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Media Statement

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Standalone Financial Results for the Quarter ended 31st December, 2021

Highlights

- **Board recommends Interim Dividend of Rs. 5.25 per share for the Financial Year ending 31st March, 2022**
 - **Strong growth across operating segments; Gross Revenue up 31.3%, EBITDA up 18.2%**
 - Gross Revenue (ex-Agri Business) up 16.2%; overall Segment PBIT margin (ex-Agri Business) up 80 bps to 36.5%.
 - **Sharp growth in Agri Business revenue; up 100% y-o-y driven by wheat, rice, spices, leaf tobacco exports leveraging strong customer relationships, robust sourcing network and agile execution**
 - Proactive supply chain management ensured on-time execution despite significant operational challenges posed by container shortages, port congestions and elevated ocean freight costs
 - **Robust broad-based recovery in Cigarettes**
 - Market standing reinforced through focused portfolio/market interventions and agile execution
 - Net Segment Revenue up 13.6%; Segment EBIT up 14.4%
 - **Resilient performance in FMCG – Others Segment; Revenue up 9.3% y-o-y on a relatively high base - up 23.5% over Q3 FY20**
 - Segment EBITDA up 46% over Q3 FY20; EBITDA margin at 9.1% (+140 bps Vs. Q3 FY20; -50 bps y-o-y) in spite of unprecedented inflation in commodity prices
 - Robust growth in Discretionary/Out-Of-Home categories; resilient performance in Staples & Convenience Foods
 - Hygiene portfolio continues to witness demand volatility in line with Covid caseload intensity; remains significantly higher than pre-pandemic levels
 - **Sustained recovery momentum in Hotels; PBIT turns positive at 51 cr. (+118 cr. swing vs. SPLY)**
 - Occupancy recovers to pre-pandemic levels; strong sequential improvement in ARR's but still below pre-pandemic levels
 - Domestic leisure travel and festive/wedding season boost demand; progressive improvement in business travel
 - Omicron wave impacts recovery momentum in January'22
 - **Paperboards, Paper and Packaging Segment delivers strong performance; Revenue up 38.5% y-o-y along with margin expansion of 260 bps**
 - Paperboard volumes record new highs; robust performance aided by demand revival across most end-user segments, exports and higher realisations
 - **Nearly 100% of employees fully vaccinated**
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Economic activity gathered further momentum during the quarter with the decline in Covid caseload intensity. Enhanced vaccination coverage coupled with uptick in business and consumer sentiments led to broad-based growth across markets and channels even as leading indicators reflected deceleration in the pace of rural demand recovery. However, unprecedented inflation in commodity prices, increase in energy costs and persistent global supply chain disruptions weighed on the macroeconomic environment.

Against this backdrop, the Company delivered **strong performance across all operating segments** during the quarter. **Gross Revenue** stood at Rs. 16,633.86 crores representing a growth of 31.3% y-o-y while **EBITDA** at Rs. 5102.10 crores grew by 18.2% y-o-y. **PAT** grew by 12.7% y-o-y to Rs. 4,156.20 crores. **Earnings Per Share** for the quarter was Rs. 3.37 (previous year Rs. 3.00). The Board has recommended Interim Dividend of Rs. 5.25 per share (previous year Rs. 5.00 per share) for the financial year ending 31st March, 2022.

The third wave of the pandemic has led to a surge in Covid cases in the country and temporarily halted the recovery momentum, particularly in the Hotels Business. While mobility restrictions and restricted hours of business have impacted categories with higher salience of out-of-home consumption, the impact is expected to be limited in view of the progressive reduction in Covid cases being recorded across various parts of the country. The Company is closely monitoring the evolving situation and is well-gearred to respond with agility to enhance its market standing while managing risks associated with uncertainties in the business environment. Learnings in dealing with the pandemic spanning sales and distribution, supply chain operations, innovation and product development continue to be leveraged in this regard.

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. Nearly 100% of employees have already been fully vaccinated. Staggered rosters have been implemented across all offices with employees being extended the 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 with Segment Revenue growing 9.3% y-o-y. Segment Revenue and Segment EBITDA up 23.5% and 46% respectively over Q3 FY20.**
 - Discretionary/Out-of-Home categories such as Snacks, Beverages and Frozen Snacks recorded strong growth.
 - Staples & Convenience Foods posted resilient performance driven by robust growth mainly in Sunfeast Biscuits, Sunrise Spices, Aashirvaad Salt; Aashirvaad Atta sales garnered sequential growth momentum.
 - Hygiene products witnessed marked demand volatility and moderated sequentially in line with lower Covid caseload intensity; remained significantly above pre-pandemic levels.
 - Segment EBITDA margins at 9.1% (+140 bps Vs. Q3 FY20, -50 bps y-o-y) in spite of unprecedented commodity inflation; sharp escalation in input costs largely offset through strategic cost management programmes, premiumisation, judicious pricing actions, fiscal incentives and favourable business mix.
- Urban markets witnessed progressive improvement aided by increased mobility and easing of restrictions. In rural markets, the Company's Branded Packaged Foods Businesses grew well ahead of industry.
- Robust performance in emerging channels leveraging the Company's deep & wide multi-channel distribution network.
 - 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; e-Commerce sales continued to grow rapidly during the year with sales at nearly 3x of FY20 level; channel salience stands at appx.7%.

- Modern Trade sales accelerated on the back of improved mobility and store footfalls.
- The Company continues to augment product availability and accessibility by leveraging new routes-to-market through strategic partnerships with multiple organisations covering a range of brands including 'B Natural', 'Sunfeast', 'Kitchens of India', 'ITC Master Chef' etc.
- The FMCG Businesses continue to invest in cutting-edge digital technologies across all operational nodes encompassing synchronized planning & forecasting, smart manufacturing & sourcing, deepening consumer connect and agile execution to enhance productivity, drive efficiency and reduce costs.
 - 'ITC e-store' (<http://www.itcstore.in>), the Company's exclusive D2C platform, offers consumers on-demand access to over 700 FMCG products across 45 categories under one roof and continues to garner increasing consumer franchise. The platform has been further strengthened to enhance consumer experience along with robust fulfilment capability.
 - On the distribution front, the Company continues to rapidly expand stockists network in rural hinterland. 'Unnati', the B2B app, has been rolled out to over 2.2 lakh retailers within 8 months since national launch, further empowering retailer engagement capabilities.

➤ **Branded Packaged Foods Businesses**

- **'Aashirvaad' Atta** consolidated its leadership position in the branded atta industry; Atta exports recorded robust growth.
- **'Sunfeast' Biscuits and Cakes** recorded strong growth led by the Dark Fantasy range of premium offerings. Sunfeast's vibrant Fills portfolio was augmented with the launch of 2 variants of 'Sunfeast Dark Fantasy Desserts' (Choco Nut Dipped and Choco Chunks) and 3 variants of 'Bounce Fills'. The recently launched thin potato biscuits range 'Sunfeast All Rounder' continues to gain traction in launch markets.
- **'Bingo! Snacks** sustained its high growth trajectory; portfolio was augmented with the launch of 'Bingo! Tedhe Medhe Chatar Matar', 'Cream & Onion' and 'No Rulz Tomato Curlz' which received positive consumer response.
- Business forayed into the fast-growing plant-based proteins segment with the launch of two products – **ITC Master Chef 'Incredible Nuggets' and 'Incredible Burger Patty'**. The products combine the world class R&D capability of ITC LSTC and the culinary expertise developed in the Hotels and Foods businesses. Initial response for these vegan products has been encouraging and plans are on the anvil to augment the range catering to evolving consumer preferences.

➤ **Personal Care Products Business**

- **'Savlon'** range of Health & Hygiene products witnessed moderation in demand with reduction in Covid cases. The portfolio was augmented with the launch of 'Savlon Powder Handwash' in consumer-friendly low unit packs to generate trials and drive penetration.
- **'Fiama'** range of premium shower gels and soaps was augmented with differentiated offerings - 'Fiama Fresh Celebration' pack, 'Fiama Amyris & Cedarwood Oil' and 'Fiama Green Apple & Brazilian Orange Oil' gel bars. These products have been well received by the target consumers.
- **'Nimyle'** range of 100% natural action floor cleaners was extended to all markets in the country. The brand continues to garner consumer franchise in new launch markets.
- Business strengthened its presence in the fast-growing D2C channel with acquisition of a minority stake in **Mother Sparsh**, a premium ayurvedic and natural personal care startup, with focus on mother and baby care segments. The investment is aligned with the Company's strategy to scale up presence in the naturals and ayurvedic space as well as in the D2C channel.

FMCG – CIGARETTES

Segment Net Revenue and Segment Results up 13.6% and 14.4% y-o-y respectively

- Robust recovery continued across markets aided by increase in mobility and, agile supply chain and market servicing.
- Market standing reinforced leveraging portfolio vitality, product accessibility and execution excellence.
 - Business continues to invest in augmenting assortment to strengthen its competitive position and counter illicit trade.
 - 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.
 - New variants of Flake Excel, Wills Navy Cut Filter, Berkeley Hero launched in focus markets.
 - Player's Chase (multiple variants), Wills Protech, Capstan Excel were launched in line with evolving consumer preferences.
- Wide availability of smuggled cigarettes continues despite strong deterrent actions by enforcement agencies, leading to significant revenue loss to the Government and adversely impacting the legal cigarette industry. Industry experience in the past indicates that stability in taxes enables the legal industry to combat and progressively claw back volumes from illicit trade thereby engendering domestic demand for Indian tobaccos besides cushioning the impact of volatility in international markets for Indian farmers.

HOTELS

Sustained recovery momentum in Hotels; Segment Revenue up 61% q-o-q; PBIT turns positive (at 51 cr.; +118 cr. positive swing vs. SPLY)

- Easing of travel restrictions, pickup in leisure travel and onset of the festive/wedding season boosted ARR and Occupancy levels.
- Revenue augmented through sharply targeted packages (Welcombreak, City Getaways etc.) catering to emerging trends and consumer needs along with focused communication campaigns.
- On 31st December, 2021, the Business launched **Welcomhotel Guntur** - a first-of-its-kind 104-key premium property in the city offering an immersive regional experience. Earlier, on 1st October '21, the Business launched **Welcomhotel Bhubaneswar** – a 107-key property, drawing inspiration from the magnificence of 500+ temples adorning the city.
- In line with its 'asset-right' strategy, the Business has signed 7 agreements/MOUs under the recently launched '**Mementos**' and '**Storii**' brands. The Business has generated a healthy pipeline of management contracts under these brands as well as Welcomhotel. Properties under these brands are expected to be launched in a phased manner over the next few quarters.
- The Business has undertaken various structural cost management actions in the past year which has led to significant reduction in the fixed cost table thereby enhancing operating leverage on a sustainable basis.
- Digital investments continue to be leveraged towards facilitating guest acquisition, enhancing guest experience, augmenting revenue generation and driving operational efficiency. Business launched its full stack ITC Hotels App with cutting-edge user experience enabling 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 delivers strong performance; Segment Revenue up 38.5% y-o-y, Segment Results up 57.3% y-o-y

- Paperboard volumes at record high during the quarter on the back of demand revival across most end-user segments and exports.

- Value Added Paperboard segment grew at a rapid pace aided by higher realisation, strategic capacity expansion and strong exports performance.
- 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 witnessed robust growth in domestic and exports segments across technology platforms.
- The Businesses continue to focus on developing **sustainable paperboard and packaging solutions** for end-customers leveraging the expertise of ITC LSTC.
 - The recently launched **recyclable barrier paperboards** 'Filo' series and **biodegradable paperboards** 'Omega Series' continue to receive positive customer response. **InnovPack** campaign was launched to drive end-user adoption of sustainable packaging products viz. '**Bioseal**' (compostable packaging solution for QSRs, 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

- **Segment Revenue up 100% driven by strong revenue growth in wheat, rice, spices, leaf tobacco exports leveraging strong customer relationships, robust sourcing network and agile execution.** Robust growth in Value-added portfolio.
- Proactive supply chain management aided in timely execution of customer orders despite port congestion, container shortage and surge in ocean freight rates.
- 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.
- The Business continues to make steady progress towards rapidly growing its value-added portfolio to enhance value capture.
 - 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.
 - Construction of the manufacturing facility at Guntur for value-added spices is also progressing well. The Business seeks to significantly scale up its presence in food safe export markets leveraging this world-class facility and its identity-preserved sourcing expertise, custody of supply chain and strong customer relationships.

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). The Company has sustained 'AA' rating for the 4th successive year by MSCI-ESG (since 2018) - the highest amongst global tobacco companies. It is also a part of 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 was also 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, one of the most reputed independent global platforms for disclosures on environmental impacts.

As a testament to ITC Hotels Responsible Luxury ethos and the Company's Triple Bottom Line philosophy, ITC Grand Chola, Chennai, became the world's largest hotel to achieve LEED Zero Carbon Certification. ITC Gardenia, Bengaluru also received the prestigious certification during the quarter. Awarded by US Green

Building Council (USGBC), this certification recognizes buildings operating with net zero carbon emission. Earlier this year, ITC Windsor, Bengaluru achieved the distinction of being the first hotel in the world to achieve LEED Zero Carbon Certification.

During the quarter, the Company commissioned its first offsite solar plant in Dindigul, Tamil Nadu, in line with its Sustainability 2.0 vision. The 14.9 MW solar plant will help reduce CO2 emissions significantly and has already enabled the Company to meet 90% of its electricity requirement from renewable sources in the state of Tamil Nadu.

Further details on the Company's Sustainability 2.0 vision can be accessed at <https://www.itcportal.com/sustainability/sustainability-report-2021/sustainability-report-2021.pdf>

Please refer link below for performance highlights of the quarter:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q3-FY2022.pdf>

The Board of Directors, at its meeting on 03rd February 2022, approved the financial results for the quarter ended 31st December 2021, which are enclosed.



(Nazeeb Arif)
Executive Vice President
Corporate Communications