<a href="https://youtu.be/KQF3krebVzl">https://youtu.be/KQF3krebVzl</a>
YiPPee! and Bingo! on Instagram	<a href="https://www.instagram.com/sunfeast_yippee/">https://www.instagram.com/sunfeast_yippee/</a> <a href="https://www.instagram.com/bingo_snacks/">https://www.instagram.com/bingo_snacks/</a>
Home Plate League (HPL)	<a href="https://www.instagram.com/p/CGSfGXGBZi2/">https://www.instagram.com/p/CGSfGXGBZi2/</a>
#ChillwithBingo	<a href="https://youtu.be/GhNGC2xiVXo">https://youtu.be/GhNGC2xiVXo</a>
"WeAssure" programme	<a href="https://www.itchotels.in/content/dam/projects/hotelswebsite/itc-hotels/WeAssure/WeAssure-itc-hotels.pdf">https://www.itchotels.in/content/dam/projects/hotelswebsite/itc-hotels/WeAssure/WeAssure-itc-hotels.pdf</a>
Results Presentation	<a href="https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q3-FY2021.pdf">https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q3-FY2021.pdf</a>

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