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Financial Results for the Quarter ended 30th September, 2018

26 Oct 2018


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Financial Results for the Quarter ended 30th September, 2018


Highlights



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Gross Revenue up 14.7%; Net Profit up 11.9% driven by robust performance across most segments
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FMCG-Others Segment Revenue up 12.7%. Most major categories enhanced their market standing.

Robust growth in Segment EBITDA (up 77% to 159 crores) driven by enhanced scale, product mix enrichment and cost management initiatives, notwithstanding increase in input costs, higher investments in brand building and gestation costs of new categories & start-up costs related to new facilities.

Integrated Consumer Goods Manufacturing unit commissioned at Trichy, Tamil Nadu.

Hotels Segment EBITDA up 35% after absorbing gestation cost of new properties, driven by higher room rates, strong F&B sales and high operating leverage.

Obtained possession of Park Hyatt Goa Resort & Spa on 19th September 2018. The 252 room luxury beach resort commenced operations on 15th October 2018 as ITC Grand Goa, Resort & Spa.

Paperboards, Paper & Packaging Segment Profit up 13.4% driven by product mix enrichment, higher realisation, strategic investments in imported pulp substitution, process innovation leading to improved pulp yield and benefits of cost-competitive fibre chain.

Value Added Paperboard capacity augmented by 1.5 lakh TPA at the Bhadrachalam unit with an extensive board machine rebuild. The machine will enhance value capture by leveraging state-of-the-art technologies to produce high-quality light weighted coated boards.

Trading opportunities in Oilseeds, Pulses, Wheat and Spices drive Agribusiness Revenue growth. Pressure on legal cigarette industry volumes, adverse quality and leaf cost escalation pertaining to Andhra 2017 crop, and lower export incentives weighed on Segment Results.

FMCG | Cigarettes | Hotels Agri Business | Paperboards, Paper & Packaging

The Company delivered a healthy performance during the quarter amidst a challenging business environment and continuing pressure on the legal cigarette industry.

Gross Revenue for the quarter stood at Rs 11094.89 crores, representing a growth of 14.7% driven mainly by FMCG-Others, Agribusiness and Hotels. Profit Before Depreciation, Interest and Tax at Rs 4205.97 crores and Profit After Tax at Rs 2954.67 crores grew by 11.8% and 11.9% respectively. Total Comprehensive Income stood at Rs 2754.55 crores (previous year Rs 2610.80 crores). Earnings Per Share for the year stood at Rs 2.42 (previous year Rs 2.17).

FMCG-Others

Segment Revenue registered robust growth of 12.7% during the quarter, led by Staples, Snacks & Meals and Biscuits in the Branded Packaged Foods Business, Fragrancing Products and Liquids (handwash & bodywash) in the Personal Care Products Business and Classmate Notebooks in the Education & Stationery Products Business partly offset by restructuring of retail footprint & trade presence in the Lifestyle Retailing Business. While overall demand conditions remain stable, signs of recovery are visible, especially in rural markets.

Segment EBITDA at Rs 158.84 crores posted strong growth of 77% on the back of enhanced scale, product mix enrichment and cost management initiatives, despite sustained investment in brand building, gestation costs of new categories viz. Juices, Dairy & Chocolates in the Branded Packaged Foods Business and Health & Hygiene segment in the Personal Care Products Business and input cost pressures.

The **Branded Packaged Foods Businesses** posted robust growth in revenue with most major categories recording improvement in market standing.



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- In the **Staples, Snacks and Meals Business**, Aashirvaad atta consolidated its leadership position across markets with a pick-up in sales momentum. Increasing consumer traction for Bingo! Potato Chips and Tedhe Medhe continued to drive growth in the Snacks Business. In the Instant Noodles Category, YiPPee! Magic Masala continued to garner consumer franchise anchored on superior quality and a differentiated value proposition.
- In the **Confections Business**, Dark Fantasy Choco Fills witnessed further acceleration in growth momentum driven by superior product attributes, focused communication and consumer activation. The Company continued to launch innovative and first-to-market products such as Dark Fantasy Choco Jellifills, Bounce Minis & Bounce cakes. These products are being rolled out nationally based on encouraging response in the launch markets. Portfolio premiumisation continued in the Confectionery category with higher salience of 'Re.1 and above' products in the sales mix.
- In the **Dairy & Beverages Business**, B Natural juices scaled up volumes during the quarter leveraging a portfolio of differentiated products anchored on the 'Not from Concentrate' platform. Aashirvaad Svasti milk was extended to Patna during the quarter and has received encouraging response from consumers.
- Product portfolio of the **Fabelle** range of luxury chocolates was augmented with the introduction of a new range of truffles - 'Dessert Collection'. Fabelle continues to receive excellent response from discerning consumers setting a new benchmark in the luxury chocolates segment.

The **Personal Care Products Business** enhanced its market standing during the quarter with fragrancing products and liquids (handwash and bodywash) being the key drivers of growth. The recently launched Engage ON+ pocket perfume in a unique slider-flip pack aided in furthering consumer traction in the fragrancing products category. Dermafique, a premium range of creams, cleansing and toning products launched in the previous quarter continued to receive encouraging response from consumers. The recently acquired 'Nimyle' range of herbal floor cleaners was extended to new markets even as it recorded robust growth in existing markets. Plans are on the anvil to scale up the brand's presence across target markets. During the quarter, the Business also launched an exciting range of essential oils in 4 variants under the 'Fiama' brand. Suited for aromatherapy, these products offer a refreshing & uplifting experience and have been well received by discerning consumers.


The Business continued to focus on deepening consumer engagement through innovative brand campaigns in conventional and social media platforms. During the quarter, the Business reintroduced 'Charmis' skin creams with a fresh look & enhanced sensorial experience supported by a focussed campaign showcasing the brand's core value proposition - 'it is the goodness within that glows on the face'. In line with its commitment towards an inclusive society, Savlon introduced first-of-its-kind braille-enabled packs of antiseptic liquid on the occasion of World Sight Day. The initiative enables easy product identification & access for the visually impaired.

The Branded Packaged Foods and Personal Care Products Businesses continue to leverage state-of-the-art integrated consumer goods manufacturing facilities (ICML) to service proximal markets in a highly efficient and responsive manner. Over the last two years, ICMLs have been established at Uluberia (West Bengal), Guwahati (Assam), Mysuru (Karnataka), Kapurthala (Punjab) and Panchla (West Bengal), significantly expanding the operational footprint which is being leveraged to scale up the aforesaid businesses and provide structural advantages. During the quarter a new ICML was commissioned at Trichy, Tamil Nadu. Over 15 projects are underway and in various stages of development - viz. land acquisition/site development, construction of buildings, equipment installation and other infrastructure.


TOP

Cigarettes


A punitive and discriminatory taxation and regulatory regime continues to exert severe pressure on the domestic legal cigarette industry even as illegal cigarette trade grows unabated.



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It is pertinent to note that the tax incidence on cigarettes has nearly trebled over the last six years, on a comparable basis. The high rates of tax on cigarettes also provide attractive tax arbitrage opportunities to unscrupulous players, fanning the growth of illegal cigarette trade in the country. While the legitimate cigarette industry has declined steadily since 2010-11 at a compound annual rate of 4.8% p.a., illegal cigarette volumes in contrast have grown at about 5% p.a. during the same period, making India one of the fastest growing illegal cigarette markets in the world. It may be noted that, according to Euromonitor International, India is now the 4th largest illegal cigarette market in the world.

The attractive tax arbitrage opportunity for smuggled cigarettes allows unscrupulous players to make the products available to consumers at a fraction of the price of duty-paid domestic cigarettes. This has also caused 'fly by night' operators indulging in large scale clandestine manufacturing of cigarettes to mushroom across the country. In fact, the affordability of illegal cigarettes and the other cheaper tobacco products (by reason of lower tax incidence as well as evasion of taxes) has been driving the consumption of tobacco from duty-paid cigarettes to the other forms. This is also borne out by the fact that there has been a quantum jump in the number of seizures of smuggled cigarette consignments by enforcement agencies across the country over the last few years.

Another factor that fuels the growth of smuggled international brands is that such cigarette packs do not carry the excessively large (85% of the surface area of both sides of the cigarette package) pictorial warnings with extremely gruesome and unreasonable images. The statutorily prescribed pictorial warning occupying 85% of both sides of a cigarette pack places India amongst the nations with the most stringent graphic health warnings globally. While the legal cigarette industry scrupulously complies with the statutory provisions, smuggled international brands of cigarettes either do not bear any pictorial or other health warnings or bear warnings of much smaller dimensions, that too different from what is mandated under Indian regulations. Findings from research conducted by IMRB International, an independent organisation, indicate that the lack of warnings or their diminutive size creates a perception in the consumer's mind that the smuggled cigarettes are 'safer' than domestic duty-paid cigarettes that carry the statutory warnings. It is pertinent to note that new graphic health warnings with even more gruesome images have been introduced from 1st September 2018.

The growth of smuggled international brands has also adversely impacted the demand for domestic Flue Cured Virginia (FCV) tobacco that is used in cigarette manufacture. The absence of a strong domestic demand base has not only resulted in loss of income but also exposed the Indian tobacco farmer to the volatilities of the international market, thereby sub-optimising earnings from tobacco crop exports as well. Soft demand for Indian FCV tobacco coupled with reduction in the authorised crop size for three successive years i.e. 2015-16, 2016-17, 2017-18 has led to lower exports of tobacco and a cumulative drop in farmer earnings in excess of Rs 3450 crores.

Although India is the 3rd largest tobacco grower in the world, it has put in place extremely stringent tobacco control regulations. Unfortunately, these regulations have fuelled, albeit unintentionally, the growth of illegal cigarettes in the country and consequently, impacted adversely on farmer incomes. In contrast, several major tobacco producing countries, including the USA, have taken into consideration the interests of their tobacco farmers in deciding whether or not to adopt large or excessive pictorial warnings. The Indian tobacco control regulations have, thus, had the inadvertent and unforeseen effect of causing losses to the Indian farmer with corresponding gains to tobacco farmers in the countries that have opted for moderate and equitable tobacco control regulations. These developments have had a devastating impact on the Indian tobacco farmer and the 47 million livelihoods dependent on the tobacco value chain.

Despite an extremely challenging operating environment, the Business consolidated its leadership position in the industry and continued to improve its standing in key competitive markets across the country. This demonstrates the resilience of the Company's portfolio of brands, superior consumer insights and its relentless focus on value creation. Some of the key recent interventions include the launch of innovative variants viz., Hollywood (triple segment filter) and Flake Taste Pro (dual segment filter). Additionally, American Club and Players, which were launched towards the end of 2016-17 continue to be scaled up. Segment Results for the quarter include the net impact of stocks damaged due to floods in Kerala and costs relating to changeover to the new graphic health warnings on cigarette packs w.e.f. 1st September, 2018.

TOP

Hotels

Segment Revenue and Segment EBITDA posted robust growth of 20.8% and 35% respectively. This was driven by higher room rates, in occupancy, strong Food & Beverage sales and operating leverage notwithstanding gestation cost properties. Green shoots up from the farr
 Vivel Celebrates #WomensEqualityDay with #VoiceOfArt. ITC Kohenur, a 271 room luxury property in Hyderabad, continued to receive excellent reviews from discerning guests, raising the bar of service excellence. The Company obtained possession of Park Hyatt Goa Resort & Spa on 19th September 2018. The 252 room luxury beach resort commenced operations on 15th October 2018 as ITC Grand Goa Resort & Spa.
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The Business made steady progress during the quarter in the construction of ITC Hotels at Kolkata & Ahmedabad and WelcomHotels in Guntur & Bhubaneswar.

TOP

Agri Business

The Business leveraged market opportunities in Wheat, Pulses, Oilseeds and Spices resulting in robust growth in revenue during the quarter. However in the leaf tobacco vertical, pressure on legal cigarette industry volumes, lower offtake by customers and lower export incentives weighed on Segment Results.

The deep rural linkages and agri-commodity sourcing expertise resident in the Agri Business, including value-addition through identity preservation, traceability and certification are a critical source of competitive advantage for the Company.

The Business continues to leverage its wide geographical sourcing network, multiple sourcing models and customised infrastructure towards meeting the growing requirements for Aashirvaad atta and deliver substantial savings to the system through efficient logistics management and other cost-optimisation initiatives. Similarly, the Business sources high quality fruit pulp for B Natural through its extensive sourcing network and associated infrastructure in key growing areas in the country, while also enabling migration to 'Not From Concentrate' fruit pulp sourced from Indian farmers.

The Business continues to step up initiatives in the area of value added agriculture to create new vectors of growth by leveraging its agri-commodity sourcing and processing expertise and the strong distribution network of the Company. These include the launch of packaged prawns, super safe spices, fresh fruits and vegetables and dehydrated onions under the ITC Master Chef and Farmland brands over the last 12 months. During the quarter, the Business forayed into the Frozen snacks category in the retail segment with the launch of an exciting array of products comprising 10 variants of vegetarian and non-vegetarian snacks under the ITC Master Chef brand. The product range is currently available in Bengaluru, Chandigarh and Ludhiana and plans are afoot to rapidly scale up presence in the ensuing months.

TOP

Paperboards, Paper & Packaging




Segment Revenue growth of 8.8% was driven by strong demand and capacity augmentation in Value Added Paperboard and Décor segments. Segment Results registered a growth of 13.4% driven by product mix enrichment, higher realisation, strategic investments in imported pulp substitution, process innovation leading to improved pulp yield and benefits of a cost-competitive fibre chain.

Operations of the Bleached Chemical Thermo Mechanical Pulp mill were further scaled up during the quarter thereby reducing import dependency and delivering substantial savings to the Business, especially in view of the sharp increase in imported pulp prices in recent months. This manufacturing initiative, a first-in-India, has provided an income multiplier to farmers through Agro-forestry, apart from adding to the green cover and saving foreign exchange in perpetuity. Capacity utilisation of the recently commissioned Décor machine at the Tribeni unit was also scaled up during the quarter.

An extensive rebuild of a paperboard machine at the Bhadrachalam unit was completed during the quarter, adding 1.5 lakh TPA value-added paperboard capacity. The rebuilt paperboard machine incorporates state-of-the-art technologies and will enable manufacture of best-in-class coated boards delivering globally benchmarked parameters across the vectors of light-weighting and bulk improvement.

TOP

Contribution to Sustainable Development

<p>The Company's Social Investments Programme aims to address the challenges arising out of poverty, environmental degradation and</p> <p> Vivid Celebrates #WomensEqualityDay through a range of activities with the objective of creating sustainable sources of livelihoods for women.</p> <p>Watch now</p> <p>(The first print of the Company's Social Investments Programme is given in the table below)</p>	<p> Financial Results for the Quarter ended 30th Sept, 2020</p> <p>read more</p> <p>(media-centre/press-releases-content.aspx?id=2302&type=C&news=standalone-financial-results-for-the-quarter-ended-30th-sept-2020)</p>	<p> Green shoots up the farm</p> <p>read more</p> <p>(/media-centre/press-releases-content.aspx?id=2315&type=C&news=taking-up-the-farm)</p>
Intervention Areas	Unit of Measurement	Cumulative till date

9/1/2020

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Social and Farm Forestry	Lakh Acres	7.05
Soil and Moisture Conservation Programme	Lakh Acres	9.51
Sustainable Agricultural Practices		
Compost Units	Number	38,192
Sustainable Livelihoods Initiative		
Cattle Development Centres	Number	157
Animal Husbandry Services	Artificial Inseminations (in lakhs)	22.69
Economic Empowerment of Women		
Ultra Poor Women covered	Number	20,100
Self Help Group Members	Number	39,638
Livelihoods created	Number	61,255
Primary Education		
Children covered	Number (in lakhs)	5.95
Health and Sanitation		
Low Cost Sanitary Units	Number	33,129
Households covered under Solid Waste Management	Number	136,174
Vocational Training		
Students Enrolled	Number	60,984

The Board of Directors, at its meeting in Gurugram on 26th October 2018, approved the financial results for the quarter ended 30th September 2018, which are enclosed.

Click here for the Financial Results (/about-itc/shareholder-value/key-financials/quarterly-results-september-2018.aspx)

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