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Media Statement

Financial Results for the Quarter ended 30th September, 2014

Highlights

Net Revenue up 14.8%
Underlying growth in Profit Before Tax at 17.8%

- Non-cigarette FMCG Segment registers a revenue growth of 11.9% amidst a persistently sluggish consumer demand environment.
- Robust growth in Agri Business Revenue driven by trading opportunities in wheat, soya and coffee.
- Paperboards, Paper & Packaging Segment Revenue up 8.9% aided by higher capacity utilisation, product mix improvement and scale up of Cartons and Flexibles packaging businesses.
- Hospitality industry continues to be impacted by weak economic conditions and pricing environment. Segment Results for the quarter include additional depreciation charge due to revision in useful life of fixed assets in accordance with Companies Act, 2013.

ITC posted another quarter of impressive growth in revenue and profits notwithstanding a challenging business environment exacerbated by a steep hike in Excise Duties on Cigarettes for the third year in succession as announced in the Union Budget 2014. Net Revenue at Rs. 8930.32 crores recorded a growth of 14.8% driven by Agri Business, Branded Packaged Foods, Personal Care and Cigarettes. After adjusting for liability written back in Q2 FY14 (towards Rates & Taxes and interest thereon pertaining to earlier years, aggregating Rs. 192.68 crores), underlying growth in Profit Before Tax and Net Profit during the quarter stood at 17.8% and 15.6% respectively. Earnings Per Share for the quarter stood at Rs. 3.04.

FMCG- Others

Amidst a sluggish consumer demand environment, the **Branded Packaged Foods Businesses** recorded further improvement in market standing during the quarter growing well ahead of the industry across most categories. In the **Staples, Spices and Ready-to-Eat Foods Business**, 'Aashirvaad' atta recorded robust growth driven

by premium variants and the 'Select' offering which continues to gain impressive consumer franchise. During the quarter, the **Bakery and Confectionery Foods Business** launched the 'Sunfeast Mom's Magic' range of premium cookies in two variants – 'Cashew & Almond' and 'Rich Butter'. The Business also forayed into the Chewing Gums segment with the launch of 'GumOn' in select markets. The products have met with favourable consumer response and are being rolled out to target markets.

In the **Snack Foods Business**, 'Bingo!' registered robust growth driven by the finger snacks portfolio comprising the 'Mad Angles', 'Tedhe Medhe', 'Tangles' and 'Galata Masti' sub-brands. The recently launched 'Original Style' variants of Bingo! Yumitos potato chips also gained good traction during the quarter. In the **Instant Noodles and Pasta** categories, 'Sunfeast YiPPee!' sustained its high growth trajectory and enhanced market standing.

During the quarter, the **Personal Care Products Business** augmented its product range in the Deodorants category with the launch of 'Engage' Cologne in six variants - 3 each for men and women. In the Personal Wash category, the Business expanded its presence in the fast-growing male grooming segment with the introduction of several new variants of Gel Bathing Bars, Shower Gels and Face Wash under the 'Fiama Di Wills' brand. These products have received encouraging consumer response and are being extended to target markets.

Cigarettes

Discriminatory and punitive taxation coupled with the growing incidence of smuggling and illegal manufacture are the biggest challenges facing the legal cigarette industry in India. These challenges were compounded during the quarter with the announcement in the Union Budget 2014 of a steep increase in Excise Duty rates including a 72% hike on filter cigarettes of 'length not exceeding 65 mm'. Such increase in Duty rates, coupled with further increase in VAT on cigarettes by some States during the quarter, will exert further pressure on legal industry volumes and sub-optimize the revenue potential from the tobacco sector. The recent Government notification mandating larger size of graphic health warnings covering 85% of the principal display area on both sides of the pack, to be effective from April 1st 2015, will adversely impact the domestic legal cigarette industry vis-à-vis both illegal cigarette trade and other unbranded tobacco products.

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 and Gutkha. These cheaper and revenue inefficient products presently constitute over 88% of total tobacco consumption in the country. Thus, while overall tobacco consumption is increasing in India, the share of legal cigarettes in overall tobacco consumption has progressively declined from 21% in 1981-82 to below 12% in 2013-14.

The imposition of discriminatory and punitive VAT rates by some States provides an attractive tax arbitrage opportunity resulting in sale of illegal stocks by criminal

elements thus depriving the State Governments of their legitimate revenue share. Punitive tax rates on cigarettes have proved detrimental to revenue collection and have led to multi-fold increase in illegal trade of cigarettes without any visible decrease in overall tobacco consumption.

The Company will continue to engage with the concerned authorities, both at the Central Government and State level, highlighting the need for moderation in tax rates on cigarettes to maximize the revenue potential from the tobacco sector and contain the growth of the illegal segment.

Despite such a challenging business environment, the Company's unwavering focus on providing world-class products to consumers enabled it to sustain its leadership position in the industry. Consumer centricity, product innovation and quality processes have enabled the Business to deliver superior value.

Hotels

The Hotels industry continued to be impacted by a weak pricing scenario in the backdrop of sluggish economic conditions and the overhang of excessive room inventory in key domestic markets. Consequently, Segment Revenue growth during the quarter remained muted at 5.9%. Segment Results of the Hotels Business includes Rs. 13.4 cr. towards additional depreciation charge for the quarter due to revision in the useful life of fixed assets in accordance with the provisions of Schedule II to the Companies Act, 2013.

'My Fortune Bengaluru', a flagship property under the Fortune banner in the 'upscale' segment launched in May '14, has been well received by guests. Project activity at ITC Grand Bharat – a super luxury golf and spa resort – located at the Classic Golf Resort, Manesar is nearing completion and is expected to be launched in Q3 FY15. Construction activity at the luxury hotel projects in Kolkata and Hyderabad is progressing satisfactorily.

In line with its 'asset-right' growth strategy, the Business commenced providing operating services at WelcomHotel Jodhpur during the quarter, taking the total number of rooms under the management contract model in the 5 Star category to 1150.

Paperboards, Paper & Packaging

Segment Revenue recorded a growth of 8.9% while Segment Results were up 9.7% driven by higher capacity utilisation & operating efficiencies, improvement in product mix and scale-up of Cartons and Flexibles packaging business. However, input prices – particularly that of wood – remained at elevated levels during the quarter adversely impacting margins.

The Business made good progress during the quarter towards scaling up its in-house pulp manufacturing capacity at the Bhadrachalam unit. The project is expected to be commissioned in Q3 FY15.

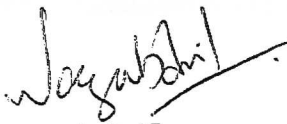
Contribution to Sustainable Development

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 71 districts across the country and can be viewed at a glance in the following chart:

Intervention Areas	Unit of Measurement	Cumulative till date
Total Districts Covered	Number	71
Social and Farm Forestry	Hectare	181,887
Soil and Moisture Conservation Programme	Hectare	167,276
Sustainable Agricultural Practices Compost Units	Number	20,952
Sustainable Livelihoods Initiative	Number	256
Cattle Development Centres	Artificial Insemination doses (in lakhs)	14.23
Animal Husbandry Services		
Economic Empowerment of Women	Persons	20,780
Self Help Group Members	Persons	42,588
Livelihoods created		
Primary Education	Children (in lakhs)	3.74
Beneficiaries		
Health and Sanitation	Number	4,827
Low Cost Sanitary Units		

The Board of Directors, at its meeting in New Delhi on October 31st 2014, approved the financial results for the quarter ended September 30th 2014, which are enclosed.


(Nazeeb Arif)
 Vice President
 Corporate Communications
 ITC Limited