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Media Statement

August 14, 2023

Standalone Financial Results for the Quarter ended 30th June, 2023

Highlights

- **Gross Revenue (ex-Agri Business) up 10.6% YoY; PBT at Rs. 6,546 crores, up 18.2% YoY**
- **Robust growth in FMCG – Others; Segment Revenue up 16.1% YoY to exceed Rs. 5,000 crores in a quarter for the first time; Segment EBITDA margin expanded 325 bps YoY to 11.0%**
 - Staples, Biscuits, Noodles, Beverages, Dairy, Agarbatti and premium Soaps drive growth
 - Notebook sales continue to witness strong growth
 - Segment PBIT at 2.1x of LY.
- **Continued strong performance by Cigarettes Segment; Net Segment Revenue up 10.9% YoY**
 - Sustained volume claw back from illicit trade on the back of deterrent actions by enforcement agencies and relative stability in taxes
 - Segment PBIT up 11.2% YoY
 - Market standing reinforced through focused portfolio/market interventions & agile execution.
- **Best-ever Q1 in Hotels Business; Segment Revenue up 8.1% YoY on high base, Segment PBIT up 17.0% YoY; led by strong growth in ARR**
 - Segment EBITDA margin up 140 bps YoY to 33.9% (+1640 bps over pre-pandemic levels) driven by higher RevPAR, structural cost interventions & operating leverage
 - 6 new hotels added to the ITC Hotels Group during the quarter.
- **Agri Business Segment Revenues up 31% YoY (excl. wheat exports); Segment PBIT up 25.3% YoY**
 - Strong customer relationships and agile execution in Leaf Tobacco & Value Added Agri products drive growth and margins
 - Geopolitical tensions have led to concerns over food security and food inflation globally. To ensure India remains food secure, Government has had to impose restrictions on wheat & rice exports. These restrictions have resulted in lower business opportunities for the Agri Business during the quarter.
- **Subdued demand conditions (domestic and exports), low priced Chinese supplies in global markets, sharp reduction in global pulp prices and high-base effect weigh on the Paperboards, Paper and Packaging Segment**
 - Lower realisations and sharp increase in input costs (viz. wood, coal) exert pressure on margins
 - Segment Revenue -6.5% YoY (**2-yr CAGR + 16%**); Segment PBIT -22.9% YoY (**2-yr CAGR +10%**)
 - Integrated business model, Industry 4.0 initiatives, strategic investments in pulp import substitution, High Pressure Recovery Boiler and proactive capacity augmentation in Value Added Paperboards partly mitigate pressure on margins.

The global economy is witnessing a marked slowdown with high inflation and interest rates taking a toll on economic activity, especially in Advanced Economies. The Chinese economy too, after a relatively promising start post re-opening after the end of its 'zero covid' policy, appears to be on a structurally weaker growth trajectory. Against this backdrop, the Indian economy remains resilient, with buoyant tax collections, moderating inflation, credit growth uptick being some of the key positives amongst high frequency indicators. Consumer demand is witnessing incipient signs of recovery. However, risks from the external

sector; consumer price inflation (especially Food); commodity price volatility; El Nino impact on monsoons and agri output – would be the key monitorables in the near term.

Amidst a challenging operating environment as stated above and high base effect in some of its operating segments, the Company sustained its strong growth momentum during the quarter driven by focus on customer centricity, accelerated digital adoption, execution excellence and agility. Gross Revenue stood at Rs. 16,843 crores representing a de-growth of 7.3% YoY (ex-Agri Business: up 10.6%) while PBT at Rs. 6,546 crores grew by 18.2% YoY. PAT grew by 17.6% YoY to Rs. 4,903 crores. Earnings Per Share for the quarter stood at Rs. 3.9 (previous year Rs. 3.4).

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FMCG – OTHERS

• **The FMCG Businesses continue to deliver robust performance with Segment Revenue growing 16.1% YoY to Rs. 5,166 crores; Segment Revenue and Segment EBITDA at 1.7x and 3.2x respectively of Q1 FY20**

- Strong growth in Staples, Biscuits, Noodles, Beverages, Dairy, Agarbatti and premium Soaps
- Education and Stationery Products Business continued to witness strong traction
- Segment EBITDA at Rs. 570 crores; Margin at 11.0% (up 325 bps on YoY basis)

Overall, input costs remained elevated compared to pre-pandemic levels, even as certain commodities witnessed moderation in prices on a high base of the previous year. The Businesses continued to drive improvement in profitability through multi-pronged interventions viz. premiumisation, supply chain optimisation, judicious pricing actions, digital initiatives, strategic cost management and fiscal incentives.

- The FMCG Businesses witnessed robust growth in both urban and rural markets driven by superior consumer insights, purposeful innovation, portfolio premiumisation, enhanced distribution footprint, excellence in last mile execution and leveraging Digital initiatives. Both traditional and emerging channels (viz. Modern Trade, e-Commerce, Quick Commerce) witnessed strong traction driven by sharp execution of channel-specific business plans, collaborations, format-based assortments catering to the needs of a diverse set of shoppers and category-specific sell-out strategies.
- The Company's Trade Marketing & Distribution highway has transformed into a smart omni-channel network including 6 Direct to Consumer (D2C) platforms. 'ITC e-Store', the Company's exclusive D2C platform, is now operational in 24,000+ pin-codes and continues to receive excellent consumer response. Category specific D2C platforms viz. Classmateshop.com, Dermafique.com and Aashirvaad.com/Meri Chakki are being scaled up to gain consumer insights, as well as commerce. The Meri Chakki initiative, which offers personalised quality atta to consumers in Delhi, was extended to Bengaluru during the quarter under the banner 'Namma Chakki from Aashirvaad'. These initiatives have elicited encouraging response from target consumers.
- The Company's digitally powered eB2B platform, UNNATI now covers over 5.7 lakh outlets, facilitating sharp 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** delivered robust performance, consolidating its leadership position in the Branded Atta industry.
 - Value-added atta range sustained its strong growth momentum driven by increased thrust in Modern Trade and e-Commerce channels.
 - In line with its strategy to address value-added adjacencies leveraging mother brands, the Business has recently launched a number of differentiated variants of Rava ('Aashirvaad Samba Broken Wheat', 'Aashirvaad Bansi Rava' and 'Aashirvaad Double Roasted Suji Rava'),

'Aashirvaad Organic Dals', 'Aashirvaad Besan' and 'Aashirvaad Vermicelli'. These products continue to garner increasing consumer traction.

- **'Sunfeast' Biscuits and Cakes** recorded strong growth during the quarter, driven by robust performance of the core portfolio and scaling up of several differentiated variants launched recently. The portfolio was further enriched with a slew of exciting launches viz., 'Sunfeast All Rounder Sweet & Salty', 'Sunfeast Supermilk' and 'Sunfeast Farmlite Super Millets' in two variants – 'Chocochip Millet' and 'Multi Millet' cookies.
 - **'YiPee!' Noodles** posted robust performance on the back of increased penetration and brand outreach. In line with its purpose of creating 'A Better World', the brand continues to promote sustainability through plastic waste management and recycling.
 - **Dairy & Beverages** posted strong growth during the quarter on the back of best-in-class quality standards, differentiated offerings and superior taste profile. The **'Sunfeast'** portfolio of milkshakes was augmented with launch of new flavours 'Badam Milk' and 'Rose Milk'. The Dark Fantasy range of premium beverages also stood augmented with 'Dark Fantasy Choco Nut Shake with Almond Bits' and 'Dark Fantasy Café Mocha with Belgian Chocolate'.
 - Encouraged by the Government of India's initiative of promoting millets and 2023 being declared as the 'International Year of Millets', ITC has spearheaded **'ITC Mission Millets'**, to implement multi-dimensional interventions in this area, leveraging its enterprise strengths in agriculture, food and hospitality. The Company has implemented a focused strategy to craft a millet based product portfolio for every occasion, age and format. To cater to the diverse needs of consumers, the Company has launched products across traditional and modern formats viz. 'Gluten Free Flour', 'Multi-Millet Mix' and 'Ragi Flour', Vermicelli, Biscuits and Snacks under the 'Aashirvaad', 'Sunfeast' and 'Bingo' brands. The thrust on millets is further exemplified by the Hotels Business creating easy-to-try recipes with millets to help encourage individuals experiment with the taste and texture of millets.
- In the **Personal Care Products Business**, 'Fiama' range of personal wash products registered strong growth fuelled by investments in brand building, wider distribution and growth across channels. The recently launched 'Fiama Golden Sandalwood Oil & Patchouli' gel bar received encouraging consumer response. The Business also launched 'Engage L'amante Luxury Perfume Sprays' in the premium perfume space with a differentiated eco-friendly propellant. Combining state-of-the-art 'Bag-on-Valve' technology and unique scents, this range provides a delightful olfactory experience, setting new benchmarks in the industry. The Business bolstered its presence in the rapidly growing e-Commerce channel and continues to widen its assortment of offerings tailored to consumer needs.
- In the **Education and Stationery Products Business**, 'Classmate' Notebooks fortified its leadership position, delivering a superior performance driven by portfolio premiumisation, judicious pricing actions, exports and leveraging institutional strengths. The premium portfolio comprising 'Paperkraft', 'Classmate Pulse' and 'Classmate Interaktiv' continued to gain strong traction. The recently launched 'Classmate Hook' pens was scaled up by leveraging topical occasions and social media campaigns.
- **'Mangaldeep' Agarbattis and Dhoop** recorded robust growth during the quarter leveraging a portfolio anchored on a wide range of differentiated products. The portfolio was further augmented with launch of 'Anushri Aqua – Refreshing fragrances' and 'Anushri Woody – Exotic fragrances'. In **Safety Matches**, the Business strengthened its portfolio with the launch of 'Dazzle – Premium Match Sticks', a vibrant alternative to the traditional matchstick designed for the modern consumer.

FMCG – CIGARETTES

Net Segment Revenue and Segment PBIT up 10.9% and 11.2% 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.
 - Several differentiated variants launched recently continue to perform well.

- 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 leading to higher demand for Indian tobaccos and bolstering revenue to the exchequer from the tobacco sector.

HOTELS

Best-ever Q1 for the Hotels Business; Segment Revenue grew 8.1% YoY, on a high base (1.5x of Q1 FY20); Segment PBIT grew by 17.0% YoY and Segment EBITDA grew 12.9% YoY (3.0x of Q1 FY20).

- Strong growth was witnessed in ARRs across properties, though Occupancy moderated on a high base due to relatively fewer wedding dates during the quarter and pre-planned renovations. The Business continued to focus on its strategy of offering a host of curated propositions across accommodation, dining and banqueting to augment revenues across properties.
- Segment EBITDA margin expanded by 140 bps YoY to 33.9% driven mainly by higher RevPAR, curated packages, finest F&B offerings and strategic cost management initiatives.
- Special occasions and festivals were effectively leveraged to drive demand. The Business launched 'The Dehlnavi Trail' a multi-city food festival celebrating Delhi's rich culinary heritage in select cities; the food festival received excellent response. Iconic cuisine brands continue to be harnessed to promote dine-ins with limited-period menus curated for festive & special occasions featuring global and Indian favourites.
- Digital investments continue to be leveraged towards enhancing guest experience, facilitating guest acquisition, augmenting revenue generation and driving operational efficiency.
- The Business is witnessing growing interest amongst property owners to partner with its iconic brands resulting in healthy generation of leads and pipeline of management contracts. During the quarter, the Business added 6 hotels to the Group portfolio including Welcomhotel Hamsa Manali (*with enchanting views of snow-clad Himalayan peaks*) and Storii Moira Riviera (*a boutique resort in North Goa overlooking verdant forests*).
- Reaffirming the Company's commitment to the ethos of 'Responsible Luxury', ITC Sonar became the second hotel globally to be awarded the LEED Zero Water Certification by the USGBC, after ITC Mughal, which is the first hotel to be awarded the certification globally. The first 12 hotels in the world to be LEED Zero Carbon certified are from the Hotels Business.

PAPERBOARDS, PAPER & PACKAGING

The Paperboards, Paper & Packaging Segment reflects the impact of subdued demand (domestic and exports), sharp reduction in global pulp prices and high base effect; Segment Revenue declined 6.5% YoY (2-yr CAGR +16%) and Segment PBIT declined 22.9% YoY (2-yr CAGR +10%)

- Décor & Fine paper grades witnessed resilient performance.
- Subdued demand in the EU and China, low priced Chinese supplies in global markets, steep decline in global pulp prices on a high base and relatively muted customer offtake in domestic markets (destocking) weighed on performance during the quarter.
- Key inputs viz. wood and coal witnessed sharp surge in prices, exerting pressure on margins.
- Integrated business model and strategic interventions in import pulp substitution, High Pressure Recovery Boiler, digital interventions and cost competitive fibre chain partially mitigated inflationary impact.
- New business development is being accelerated in domestic and export markets offering innovative and customised solutions, with special focus on consumer electronics and sustainable paperboards and packaging. Capacity utilisation at the recently commissioned Nadiad unit in Gujarat continues to be ramped up progressively to efficiently service customers in proximal markets.
- The sustainable paperboards/packaging solutions portfolio continues to witness strong growth leveraging cutting-edge innovation platforms (2 year CAGR +53%). The Company's wholly owned subsidiary, ITC Fibre Innovations Limited, is in the process of setting up a state-of-the-art premium Moulded Fibre Products manufacturing facility in Badiyakhedi, Madhya Pradesh. The project is progressing as per schedule.

AGRI BUSINESS

Agri Business Revenue grew by 31% YoY (ex-Wheat exports) driven by Value Added Agri products & Leaf Tobacco; Segment PBIT grew by 25.3% YoY.

- Restrictions imposed on wheat and rice exports by the Government in the backdrop of inflationary headwinds and food security concerns weighed on Segment Revenue during the quarter.
- The recently commissioned state-of-the-art value-added Spices processing facility in Guntur continues to be scaled up. The Business seeks to leverage the facility's multi-dimensional capabilities, its identity-preserved sourcing expertise, custody of supply chain and strong customer relationships to rapidly grow exports to Food Safe Markets.
- During the quarter, ITC IndiVision Limited (IIVL), a wholly owned subsidiary of the Company, successfully completed necessary trials and obtained statutory clearances for its pilot plant at the state-of-the-art facility at Mysuru for the manufacture and export of Nicotine & Nicotine Derivative products conforming to US & EU pharmacopoeia standards. The distinctive capabilities of the Company's Agri Business in crop development and the ability to provide complete traceability & assurance of sustainability across the value chain, will enable establishing IIVL as the trusted partner for supplying high quality nicotine/nicotine derivative products to discerning customers in this niche tobacco adjacencies segment.
- The above interventions are in line with the strategy to enhance value capture by scaling up the Value-Added Agri portfolio straddling multiple value chains comprising Spices, Coffee, Frozen Marine Products and Processed Fruits etc., leveraging the deep rural linkages and extensive sourcing expertise of the Company.
- ITCMAARS (Metamarket for Advanced Agriculture and Rural Services) – a crop-agnostic 'phygital' full stack AgriTech platform has been scaled up across nine states. Over 1150 Farmer Producer Organisations (FPOs) encompassing more than 7,40,000 farmers have been added to the Company's network within a short period since launch.

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 21 years), 'carbon positive' (for 18 years), and 'solid waste recycling positive' (for 16 years)**. The Company sustained its **'AA' rating by MSCI-ESG for the 5th successive year** - the highest amongst global tobacco companies. The Company has also been included in the **Dow Jones Sustainability Emerging Markets Index** for the third year in a row - 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 'C' for climate change and 'B' for water security) by CDP, a reputed independent global platform for disclosures on environmental impacts.

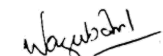
The Company's infrastructure facilities continue to set new benchmarks of sustainability. All luxury collection hotels of the Company are now **LEED Platinum certified** with 12 ITC Hotels being certified as **LEED Zero Carbon**. Further, Malur Food unit of the Company became the second unit after Kovai Paper to receive an **AWS certification in Platinum category**.

The Sustainability & Integrated Report 2023 is available on the Company's corporate website at <https://www.itcportal.com/sustainability/sustainability-integrated-report-2023/ITC-Sustainability-Integrated-Report-2023.pdf>

Please refer link below for performance highlights of the quarter:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q1-FY2024.pdf>

The Board of Directors, at its meeting on 14th August 2023, approved the financial results for the quarter ended 30th June 2023, which are enclosed.



(Nazeeb Arif)

Executive Vice President, Corporate Communications