



ITC Limited

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Media Statement

June 01, 2021

Standalone Financial Results for the Quarter and Year ended 31st March, 2021

Highlights

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- **Board recommends Final Dividend of Rs. 5.75 per Share.** Including Interim Dividend of Rs. 5.00 per share, **Total Dividend for FY21 is Rs. 10.75 per share** (FY20: Rs. 10.15 per share).
 - **Robust growth of 24.1% in Q4 Gross Revenue; Q4 PBT up 7.6%; comparable Q4 PAT up 8.4%** (after adjusting for one-time benefit in the corresponding quarter of the previous year).
 - Sunrise Foods Private Limited (**Sunrise**) **amalgamated with the Company** pursuant to approval from NCLT, Kolkata Bench; **27th July, 2020** being the appointed date.
 - **Strong sequential recovery** across all operating segments.
 - ITC sustains its '**AA**' rating by **MSCI-ESG** - the highest amongst global tobacco majors.
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- **FMCG-Others Segment sustains strong growth momentum**
 - **Q4 comparable[^] Segment Revenue up 16% on a relatively strong base** (Q4 FY20 comparable Revenue growth was 5%)
 - Smart recovery in Discretionary/'out-of-home' categories; sales up 23%.
 - Staples, Convenience Foods and Health & Hygiene sales up 13%; Staples & Convenience Foods witnessed normalisation in demand, Hygiene segment remained elevated albeit settling at lower levels compared to H1.
 - Continued closure of educational institutions impact ESPB performance.
 - Segment EBITDA up 19% to 306 crores; **comparable[^] Segment EBITDA up 36%** with **margin expansion of 115 bps.**
 - Full year FY21 Segment Revenue up 16% on comparable[^] basis.
 - **Robust expansion in Segment EBITDA margins** continues; **up 180 bps for the full year**; expansion of 150+ bps p.a. for 4th year in a row.
- **Continued recovery in Cigarettes Business** with progressive easing of restrictions and improved mobility; **volumes touched nearly pre-Covid levels** towards the close of the year.
 - **Q4 Segment Gross Revenue up 14%**; Q4 Net Revenue up 7% along with margin expansion of 70 bps.

- **Agri Business posts robust growth in Q4**
 - **Q4 Segment Revenue & Segment Results up 78.5% & 54.2% respectively.**
 - Wheat, rice, oilseeds, exports of value-added food safe spices and higher supplies to support enhanced scale in Branded Packaged Foods Businesses drive growth.
- **Paperboards, Paper & Packaging Segment** continues its strong sequential recovery momentum with improvement in offtake across most end-user industries.
 - **Q4 Segment Revenue & Segment Results** up 13.5% and 13.1% respectively led by strong volume recovery in paperboards, robust growth in Carton packaging exports and Flexibles packaging in domestic.
- **Sequential improvement in Hotels Revenue** aided by higher Occupancy and F&B business. After breaking even in Q3, Segment EBITDA improves further to Rs. 25 crores in Q4; structural cost management interventions and revenue augmentation measures help in mitigating the impact of negative operating leverage.

[^]Excluding Lifestyle Retailing Business (restructuring underway), Education and Stationery Products Business<ESPB> (impact of closure of educational institutions) and Sunrise acquired during the year.

The outbreak of the second wave of the pandemic has led to severe economic and social disruptions. The Company, in line with its 'Putting India First' credo, is supporting the Nation's fight against the pandemic and has undertaken several initiatives in this regard. Key interventions include easing the bottlenecks in transporting medical oxygen, supply of medical oxygen to Government hospitals from its Bhadrachalam plant, importing oxygen concentrators and generators for donation, facilitating the setting up of medical facilities to supplement the healthcare infrastructure, providing personal protective equipment kits and other infrastructural support to hospitals in several states, supplying dry ration kits or cooked food to the needy and vulnerable groups of society etc. Safety and well-being of employees, partners and associates continue to be accorded paramount importance.

While the constraints in number of operating outlets and limited hours of operation are posing challenges at the front-end, there are no material supply chain bottlenecks. Recent learnings in dealing with the pandemic, spanning sales and distribution, supply chain operations, innovation and product development, are being leveraged in this regard. The Company continues to monitor the developments closely and is well geared to respond with agility to the evolving situation while managing risks associated with the dynamic environment. Cost reduction measures remain firmly in focus.

Performance highlights for the financial year ended 31st March, 2021

The operating environment during the year was rendered extremely challenging by the outbreak of the pandemic, which caused unprecedented disruptions across the Company's operating segments. The Company pivoted smartly to address these dynamic challenges demonstrating agility and speed in adapting to the 'new normal' by resuming operations expeditiously and launching innovative products in record time to address emergent consumer needs. The

Company also formed strategic partnerships, deployed innovative delivery models and enhanced usage of digital technologies for efficient market servicing. With safety and wellbeing of the Company's employees, partners and associates accorded paramount importance, the Company instituted the highest standards of hygiene and safety protocols across all nodes of operations. Relentless focus on cost reduction across Businesses aided in partially mitigating the impact of negative operating leverage.

While sequential pick-up in all operating segments in the second half of the year mitigated the impact, the disruptions in the first half weighed on the overall performance for the year.

- The FMCG-Others Segment delivered robust performance, with comparable Segment Revenue growing by 15.8%. This was driven by a surge in demand for Staples, Convenience Foods and Health & Hygiene products in the first half of the year and strong recovery in the discretionary/out-of-home portfolio in the latter half. Profitability of the FMCG-Others Segment improved significantly with Segment EBITDA margin expanding by ~180 bps on the back of higher operating leverage, enhanced operational efficiencies, product mix enrichment, layering of operations, reduced distance-to-market and other structural interventions across the value chain. Such improvement was achieved notwithstanding incremental operating costs due to COVID-19 and gestation costs pertaining to new categories/facilities.
- The FMCG-Cigarettes Segment was severely impacted in the first half of the year due to Covid induced restrictions. With gradual easing of restrictions and improved mobility, the Business recovered progressively to reach nearly pre-Covid levels towards the close of the year.
- After an extremely challenging first half, the Hotels Segment witnessed progressive improvement in revenues driven by focused interventions including introduction of special packages for target segments, launch of curated food delivery/takeaway menus. Pick-up in revenues together with aggressive cost reduction measures aided the Business turn EBITDA positive in the second half of the year.
- The Agri Business Segment posted robust growth in revenue driven by opportunities in wheat, rice and oilseeds, scale up of the value-added portfolio and higher supplies to the Branded Packaged Foods Businesses to support enhanced scale; subdued demand for leaf tobacco in international markets and adverse business mix, however, weighed on Segment Results.
- The Paperboards, Paper and Packaging Segment was adversely impacted by subdued offtake in end-user segments such as publications, liquor and wedding cards; robust growth in exports and strong demand in pharma & décor segment helped partially mitigate the impact. A significant uptick in volumes and realisations in paperboards in the latter half of the year on the back of recovery in most end-user industries, relentless focus on operational efficiency and structural cost-saving interventions resulted in a much improved performance.

Overall for FY 2020-21, Gross Revenue at Rs. 48,151.24 crores increased by 3.9%, while PBT (before exceptional items) at Rs. 17,164.15 crores de-grew by 11.1% over FY 2019-20. Profit After Tax stood at Rs. 13,031.64 crores (previous year Rs. 15,136.05 crores). Earnings Per Share

for the year stood at Rs. 10.59 (previous year Rs. 12.33).

In line with the Company's track record of consistent increase in annual dividend payouts, the Directors are pleased to recommend Final Dividend of Rs. 5.75 per Ordinary Share of Re. 1 each for the financial year ended 31st March, 2021. Together with the Interim Dividend of Rs. 5 per share paid on 10th March 2021, the total Dividend for the financial year ended 31st March 2021 amounts to Rs. 10.75 per share (previous year: Rs. 10.15 per share). Total cash outflow on account of Dividends (including interim Dividend of Rs. 6,152.68 crores paid in March 2021) will be Rs. 13,230.27 crores.

FMCG-Others

Following the outbreak of the pandemic, there was heightened demand for high quality products anchored on the vectors of hygiene, health, wellness and immunity. 'At-home' consumption surged even as 'out-of-home' consumption was severely impacted due to mobility restrictions. There was a marked preference for larger pack formats as consumers sought to reduce frequency of purchase. Heightened concerns on hygiene and safety also manifested in consumers' preference for trusted brands. Consequently, staples, noodles, biscuits, dairy products, sanitizers, hand wash, floor cleaners, etc. witnessed robust demand during the first half of the year. On the other hand, discretionary categories and those with relatively higher salience of 'out-of-home' consumption saw contraction in sales. Demand for staples and convenience foods normalised during the second half of the year as consumers broadened their purchase assortment along with lower 'at-home' consumption on the back of progressive easing of restrictions and increased mobility. Demand for health & hygiene products, on the other hand, remained elevated through the year even as the pace of growth moderated as compared to the first half of the year. As the year progressed, discretionary and 'out-of-home' consumption products witnessed smart recovery buoyed by pent-up demand and increased availability across channels.

The Company was amongst the fastest off the blocks to resume operations after obtaining necessary permissions and establishing comprehensive hygiene and safety protocols. The Company rapidly expanded capacity to cater to the heightened demand for essentials and health & hygiene products. Several technology-driven solutions were deployed to effectively service the surge in demand. The Company also proactively engaged with e-Commerce platforms and aligned the supply chain to deliver the right product assortment and SKUs.

The Company pioneered an innovative model - ITC Store on Wheels - to directly service consumers across 13 cities. Product availability was also augmented through alternative channels in collaboration with several companies such as Dominos, Swiggy, Zomato and Dunzo. Market and outlet coverage were expanded to 1.3x and 1.1x respectively compared to pre-Covid levels. The stockists network was nearly doubled to sharp target rural markets to drive growth, mitigate the impact of disruptions in the wholesale channel and effectively service emergent demand.

Leveraging the robust innovation platforms of the Company's Life Sciences and Technology Centre (LSTC), over 120 new and innovative products with compelling value propositions were launched in record time, demonstrating agility and execution excellence.

Notwithstanding the challenging conditions prevailing during the year, the Company's FMCG-Others businesses recorded Segment Revenue of Rs. 14,728.21 crores representing an increase of 14.7% y-o-y. On a comparable^ basis, FMCG-Others Segment Revenue grew by 15.8%. Segment EBITDA grew at a robust pace of 44.1% (y-o-y) to 1316.83 crores with significant margin expansion of ~180 bps to 8.9%.

The Company remains focused on building purpose-led brands anchored on larger consumer needs. The Businesses continue to increasingly leverage 'Sixth Sense', the Marketing Command Centre and Consumer Data Hub – an AI powered hyper-personalised platform backed by a robust partner ecosystem for content and data - to gain insights on market trends and consumer behaviour and synthesise the same to craft contextual brand communication and product development.

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.

Branded Packaged Foods

Against the backdrop of an extremely challenging operating environment as aforesaid, the Company sustained its position as one of the fastest growing branded packaged foods businesses in the country, leveraging a robust portfolio of brands, a slew of first-to-market offers, a range of distinctive products customised to address regional tastes and preferences, supported by an efficient supply chain and distribution network.

The Branded Packaged Foods Businesses remain focused on addressing emerging consumer needs with innovations anchored on the vectors of health, wellness, immunity and naturals. The Businesses launched several innovative and first-to-market products addressing emergent consumer needs leveraging superior consumer insights, strong innovation pipeline, capabilities of the Company's Life Sciences and Technology Centre and cuisine expertise resident in the Company's Hotels Business.

The Businesses continued to make sharp targeted investments towards brand building and scaling up its nascent categories. Cut-through advertising campaigns and consumer engagement along with focused market development efforts resulted in enhanced market standing across most major categories.

Innovative and purposeful programmes were launched to engage consumers at home through digital and other communications, ensure top-of-mind recall and consumer delight in such difficult circumstances. Some of the widely acclaimed interventions include:

- 'Sunfeast India Run as One' (India's largest citizen-led movement in support of livelihoods affected by the pandemic) #SunfeastRunAsOne
- The '5 Star Kitchen' exclusive cooking show by executive chefs of ITC Hotels was created in collaboration with several other businesses of the Company and was telecast across 33 Star TV channels and Hotstar for six weeks involving over ten ITC brands.
- Sunfeast Mom's Magic collaborated with celebrated musical artists for a virtual musical concert to celebrate the undying spirit of mothers #StayStrongMoms.

In the Staples Business, 'Aashirvaad' atta fortified its market standing across geographies leveraging a robust product portfolio anchored on the Company's agri-sourcing expertise. The value-added portfolio, consisting of Multigrain, Select and Sugar Release Control atta, posted robust growth driven by higher salience in Modern Trade and e-Commerce channels. In line with the consumer's evolving preference of seeking a holistic lifestyle and the brand ethos of 'Nurturing through Nature', the portfolio of Aashirvaad Nature's Super Foods was augmented with the launch of an organic range comprising organic atta and organic pulses. These products have received encouraging response.

Supported by its new positioning, 'Created by Sun and Sea - pure just like nature intended it to be', Aashirvaad Salt gained traction in key focus geographies and posted a healthy performance during the year. The portfolio was augmented with the launch of two new variants – Iodized Crystal Salt and Salt Proactive (with 15% lesser sodium).

The Biscuits category recorded robust growth with significant surge in demand driven by increased at-home consumption during the first half of the year. However, the category witnessed moderation in demand during the second half of the year with the easing of restrictions and increase in mobility. Product portfolio was bolstered with a number of innovative new launches such as 'Sunfeast' Bounce Double Crème, 'Sunfeast Farmlite' Digestive - a delectable and healthy range of biscuits with high-fibre content comprising three variants, 'Sunfeast Dark Fantasy' Choco Crème and Vanilla Crème, Sunfeast Dark Fantasy Choco Nut Fills, Sunfeast Dark Fantasy Chocochip and Sunfeast All Rounder. The Cakes portfolio was strengthened with the launch of differentiated variants - Trinity Cakes and Swiss Roll under the brand 'Sunfeast Caker'. All of these products have received excellent consumer response.

The Snacks Business was severely impacted by the lockdowns and mobility restrictions in the first half; it made a smart recovery in the latter half of the year with progressive improvement in mobility. 'Bingo!' continues to be the market leader in the bridges segment and potato chips in South India, while 'Tedhe Medhe' continues to be the most widely distributed snack brand in the country. The year also marked the Business's foray into the Traditional Snacks segment with the launch of popular formats like Aloo Bhujia, Nut Crackers, along with first-to-market offerings like Cocktail Mix and Pulse Mix in select markets.

In the Instant Noodles category, 'YiPPee!' noodles posted stellar growth, well ahead of the industry and strengthened its market standing as a strong No.2 brand in the industry. Product portfolio was premiumised with the launch of 'YiPPee! Saucy Masala' in unique red coloured noodle blocks with a drizzle of tomato sauce and two offerings in a differentiated bowl format. During the year, the Business deployed a focused campaign, with MS Dhoni as the celebrity brand ambassador, to reinforce the 3 core elements of the YiPPee! Noodles' value proposition viz. longer, tastier, non-sticky. The campaign connected well with the consumers across age groups and resulted in superior brand imagery.

The Ready-To-Eat (RTE) category witnessed healthy growth during the year led by the launch of several innovative and value-added offerings for domestic consumers. In the Frozen Snacks category, the delectable range of 'ITC Master Chef' products comprising 30 differentiated variants continues to garner increasing consumer franchise. During the year, availability was extended to 100 new markets in a short span of time taking the aggregate to 135 towns.

In the Dairy & Beverages Business, the 'Aashirvaad Svasti' fresh dairy portfolio comprising pouch milk, pouch curd and paneer, gained strong consumer traction on the back of highest quality standards and superior taste profile. The products are currently available in Bihar and West Bengal. 'Aashirvaad Svasti Select' Milk, a first-to-market offering with the added assurance to consumers through ready online access to quality report for each pouch, was successfully launched during the year in Kolkata. Aashirvaad Svasti Ghee continued to receive excellent product feedback and witnessed a substantial increase in consumer traction. During the year, value-added fresh dairy segment was augmented with the launch of flavoured Lassi which has received encouraging consumer response.

B Natural juices continued to deepen consumer connect by leveraging its 'goodness of fruit and fibre' proposition. The range was augmented with the launch of two innovative variants (Mixed Fruit+ and Orange+) addressing immunity needs in partnership with Amway and received encouraging response from discerning consumers.

The Confectionery category was severely impacted as out-of-home consumption fell sharply in the first half of the financial year. Limited functioning of the convenience channels and prolonged closure of schools also exacerbated the situation. The category witnessed progressive recovery in the second half of the year with easing of restrictions.

'Fabelle' chocolates continue to receive excellent response from discerning consumers. During the year, availability of Fabelle was enhanced by leveraging alternate channels including the e-Commerce platforms, food delivery aggregators etc. The category has also expanded its presence in the popular segment with the launch of 'Candyman Fantastik Chocobar XL', with rich milk chocolaty taste, at convenient price points.

The Business implemented several strategic cost management initiatives in areas such as supply chain optimisation, Smart Procurement and productivity improvement through automation, leveraging new-age tools such as Industry 4.0 and Smart Utilities. These interventions helped in partially mitigating the escalation in input costs and absorbing start-up costs of new facilities and strategic investments in brand building for new categories viz. Dairy, Juices, Chocolates and Coffee.

Personal Care Products

The Personal Care Products Business posted robust growth during the year driven by several innovative and disruptive first-to-market products in the Health and Hygiene space amidst heightened concern of consumers around health and hygiene.

Demonstrating a high degree of agility and responsiveness to the market dynamics at play, the Business rapidly expanded manufacturing capacity manifold across categories - Handwash 4.5x, Sanitizers 100x, Floor Cleaner 2.3x, Soaps & Antiseptic Liquids 6x - and enhanced availability of 'Savlon' antiseptic liquid, soap, handwash, hand sanitizer and 'Fiama' handwash products in the market. The newly set up perfume manufacturing plant at Manpura, Himachal Pradesh was repurposed in quick time to manufacture hand sanitizers and service increased demand. Leveraging deep consumer insights and cutting-edge R&D platforms of the Company's Life Sciences and Technology Centre, the Business launched several exciting and relevant offerings in record time under the 'Savlon' brand viz., Surface Disinfectant Spray, Clothes Disinfectant and

Refreshing Spray, Spray and Wipe, Multi-purpose Disinfectant Liquid, Germ Protection Wipes, Face Mask, 'Hexa' range of soaps and hand sanitizing liquid. These products received excellent consumer response and have been scaled up across markets.

'Savlon' witnessed significant growth in revenue and achieved nearly Rs. 1200 crores in terms of consumer spends during the year. The brand has expanded its germ protection equity from 'Skin First' to 'Surface Hygiene' as well. The strong growth in revenues was driven by existing categories of soaps, handwashes and antiseptic liquids as well as through agile innovation in the surface disinfectants space and germ protection products like wipes and masks.

The Business continued to expand its presence in the Home Hygiene segment by leveraging the 'Nimyle' brand and the "Nim" equity. During the year, Nimyle witnessed strong growth in the operating markets of the East, achieving leadership position in West Bengal and Odisha in the Floor Cleaner category. The brand gained good traction in new markets in the South. During the year, the Business expanded its presence in the Home Hygiene space with the launch of 'Nimwash' which is a 100% natural action vegetable and fruit wash liquid made with neem and citrus extracts and 'Nimeasy' - an enzyme-based eco-friendly dish wash gel with powerful lift-off action that reduces the need for scrubbing.

The Fragrances category which witnessed significant decline in demand due to pandemic induced restrictions on mobility, recovered in the second half of the year, resulting in robust increase in sequential sales of 'Engage' perfumes and deodorants.

The Business continued to leverage creative brand campaigns and social media platforms towards deepening consumer engagement.

Education and Stationery Products

The Education and Stationery products industry was severely impacted during the year due to COVID-19 induced lockdowns and closure of educational institutions for the major part of the year. Notwithstanding the challenging business environment, the Business sustained its clear market leadership position in the industry demonstrating a high degree of agility and responsiveness across the value chain in dealing with heightened uncertainties posed by the pandemic.

The Business expanded the reach of its products by including grocery, independent stores and rural stockists in both urban and semi-urban markets as the traditional stationery outlets were largely non-operational. Presence in e-Commerce platforms was expanded to sustain leadership and ensure consistent availability of the relevant product mix in the notebooks segment. Product portfolio was augmented with the launch of 'Classmate Interaktiv' series with 'Origami theme' as the first in the series of engagement-based notebooks, encouraging students to learn through 'Do It Yourself' activities.

The Business deployed aggressive cost reduction measures which helped in partially mitigating the impact of negative operating leverage. Proactive inventory and receivables management was another key focus area that helped manage risks associated with a highly uncertain operating environment and reduce working capital intensity.

Incense Sticks (Agarbattis) and Safety Matches

The Agarbatti industry witnessed significant challenges in the wake of the COVID-19 pandemic marked by severe disruptions in market and outlet operations across the country along with a drop in 'out-of-home' consumption due to closure of temples. 'Mangaldeep' Agarbattis and Dhoop bounced back strongly, resulting in enhanced household penetration and market standing for the brand with all-round improvement in brand health measures.

Category-first innovations during the year include the launch of - Mangaldeep Marigold and innovations in new product formats such as Mangaldeep Treya Cup Sambrani. The Business also launched new variants under the Mangaldeep Temple 'Fragrance of God' range anchored on the core proposition of 'bringing home the divinity of the temple'.

While demand conditions in the Safety Matches industry remained sluggish, the Business strengthened its market leadership position through agile supply chain operations during lockdown, portfolio premiumisation and by leveraging a robust portfolio of offerings across market segments. The strong distribution network of the Company ensured continuous availability of its products amidst disruption in market operations.

Cigarettes

The onset of COVID-19 pandemic in March 2020 and the subsequent lockdowns and restrictions imposed to curb its spread, caused unprecedented disruption across the value chain with manufacturing and sales operations coming to a virtual standstill. Manufacturing operations were resumed in mid-May immediately upon receipt of requisite permissions; the Business swiftly ramped up production and availability of its brands across markets, while ensuring the highest standards of hygiene and safety protocols across all nodes of operations. Supply chain operations were re-configured and re-aligned to service market requirements through proactive planning leveraging digital technologies and agility in execution amidst a dynamic environment. The imposition of localized lockdowns in several regions towards the end of June 2020, restricted hours of convenience store operations and temporary disruptions in certain wholesale markets impacted the recovery momentum in the second quarter. The Business strengthened direct reach in target markets across all traditional trade channels and augmented the stockist network to service rural and semi-urban markets efficiently.

With easing of restrictions and improvement in mobility from September 2020 onwards, the Business recovered progressively over the remainder of the year to reach nearly pre-Covid levels towards the close of the year.

Notwithstanding the extremely challenging operating landscape and the headwinds faced during the year under review, 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 and superior product development capabilities. Several new variants were introduced during the year to cater to the continuously evolving consumer preferences and to ensure the future readiness of the product portfolio. These include the launch of innovative offerings such as 'Gold Flake Neo', 'Classic Connect', 'American Club Clove Mint', 'Gold Flake Indie Mint' and 'Capstan Fresh Flavour'. Refreshed packs were also introduced for several 'Navy Cut' variants. The Business also expanded its presence in

strategic markets with the launch of differentiated offerings to fortify the portfolio across segments.

Punitive taxes on the legal cigarette industry have resulted in rapid growth in the illicit cigarette trade, making India the 4th largest illicit cigarette market globally as per Euromonitor estimates. This dubious distinction has arisen on the back of punitive taxation of cigarettes over the years that has created extremely attractive tax arbitrage opportunities for unscrupulous players indulging in illicit cigarette trade. While legitimate cigarette industry volumes have declined consistently over the last decade, illicit cigarette trade volumes in contrast have grown rapidly during the same period, accounting for about one-fourth of the domestic industry and making India one of the fastest growing illicit cigarette markets in the world. The steep increase in cigarette taxes with effect from 1st February, 2020, has provided further fillip to the large and rapidly growing illicit cigarette trade in the country.

The extremely stringent regulations along with the discriminatory and steep taxation on cigarettes have had numerous negative, albeit unintended repercussions. These include:

- rapid growth in illicit cigarette volumes, resulted in sub-optimisation of the revenue potential of the tobacco sector and significant loss to the Exchequer. It is estimated that on account of illegal cigarettes alone, the revenue loss to the Government is appx. Rs. 15000 crores per annum.
- widespread availability of illegal cigarettes and other tobacco products of dubious quality and hygiene to consumers at extremely affordable prices. As a result, despite accounting for less than 1/10th of the tobacco consumed in the country, duty-paid cigarettes contribute more than 4/5th of the revenue generated from the tobacco sector.
- a large component of tobacco consumption in the country, aggregating around 68% remaining outside the tax net.
- persistent negative impact on the livelihood of tobacco farmers and others dependent on tobacco. Studies by the Central Tobacco Research Institute (CTRI) indicate that on account of agro-climatic conditions, there is no equally remunerative alternate crop that can be grown in the FCV tobacco growing regions of the country.

As seen in the past, stability in taxes on cigarettes have the salutary effect of enabling the legal cigarette industry to combat illicit trade and claw back volumes, thereby engendering domestic demand for Indian tobaccos, while also mitigating loss of tax revenue to the exchequer due to illicit trade.

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, having regard to the unique tobacco consumption pattern in India. Stability in taxes is critical for addressing the interests of all the stakeholders of this industry, including the tobacco farmers, the Exchequer and the consumers.

Manufacturing facilities continue to be modernised by inducting contemporary technologies towards securing higher levels of productivity and product excellence. New benchmarks were

set in areas of quality, sustainability, supply chain responsiveness and productivity. Cutting-edge technologies such as Industry 4.0 and Data Sciences were leveraged to build a smart manufacturing environment of connected systems.

As aforesaid, after a challenging first half, the Business staged a robust recovery with the easing of restrictions with volumes nearly touching pre-Covid levels towards the close of the year. The outbreak of the second wave is expected to cause disruptions in the front-end supply chain operations in the near term. Notwithstanding such challenges, the Company remains confident of responding dynamically to the evolving situation and of consolidating its leadership position in the legal cigarette industry leveraging its superior strategies, future ready portfolio, robust innovation pipeline, cutting-edge manufacturing and digital technologies, and best-in-class execution capabilities.

Hotels

The Travel & Tourism industry was amongst the most severely impacted sectors due to the COVID-19 pandemic.

With gradual withdrawal of restrictions, albeit with strict guidelines and protocols, the hospitality sector witnessed partial revival led by domestic leisure tourism and motorable destinations around large cities. The hospitality industry staged a progressive recovery with room occupancies and food & beverage (F&B) revenue picking up in the latter half of the year.

Responding with agility to the dynamic situation, the Business swiftly re-engineered operating protocols for enhanced health, safety & hygiene to reassure guests and to provide best-in-class experience in hygiene and safety at the Company's iconic Hotels. Towards this, the Business rolled out 'WeAssure', a programme designed in collaboration with medical professionals and disinfectant experts; certified by M/s. DNV (one of the world's leading certification bodies), the programme is benchmarked to world-class standards in the areas of health, hygiene, safety & pathogen management, and achieved a Platinum Level certification. Further, investments in digital assets and contactless technologies were made to significantly reduce physical touchpoints with guests during check-in, check-out, stay, and usage of F&B facilities. State-of-the-art technology has been deployed to provide a pathogen-free environment in each property, thereby re-assuring guests and associates of the highest standards of safety.

The Business launched a host of curated offerings across accommodation, dining and banqueting to augment revenues and mitigate the impact of low occupancy across properties. These include introduction of special packages offering value and flexibility targeting short getaways/staycations, revamped packages for the MICE (meetings, incentives, conferencing, exhibitions) segment, extension of additional benefits to members of the Club ITC loyalty programme and launch of 'Gourmet Couch' and 'Flavours' home delivery/takeaway offerings.

The Business also implemented several structural cost management measures across the value chain resulting in a 41% reduction in controllable fixed costs during the year. Progressive improvement in mobility, strong demand for leisure properties along with robust wedding business led to a smart sequential recovery and the Business turning EBITDA positive in the second half of the year.

Construction of 3 new properties - ITC Narmada, a Luxury Collection hotel in Ahmedabad and Welcomhotels at Bhubaneswar and Guntur - with around 500 rooms is nearing completion. The Company's 'asset-right' strategy envisages a large part of incremental room additions to accrue through management contracts. During the year, in line with the asset-right strategy, three hotels were added to the Welcomhotel portfolio of managed properties - Welcomhotel Bay Island in Port Blair, designed by the world renowned architect, Late Charles Correa; Welcomhotel Shimla, nestled amidst the Himalayas; and Welcomhotel Ahmedabad offering exquisite experiences across culture, cuisine and nature. The Business is witnessing growing interest amongst property owners to align with its iconic brands resulting in healthy generation of leads and pipeline for management contracts. While new signings/openings were adversely impacted during the year due to the pandemic, the Business is confident of bouncing back as the situation normalises.

Focused digital investments continue to be scaled up towards facilitating guest acquisition, enhancing guest experience, augmenting revenue generation and driving operational efficiency.

The second wave of the pandemic has triggered a fresh round of mobility and travel restrictions leading to severe disruptions. The near-term outlook for the hospitality industry will depend largely on the return of confidence in business and leisure travel. Progress of vaccination, rate of Covid infections and easing of restrictions will be the key monitorables in the near term. Notwithstanding the short-term challenges, the Company, with the highest standards of hygiene supported by a portfolio of world-class properties, iconic cuisine brands and best-in-class levels of service anchored on 'Responsible Luxury' ethos, is well-positioned to stage a strong recovery in line with industry dynamics and sustain its pre-eminent position in the Indian hospitality industry.

Agri Business

Leaf Tobacco

The Indian Flue Cured Virginia (FCV) crop remained relatively stable at 224 million kgs. in 2020, after a secular decline over the last six years during which crop output dropped by over 30%. A punitive and discriminatory taxation and regulatory regime on cigarettes, apart from providing a fillip to illicit trade and severely impacting the domestic legal Cigarette industry, has exerted significant pressure on the leaf tobacco crop grown in India. This, together with excess production, lower export incentives and relative weakness of currencies in certain competing geographies, has culminated in reduced demand for Indian tobacco in international markets. This is reflected by the decline in leaf tobacco exports of around 26% over the last seven years - from 236 million kgs. in 2013-14 to appx. 175 million kgs. in 2020-21. A stable domestic base of demand for leaf tobacco would be critical in enabling the Indian farmer to weather the volatility associated with international markets.

The COVID-19 pandemic posed several operational challenges for the Business. The Business mitigated the same with agility and ensured continuity in operations across all nodes while strictly adhering to comprehensive safety protocols. Opportunities to drive revenue were captured by responding to customers' needs with speed and agility, meeting exigent demand of mid-tier manufacturers by rapidly re-orienting internal processes, and facilitating remote

inspections for all major customers leveraging digital technologies.

Against the backdrop of a challenging business environment, the Business continued to leverage its crop development expertise, superior product quality and world-class processing facilities and consolidate its leadership position in the Indian leaf tobacco industry. New business development and enhanced value delivery to existing customers enabled the Business to sustain its pre-eminent position as the largest Indian exporter of unmanufactured tobacco. The Business also continued to provide strategic sourcing support to the Company's Cigarettes Business, meeting all requirements during the year at competitive prices.

Strategic cost management across the value chain continues to be a key focus area for the Business.

Other Agri Commodities

The imposition of lockdowns and mobility restrictions resulted in significant disruptions across the agriculture value chain. Leveraging its e-Choupal network, the Business acted with agility and expanded the number of buying locations to overcome the operational challenges during the initial phase of the lockdown.

In line with its strategic focus of accelerating growth and enhancing value capture by rapidly scaling up its Value-Added Agri Products (VAAP) portfolio comprising Spices, Coffee, Frozen Marine Products and Processed Fruits amongst others, the Business continues to leverage its deep rural linkages and extensive sourcing expertise towards strengthening and customising supply chains for traceable and identity-preserved sourcing of agri commodities.

- During the year, with robust growth in exports of value added spices to 'food safe' markets, viz. USA, EU and Japan, the Business consolidated its position as a preferred supplier. The Business has maintained an unblemished track record over the years in terms of compliance with stringent food safety parameters.
- Leveraging its strategic presence in key coffee producing regions in India, deep sourcing expertise, knowledge of estate and region-specific characteristics and supply chain linkages, the Business increased its focus on value-added offerings including coffee certified by Rainforest Alliance, Specialty and Monsooned coffee.
- The Business continues to leverage its strong farm linkages and wide sourcing network across geographies to secure supplies of critical grades of wheat with benchmark quality towards meeting the growing requirements of Aashirvaad atta. During the year, the Business further scaled up its strategic sourcing and supply chain interventions. These include focused crop development towards securing the right varieties for Aashirvaad atta with a view to providing consumers best-in-class product quality and experience, use of multi-modal transportation comprising rail, road & coastal routes and blend/cost optimisation through geographical and varietal arbitrage. The Company also rolled out 'Project Astra' - an AI/ML and advanced analytics based digital platform to enhance operational efficiency and facilitate seamless execution.
- Despite the operational challenges posed by the pandemic, the Business continued to strengthen its milk procurement network for 'Aashirvaad Svasti' dairy products with

significant increase in daily milk collection. The Business strengthened its network in West Bengal and Bihar to support the growing requirement for fresh dairy products and in Punjab towards supporting the requirements of 'Sunfeast' dairy beverages. The capability to source superior quality milk enabled the launch of 'Aashirvaad Select' milk during the year – the first-of-its kind in the country providing complete traceability of milk quality across the supply chain.

- With domestic wheat prices turning competitive after a period of four years, there was strong demand for Indian wheat from export markets. The Business leveraged its extensive sourcing network and responded swiftly, accounting for a substantial share of the total wheat exports from India.

During the year, as part of a pilot programme under e-choupal 4.0, the Company collaborated with leading agri input companies in the country to provide high quality and customized inputs to Chilli farmers at competitive prices. The programme has yielded promising results towards enhancing the competitiveness of the chilli value chain and farmer incomes. The Business is scaling up e-choupal 4.0 - a crop-agnostic 'phygital' integrated agri solutions platform - towards enhancing the competitiveness of domestic agri value chains, fostering new business models and value creation opportunities.

The Agri Business is well positioned to scale up identified areas that lend to higher value addition while continuing to provide strategic sourcing support to the Company's Branded Packaged Foods Businesses.

Paperboards, Paper & Packaging

The imposition of nationwide lockdowns severely impacted domestic demand across most end-user industries with the exception of pharma, décor grades, e-Commerce and other essential commodities, which remained relatively resilient. With the easing of restrictions, demand across most segments witnessed progressive recovery, barring the Writing & Printing Paper segment which remained under stress due to closure of educational institutions.

The Businesses recovered smartly with significant sequential improvement in revenue and profitability. Robust growth in exports aided in partly offsetting the impact of a tepid domestic demand environment. The Businesses proactively engaged with its customers to prioritise continuity of supplies.

The Paperboards and Specialty Papers Business responded with agility introducing new products, leveraging superior distribution infrastructure and capitalising on deep engagements with end-users & large converters. Quick Service Centres (QSCs), strategically located proximal to large markets, also played a critical role in the swift resumption of operations and minimised supply discontinuity. These interventions helped the Business in fortifying its clear leadership of the Value Added Paperboards (VAP) segment and in consolidating its preferred supplier position amongst leading end-use customers and brands.

In recent years, the Business has made several strategic investments in areas such as pulp import substitution, proactive capacity augmentation in Value Added Paperboard (VAP) segment, innovation platforms focused on providing holistic & customised solutions to end user industries

and strengthening the fibre chain for securing cost-competitive wood supplies. These augmented capabilities have made the Business stronger and more resilient and have helped it to effectively navigate the emergent challenges in the aftermath of the pandemic.

The Company is actively engaged in developing suitable paper/paperboards and barrier-coated substrates that can replace single use plastics. During the year, the Business launched anti-fungal soap packaging paper and also scaled up its sustainable products portfolio comprising recyclable paperboards, 'FiloPack' and 'FiloServe' for the food delivery and food service segments respectively and biodegradable paperboards, 'OmegaBev' and 'OmegaBarr', which are alternatives to plastic coated containers, cups and other deep freeze applications. Further, the Business has also developed antiviral paper for applications in pharma and education & stationery businesses which is in the process of commercialisation. The Business is also a leading player in the eco-labelled products segment and premium recycled fibre-based boards space.

The Business continues to make structural interventions to reduce operating costs and dependence on imported pulp. Significant increase in in-house pulp production was achieved during the year through strategic interventions, Industry 4.0 initiatives and improved wood mix. Capacity utilisation of Bleached Chemical Thermo Mechanical Pulp mill (BCTMP) at the Bhadrachalam unit touched a record high. Initiatives such as bund plantation and scaling up plantations in new core catchment areas in Odisha (Malkangiri) and Chhattisgarh are expected to secure cost-effective access to fibre.

The Packaging Business too rose to the challenge of servicing the critical packaging supplies of essential items to its domestic customers as well as that of internal businesses. Recognising the need for sustainable packaging and the resultant emerging demand for plastic substitutes, the Packaging Business has developed unique and novel solutions including 'Bio-seal' (bio-degradable packaging solution for Quick Service Restaurants, personal care and packaged foods industries) and 'Oxyblock' (a recyclable packaging solution with enhanced barrier properties for packaged foods, edible oils etc.) which are under various stages of commercialisation.

With world-class manufacturing technology across a diverse range of platforms and best-in-class quality management systems, the Packaging and Printing Business has established itself as a one-stop packaging solutions provider to several industry segments viz. Food & Beverage, Personal Care, Home care, Footwear, Consumer Electronics, Pharma, Liquor and Tobacco. With its comprehensive capability-set across multiple packaging platforms coupled with in-house cylinder making and blown film manufacturing lines, the Business continues to provide innovative solutions to several key customers in India and overseas. The Business continued to provide strategic support to the Cigarette and FMCG businesses.

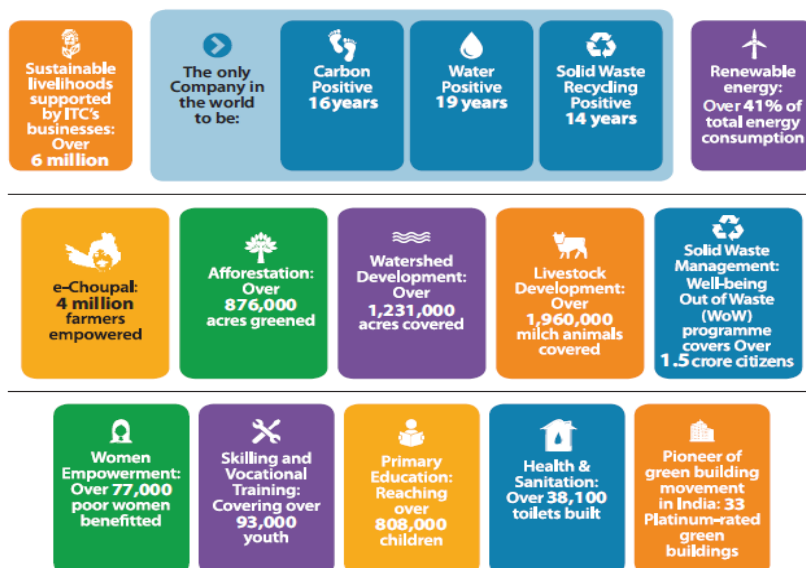
Contribution to Sustainable Development

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.

The Kovai unit is the first site in India and the first paper mill in the world to achieve the highest platinum rating under the Alliance for Water Stewardship Standards.

As a testament to Responsible Luxury and the organisation's Triple Bottom Line philosophy, 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.

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



The Board of Directors, at its meeting on 01st June 2021, approved the financial results for the year ended 31st March 2021, which are enclosed.

Product/initiative	Link
Aashirvaad	https://www.facebook.com/watch/?v=2580570025575537
Aashirvaad Svasti Select Milk	https://www.aashirvaadsvasti.in/select-milk.aspx
YiPee! Saucy Masala Noodles,	https://youtu.be/7EL60151PRE
YiPee! and Bingo! on Instagram	https://www.instagram.com/sunfeast_yippee/ https://www.instagram.com/bingo_snacks/
Sunfeast Dark Fantasy Choco Nut Fills	https://youtu.be/dcnLQN0gnZ4
Sunfeast Caker Trinity	https://youtu.be/T5WXDHLS18c
#NoHandUnwashed movement	https://youtu.be/RI5Nb3wgcVU
#VoiceofArt initiative	https://www.youtube.com/watch?v=jdkNbUJwi5o
"WeAssure" programme	https://www.itchotels.in/content/dam/projects/hotelswebsite/itc-hotels/WeAssure/WeAssure-itc-hotels.pdf
Results Presentation	https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q4-FY2021.pdf

Nazeeb Arif

(Nazeeb Arif)
Executive Vice President
Corporate Communications