


Financial Results for the Quarter ended 30th June, 2016

21 Jul 2016


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Highlights



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Revenue from Operations up 8.3% 30th June, 2020 fit up 10.1% read more (/media-centre/press-releases-content.aspx?id=2302&type=C&news=standalone-financial-results-for-the-quarter-ended-30th-june-2020)



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Healthy growth in revenue and profit amidst a challenging operating environment.

Legal Cigarette industry continues to be severely impacted due to the cumulative impact of steep increase in taxation and intense regulatory pressures. Illegal trade continues to grow resulting in significant revenue loss to the exchequer.

FMCG-Others Segment Revenue up 9.5% amidst a persistently sluggish demand environment. Continued improvement in Segment Results despite start-up cost of new categories and sustained investment in brand building.

'Fabelle Chocolate Boutique' launched in ITC Gardenia, Bengaluru; being extended to other ITC Hotels.

Robust growth in Agri Business Segment Revenue driven by wheat sales in domestic market and leaf tobacco exports.

Financial results for the quarter prepared in accordance with Indian Accounting Standards (Ind-AS). Results for quarters ended 30th June, 2015 and 31st March 2016, and year ended 31st March 2016 have been recast in accordance with Ind-AS to facilitate comparison.

The Company delivered steady performance during the quarter despite a challenging operating environment marked by continuing pressure on legal Cigarette industry volumes and persistently sluggish demand conditions prevailing in the FMCG industry. Operating conditions in the Hotels and Paperboards, Paper and Packaging segment also remained subdued. Revenue from Operations for the quarter stood at Rs. 13156.68 crores representing a growth of 8.3%. Profit Before Tax at Rs. 3675.40 crores and Net Profit at Rs. 2384.67 crores registered a growth of 10.0% and 10.1% respectively during the quarter. Earnings Per Share for the quarter stood at Rs. 1.97.

Pursuant to the approval of the Shareholders through postal ballot and e-voting on 27th June 2016, the Company, on 7th July 2016, issued and allotted 402,66,57,100 Ordinary Shares of Re. 1/- each, as fully paid-up Bonus Shares in the proportion of 1 Bonus Share of Re. 1/- each for every existing 2 Ordinary Shares of Re. 1/- each held on the Record Date i.e. 4th July, 2016. The Earnings Per Share (Basic and Diluted) have been duly adjusted consequent to the issue of Bonus Shares as aforestated.

Total Comprehensive Income (TCI) for the quarter stood at Rs. 2448.24 crores representing a growth of 17.6%. The higher growth in TCI relative to Net Profit is attributable to a positive swing of Rs. 148.34 crores in Other Comprehensive Income primarily on account of favourable movement in fair value of the Company's strategic investments in equity.

## FMCG-Others

Segment Revenue grew by 9.5% during the quarter amidst weak demand conditions and a price deflationary scenario particularly in the Personal Care business. Most categories witnessed margin expansion driven by enhanced scale of operations and product mix enrichment. Segment Results recorded improvement in comparison to the corresponding period in the previous year despite higher investment in brand building, consumer and trade promotion activities and gestation costs relating to new categories viz. Juices, Dairy, Gums and Health & Hygiene segment in the Personal Care Products Business.

The **Branded Packaged Foods Businesses** posted healthy growth in revenue led by Staples, Snacks and Noodles categories despite sluggish demand conditions.

- In the **Staples, Snacks and Meals Business**, 'Aashirvaad' atta continued to perform well consolidating its leadership position across markets. During the quarter, the Business launched 'Aashirvaad Sugar Release Control Atta', which has received encouraging consumer response. Made using a unique blend of whole wheat and pulse/legume flours, the product is high in protein & fibre with a low glycemic index and helps in diabetes control, weight management besides maintaining heart health. During the quarter, the Business also augmented the recently launched 'ITC Master Chef' range of premium blended spices with the addition of four new variants in select markets in South India. The range, which presently comprises nine differentiated variants, has been crafted based on deep consumer research and customised to regional tastes and preferences leveraging the strong sourcing and processing capability of the Company's Agri Business.

Original style potato chips continued to gain consumer traction in focus markets. The snacks portfolio was augmented with the launch of two new innovative variants - 'Yumitos Dilli Masala' and 'Fangles Masala Cheese'. In addition to 'Tedhe Medhe Achaar Masti', which was introduced in the preceding quarter. The variants have received good response from consumers in launch markets. In the Instant Noodles category, YIPpee! sustained its high growth trajectory leveraging a superior value proposition anchored on best in



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with #ViveOnK! Foods registered healthy growth by 10% in the quarter ended 30th June 2020.



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'Mad Angles' sub-brand in the ready-to-eat (RTE) segment. The snacks portfolio was augmented with the launch of two new innovative variants - 'Yumitos Dilli Masala' and 'Fangles Masala Cheese'. In addition to 'Tedhe Medhe Achaar Masti', which was introduced in the preceding quarter. The variants have received good response from consumers in launch markets. In the Instant Noodles category, YIPpee! sustained its high growth trajectory leveraging a superior value proposition anchored on best in



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class product quality, safety and taste.

- In the **Confections Business**, the 'Sunfeast Mom's Magic' range of premium cookies grew rapidly on the back of superior product attributes and sustained investment in brand building. The Biscuits portfolio stood expanded during the quarter with the launch of 'Delishus Expressions' in three premium variants viz., 'Walnut & Choco Chip', 'Oats and Hazelnut' and 'Rich Choco Chip', and a new cheese cracker variant under the 'Snacky' sub-brand in the North-East markets. Portfolio premiumisation continued in the Confectionery category with the share of 'Re.1 and above' products increasing during the quarter. The range of higher value products in the Confectionery category was also augmented with the launch of 'Jelimals' gummy bears under the 'Jellicious' sub-brand.

- In the **Dairy and Beverages Business**, the 'B Natural' range of juices continued to garner increasing consumer patronage. During the quarter, the Juices portfolio was augmented with the launch of 'Punjab Da Kinnow' variant in the North markets. 'Aashirvaad Svasti' - Pure Cow ghee, launched during the previous year, was extended to target markets. The quarter also marked the Business's entry into the Dairy Whitener category under the brand 'Sunfresh'. The product is currently available in the North-East markets.

- During the quarter, the Business launched a luxury range of chocolates under the 'Fabelle' brand at an exclusive 'Fabelle Chocolate Boutique' in ITC Gardenia, Bengaluru. Fabelle offers a range of exquisite handcrafted chocolate creations such as *Fabelle Elements* - intricately crafted pralines inspired by the elements of nature, *Fabelle Ganache* - velvety soft cubes of exotic cocoas delicately churned with butter & fresh cream and *Fabelle As You Like It* - personalised chocolate cup creations offering myriad possibilities of fillings and toppings. In addition, the chocolate boutique offers a range of exquisitely crafted desserts and cocoa beverages, created live by Fabelle Master Chocolatiers. Made from impeccable single-origin cocoas sourced from the best growing regions in Africa and South America and combined with unique ingredients, Fabelle is set to redefine the luxury chocolate segment in India. Plans are on the anvil to open Fabelle Chocolate Boutiques in select ITC Hotels in the ensuing months.


The **Personal Care Products Business** posted robust revenue growth during the quarter driven by higher volumes and richer product mix. The Business continues to leverage the recently acquired trademarks - 'Savlon' and 'Shower to Shower' - to expand its product portfolio and gain access to newer consumer segments and markets. New variants in the Hand Wash and Antiseptic Liquid categories launched under the Savlon brand continue to gain traction with consumers. The Business also augmented its skin care portfolio during the quarter with the launch of 'Vivel Cell Renew - Aqua Quench Cleansing Mousse'.

The Company continues to make steady progress in building several state-of-the-art owned integrated consumer goods manufacturing and logistics facilities across regions in line with long-term demand forecast. Currently, over 20 projects are underway and in various stages of development - from land acquisition/site development to construction of buildings and other infrastructure.

## Cigarettes

The performance of the Cigarette Business during the quarter remained subdued on account of continued pressure on the legal Cigarette industry in India. Over the last 4 years, the incidence of Excise Duty and VAT on cigarettes, at a per unit level, has gone up cumulatively by 118% and 142% respectively thereby exerting severe pressure on legal industry volumes even as illegal trade grows unabated. It is pertinent to note that steep increases in Excise Duty on cigarettes in recent years have resulted in widening the differential in Excise Duty rates (on a per kg. of tobacco basis) between cigarettes and other tobacco products from 29 times in 2005/06 to over 53 times currently. High incidence of taxation and a discriminatory regulatory regime on cigarettes in India have over the years led to a significant shift in tobacco consumption to lightly taxed or tax-evaded tobacco products like bidi, khaini, chewing tobacco, gutkha and illegal cigarettes which presently constitute over 89% of total tobacco consumption in the country. Besides adversely impacting the performance of the legal cigarette industry, this has led to sub-optimisation of the revenue potential from the tobacco sector.

The operating environment for the legal Cigarette industry in India was rendered even more challenging during the quarter in the wake of a further increase of 10% in Excise Duty announced in the Union Budget 2016 and introduction of the new 85% graphic health warnings (GHW) on cigarette packages. Ambiguities surrounding the implementation of the new GHW led to severe supply chain disruptions during the quarter including intermittent stoppage of manufacture at the Company's units. Besides, cigarette stocks manufactured prior to 1st April, 2016 bearing the old health warnings were seized at some locations by regulatory authorities - most of which were subsequently released following an order of the Honourable Bombay High Court, clarification from Union Health Ministry and representations made by the Company.

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 On 20th June 2016, the Honourable Supreme Court directed the Government of India to hear and decide the writ petitions filed by the Company and others for the removal of GHW pending in several High Courts. The pressure on the Supreme Court, however, also ordered that any stay order granted by any High Court would not be given effect till the case is finally disposed of. As a result, the Company is able to continue its operations for the quarter ended 30th June 2020.



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Green shoots up the farm

development, in compliance with the interim requirements pending hearing in the Honourable Karnataka High Court, the Company progressively commenced manufacture of cigarettes with 85% warning. The matter is currently pending before the Honourable Karnataka High Court.

The Tobacco industry in India supports the livelihood of over 45 million people including vulnerable sections of the society like farmers, farm labour, rural poor, women, tribals etc. and contributes around Rs. 30,000 crores to the national exchequer apart from generating valuable foreign exchange earnings of around Rs. 6000 crores.

The proposed GHW is excessively large, extremely gruesome and unreasonable. There is no evidence to suggest that cigarette smoking would cause the diseases depicted in the pictures or that large GHW will lead to reduction in consumption. In fact this inadequacy of evidence prompted the courts in USA to hold that the US FDA's proposal for introduction of similar GHW in that country as unconstitutional. Further, over 100 countries representing 60% of the signatories to the Framework Convention on Tobacco Control have not adopted GHW. It is pertinent to note that other major tobacco producing countries have taken a considered view on the matter and have not adopted over-sized and excessive graphic health warnings, thus striking a balance between the interests of the consumer and of their farmers. It may also be noted that the global average size for GHW is only about 30% coverage of the principal display area. Moreover, the top three cigarette consuming countries - USA, China and Japan - which together account for 51% of global cigarette consumption have only text based warnings and have not adopted pictorial / graphic health warnings.

The new GHW will encourage the flow of illegal trade of brands owned by international companies into the country since such brands are manufactured in many jurisdictions which do not mandate the printing of graphic health warnings on cigarette packages as applicable in India. The legal cigarette industry in India will be hard pressed to counter the menace of illegal cigarettes as they will be perceived by the consumer to be safer in the absence of the statutorily mandated health warnings. Coupled with the fact that illegal cigarettes are available at a fraction of the price of legal cigarettes, the new GHW will provide further fillip to the growth of illegal cigarettes in the country.

According to an independent study, India is now the 4th largest market for illegal cigarettes in the world. In fact, illegal trade comprising smuggled foreign and domestically manufactured tax-evaded cigarettes is estimated to constitute one-fifth of the overall cigarette industry in India and is estimated to cost the exchequer a revenue loss of more than Rs. 9000 crores per annum.

It is pertinent to note that the Department of Commerce, in its submissions to the Parliamentary Committee on Subordinate Legislation, has stated that "large warnings will lead to an increase in overall tobacco consumption and illegal cigarettes; when large quantities of non-cigarette tobacco products from unorganised sector are sold loose and / or without any health warnings, it gives an impression of these products being relatively safer than cigarettes."

As always, the Company complies fully with all regulations and laws in letter and spirit and continues to engage with policy-makers for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country.

Despite the challenging operating environment, the Company continues to consolidate its market leadership through relentless focus on delivering world-class products, continuous innovation & value addition and best-in-class execution.

## Hotels

The hospitality sector continues to be adversely impacted by a weak demand and pricing scenario against the backdrop of excessive room inventory in key domestic markets and sluggish macroeconomic environment both in India and key source markets. Against this backdrop, Segment Revenue during the quarter was flattish in comparison to the corresponding period of the previous year.

Although Segment Results improved as compared to the corresponding quarter in the previous year, the same remained muted due to the challenging business context as aforesaid and gestation costs of the recently commissioned ITC Grand Bharat, Gurgaon.

Construction activities at the luxury hotel projects in Kolkata, Hyderabad and Ahmedabad are progressing satisfactorily.

## Agri Business

Vivel Celebrates #WomensEqualityDay with #VoiceOfArt. Vivel continues to provide strategic sourcing support to the Company's Cigarette business and leverage its network to source superior quality wheat, chip stock potato, spices and fruit pulp at competitive prices for the Brandeau Packaged Foods Businesses. (stories-pop/vivel.aspx)

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The Business scaled up wheat sourcing during the quarter to meet the growing requirements for Aashirvaad atta. The Business

continues to leverage the e-choupal network to source superior quality wheat at competitive costs and deliver substantial savings to the system through efficient logistics management and other cost-optimisation initiatives.

Segment Revenue recorded robust growth during the quarter driven by domestic agri commodity sales and leaf tobacco exports.

### Paperboards, Paper & Packaging

The Paperboards, Paper & Packaging segment remained impacted by the subdued demand environment prevailing in the FMCG and legal Cigarette industry. Zero duty imports under Free Trade Agreement with ASEAN countries and cheap imports from China along with capacity expansion / ramp-up by other industry players, continued to adversely impact the Paper and Paperboard industry. Consequently, Segment Revenue and Segment Profits were impacted during the quarter.

In an endeavour to reduce its dependence on imported pulp, the Business is in the process of setting up India's first Bleached Chemical Thermo Mechanical Pulp mill at its Bhadrachalam unit. The facility is expected to be commissioned in the second half of the current financial year. Capacity expansion in the Value Added Paperboards and Décor segments is also underway.

### Contribution to Sustainable Development

The Company's Social Investments Programme aims to address the challenges arising out of poverty, environmental degradation and climate change through a range of activities with the overarching objective of creating sustainable sources of livelihood for stakeholders.

The footprint of the Company's Social Investments Programme has spread to 167 districts across the country and can be viewed at a glance in the following chart:

Intervention Areas	Unit of Measurement	Cumulative till date
<b>Total Districts Covered</b>	Number	<b>167</b>
<b>Social and Farm Forestry</b>	Hectare	<b>226,620</b>
<b>Soil and Moisture Conservation Programme</b>	Hectare	<b>269,911</b>
<b>Sustainable Agricultural Practices</b>		
Compost Units		<b>31,184</b>
	Number	
<b>Sustainable Livelihoods Initiative</b>		
Cattle Development Centres	Number	<b>230</b>
Animal Husbandry Services	Artificial Inseminations (in lakhs)	<b>18.35</b>
<b>Economic Empowerment of Women</b>		
Ultra Poor Women covered	Number	<b>10,200</b>
Self Help Group Members	Number	<b>28,008</b>
Livelihoods created	Number	<b>51,056</b>
<b>Primary Education</b>		
Children covered	Number (in lakhs)	<b>4.67</b>
<b>Health and Sanitation</b>		
Low Cost Sanitary Units	Number	<b>15,822</b>
Households covered under Solid Waste Management	Number	<b>38,798</b>
<b>Vocational Training</b>		
Students Enrolled	Number	<b>33,911</b>



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