



ITC Limited
Virginia House
37 J. L. Nehru Road
Kolkata 700 071, India
Tel. : 91 33 2288 9371
Fax : 91 33 2288 4016 / 1256 / 2259 / 2260

19th January, 2018

The Manager
Listing Department
National Stock Exchange of
India Ltd.
Exchange Plaza,
Plot No. C-1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

The General Manager
Dept. of Corporate Services
BSE Ltd.
1st floor, New Trading Ring
Rotunda Building
P. J. Towers
Dalal Street, Fort
Mumbai 400 001

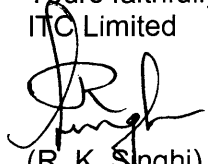
The Secretary
The Calcutta Stock
Exchange Ltd.
7, Lyons Range
Kolkata 700 001

Dear Sirs,

**Unaudited Financial Results for the Quarter and
Nine Months ended 31st December, 2017**

Further to our letter dated 19th January, 2018 forwarding the Unaudited Financial Results of the Company for the Quarter and Nine Months ended 31st December, 2017, we now enclose a copy of the Media Statement issued by the Company on the subject.

Yours faithfully,
ITC Limited


(R. K. Singhi)
Sr. Deputy Secretary

Encl. as above.



cc: Securities Exchange Commission
Division of Corporate Finance
Office of International Corporate Finance
Mail Stop 3-9
450 Fifth Street
Washington DC 20549
U.S.A.

cc: Societe de la Bourse de Luxembourg
35A Boulevard Joseph II
L - 1840 Luxembourg



ITC Limited
Virginia House
37 J. L. Nehru Road
Kolkata 700 071, India
Tel.: +91 33 22889371, 22889900
Fax: +91 33 22882256/2257/2259/2260

**Media Statement
January 19, 2018**

Financial Results for the Quarter ended 31st December, 2017

Highlights

**Gross Sales Value up 6.3%
EBITDA up 10.1%
Net Profit up 16.8%**

- Legal Cigarette industry volumes under severe pressure due to sharp increase in tax incidence under the GST regime.
- Robust growth of 16.2% in FMCG-Others Segment Revenue on a comparable basis. Positive swing of Rs. 67 cr. in Segment Profit driven by enhanced scale & market standing, product mix enrichment and cost management initiatives.
- Improvement in Hotels Segment performance led by increase in room rates, F&B revenue and operating leverage.
- Agri Business performance impacted by limited trading opportunities in agri commodities, shortage & poor quality of AP leaf crop, lower export incentives and relative strength of the Indian Rupee.
- Paperboards, Paper and Packaging Segment Profit up 9% due to higher volumes, imported pulp substitution & benign input costs.

=====

The Company delivered steady performance during the quarter despite a challenging operating environment marked by severe pressure on legal Cigarette industry volumes and limited trading opportunities in Agri Business. While the FMCG industry witnessed progressive recovery during the quarter from the transitional impact of GST rollout, overall demand conditions remained subdued.

Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc. have been replaced by GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT, etc. are excluded from Gross Revenue from

sale of products and services for applicable periods. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services and Excise Duty for the quarter and nine months ended 31st December, 2017 are not comparable with the previous periods.

On a comparable basis, Gross Sales Value (net of rebates/discounts) [Gross Sales Value includes GST, GST Compensation Cess, Service Tax, VAT, Luxury Tax etc., as applicable for the reported periods] stood at Rs. 16746.20 crores representing a growth of 6.3%. EBITDA at Rs. 3904.50 crores registered a healthy growth of 10.1% during the quarter. Exceptional Items during the quarter represent provisions for earlier years of Rs. 412.90 cr. (Rs. 270 cr. post tax) in respect of Tamil Nadu entry tax that have been written back based on a favourable order of the Hon'ble Supreme Court. Profit Before Tax at Rs. 4629.55 crores and Net Profit at Rs. 3090.20 crores registered growth of 17.1% and 16.8% respectively during the quarter. Earnings Per Share for the quarter stood at Rs. 2.54 (Q3 FY '17: Rs. 2.18)

Total Comprehensive Income (TCI) for the quarter stood at Rs. 3177.06 crores representing a growth of 27.8%.

FMCG-Others

Comparable growth, based on Gross Sales Value (which includes adjustments only for taxes that are excluded from reported Gross Revenue), stood at 16.2% during the quarter. Such robust growth was driven by the Branded Packaged Foods, Personal Care and Education and Stationery Products businesses. Performance of the Lifestyle Retailing Business, however, remained impacted due to the ongoing restructuring of retail and trade footprint.

It may be recalled that the base quarter (Q3 FY17) had witnessed reduced consumer offtake and trade pipelines in the wake of adverse liquidity conditions. However, it is pertinent to note that the Company's FMCG-Others businesses were relatively less impacted (revenue grew by 3.4% over Q3 FY16) during the said period.

Market standing stood enhanced across major categories, particularly in atta, potato chips, premium cream biscuits, noodles and deodorants.

Segment Results recorded a positive swing of Rs. 67 cr. over Q3 FY17 on the back of enhanced scale and market standing, product mix enrichment and cost management initiatives.

The **Branded Packaged Foods Businesses** posted healthy growth in revenue led by snacks, atta, biscuits and noodles.

- In the **Staples, Snacks and Meals Business**, 'Aashirvaad' atta continued to perform well consolidating its leadership position across markets.



The 'Bingo!' range of snack foods recorded acceleration in growth led by 'Tedhe Medhe' and 'Yumitos' potato chips. The Tedhe Medhe range was augmented with the launch of 'Pudina Twist' – a variant tailored to suit regional taste and preferences. The recently introduced Bingo! 'No Rulz' – a first-of-its-kind offer comprising four different shapes of the product in a single pack – was rolled out nationally during the quarter gaining impressive consumer traction.

- In the **Confections Business**, 'Sunfeast' biscuits posted healthy growth led by 'Dark Fantasy Choco Fills', 'Mom's Magic' and 'Sunfeast Marie'. Portfolio premiumisation continued in the Confectionery category with the share of 'Re.1 and above' products increasing further during the quarter. The Business launched innovative products - 'Candyman Crunchy Peanut Butter Candy' and 'Candyman Clear Candy' in ripe & green mango variants, which have received encouraging response from consumers.
- In the **Dairy and Beverages Business**, B Natural juices continued to grow strongly leveraging a portfolio of differentiated products including a wide range of 'Not from Concentrate' variants that are made directly from fruit pulp thereby providing consumers more nutritive value and a natural tasting experience. During the quarter, the Business launched 'Mixed Fruit & Dry Fruits' – an innovative variant that blends the nutritive value of dry fruits with mixed fruit juice - especially created for the winter season. The product has received positive response from consumers. During the quarter, the Business expanded its presence in the Dairy segment with the launch of two innovative variants of 'Sunfeast Dairy Whitener' in select markets while 'Aashirvaad Svasti' ghee continued to gain traction in launch markets.
- During the quarter, the '**Fabelle**' chocolates portfolio was augmented with the launch of two delectable variants of centre-filled chocolate bars - 'Hazelnut Mousse', & 'Dark Choco Mousse'. Available across chocolate boutiques in ITC Luxury hotels, premium gourmet food outlets & exclusive Fabelle outlets in select cities/malls, the products have received excellent response from discerning consumers.

The **Personal Care Products Business** sustained its high growth trajectory, with revenues growing significantly ahead of industry, driven by robust performance of Personal Wash and Fragrancing Products. The **Personal Wash** portfolio was augmented during the quarter with the addition of an innovative range of 'gel + crème' - soaps & shower gels, infused with almond cream & natural ingredients like 'Ashwagandha', 'Brahma Kamallam' and 'Frangipani'. In the **Fragrancing Products** category, the recently launched 'Engage On' & 'Engage On+' range of pocket perfumes recorded strong growth leveraging its unique value proposition combining convenience and affordability. Product portfolio under the Engage brand was augmented during the quarter with the introduction of an innovative range of premium perfumes. Launched in four variants – 'Yin', 'Yang', 'Femme' and 'Homme' – the exquisite fragrances designed in France are available across leading retail outlets and have been well received by consumers. In the health & hygiene segment, the Savlon range of products comprising antiseptic liquid, soaps and handwash

continue to gain increasing consumer franchise and enhance market standing. During the quarter, the Business launched a new brand campaign for Savlon – 'Bharosa Maa Sa' – reinforcing the core brand promise of performance power and the healing touch of mothers.

The Business continued to leverage innovative brand campaigns - 'Vivel Ab Samjhauta Nahin' and 'Savlon Swasth India Mission' - towards deepening consumer engagement. Savlon Swasth India Mission, anchored on the 'Healthier kids, Stronger India' proposition was launched last year and has since covered more than 3700 schools benefitting over 1.7 million children. The unique and innovative 'Healthy Hands Chalk Sticks' initiative, rolled out as part of the Mission received international acclaim winning seven Cannes Lions in 2017 for creative excellence in advertising and communication. Building on the success of the 'Healthy Hands Chalk Sticks', the Business launched 'Savlon ID Guard' initiative during the quarter. The initiative leverages Savlon multi-use handwash sachet to enhance convenience and induce children into the habit of washing hands and has been piloted in 32 schools and will be rolled out to over 1000 schools in the ensuing months.

'Charmis' moisturising skin cream, launched during the previous quarter, also received encouraging response in launch markets.

During the quarter, state-of-the-art owned integrated consumer goods manufacturing facilities at Panchla (West Bengal) and Kapurthala (Punjab) commenced operations. Steady progress is being made towards development of other such facilities which are expected to be commissioned in the near to medium term.

Cigarettes

Legal cigarette industry volumes remained under severe pressure due to sharp increase in tax incidence and intense regulatory pressures.

The sharp upward revision in GST Compensation Cess announced by the GST Council at its meeting on 17 July 2017 exacerbated the situation. While the intention of the Government was to correct an apparent anomaly in cigarette taxation under the new tax regime announced earlier on account of the removal of the cascading effect of Excise Duty which existed in the pre GST regime, the upward revision resulted in significantly higher tax incidence on cigarettes compared to the pre GST scenario which is not in keeping with the fundamental principle of revenue neutrality. In fact, the combined impact of increase in Excise Duty announced by the Union Budget 2017 and the revision in GST Compensation Cess as aforesaid resulted in an incremental tax burden of over 20% on the Company. It is pertinent to note that the cumulative growth in tax incidence on cigarettes, after cognising for the latest increase in Cess rates, stands at a staggering 202% since 2011-12, i.e. the last 6 years.

As reported in the previous quarter, the Business also had to contend with additional costs due to non-availability of Additional Duty Surcharge credit on transition stocks and the unanticipated revision of GST Compensation Cess w.e.f. 18 July 2017 which impacted pipeline stocks.

It is apprehended that the sharp increase in tax incidence as aforesaid will severely undermine the legal cigarette industry and adversely impact tobacco farmers. According to an independent study conducted by Euromonitor International, India is today the 4th largest market for illegal cigarettes in the world. It is estimated that nearly 68% of the tobacco consumed in the country remains outside the tax net on account of evasion [Report on the impact of current tax framework on the tobacco sector in India and suggestions for its improvements - 2014, by ASSOCHAM and KPMG]. The proliferation of these tax-evaded products has resulted in losses exceeding Rs. 9000 crores per annum to the Exchequer, according to an independent study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI).

As reported earlier, the significant decline in legal cigarette volumes and the consequent reduction in the utilisation of Indian Flue-cured Virginia (FCV) tobacco has adversely impacted the livelihoods of over 45 million tobacco farmers, farm workers and others dependent on the tobacco sector. Besides, the soft demand for Indian FCV tobacco has prompted consecutive reductions in the authorised tobacco crop size in 2015-16 and 2016-17. This, in turn, has also led to lower exports of tobacco. In fact, since 2013-14, annual earnings of the tobacco farming community has shrunk by more than Rs. 1,500 crores due to drop in offtake of tobacco for the manufacture of domestic legal cigarettes.

It is pertinent to note that although legal cigarettes account for only about 11% of total tobacco consumption in the country, they contribute over 87% of tax revenue from the tobacco sector. Unfortunately, the taxation policy of the country is largely cigarette-centric and based on western models of tobacco taxation. The Company continues to engage with policy makers for a tobacco taxation policy that is non-discriminatory, helps combat the problem of illegal cigarettes and addresses the issues of all stakeholders, particularly the tobacco farmers, the Exchequer and consumers. Such a policy will not only facilitate maximisation of the revenue potential of tobacco even in a shrinking basket of tobacco consumption but also address the tobacco control and health objectives of the Government.

The Company's writ petition challenging the Cigarettes and Other Tobacco Products (Packaging and Labelling) Amendment Rules, 2014 ("2014 Rules") was allowed by the Hon'ble High Court of Karnataka by its Judgment and Order dated 15 December 2017, which held the 2014 Rules to be unconstitutional. The Government has since filed a Special Leave Petition in which the Hon'ble Supreme Court, by an Order dated 08 January 2018, stayed the Judgment and Order of the Karnataka High Court. The 2014 Rules, which came into force with effect from 01 April 2016, had increased the warning size to 85% on both sides of the packages (from the previous regime of 40% of the front panel), with more gruesome images.

Hotels

Increase in ARR, robust growth in Food & Beverage revenue aided Segment Revenue to grow by 10% on a comparable basis during the quarter. Improvement in room rates and operating leverage aided faster growth of appx. 30% in Segment Results notwithstanding

gestation costs of ITC Grand Bharat and the recently commissioned WelcomHotel Coimbatore.

Steady progress was made during the quarter in the construction of ITC Hotels at Hyderabad, Kolkata & Ahmedabad and WelcomHotels in Guntur and Bhubaneswar.

Agri Business

Performance during the quarter was impacted by shortage of leaf tobacco in Andhra Pradesh due to successive reductions in authorised crop size exacerbated by drought in 2016 which also affected quality, relative strength of the Indian Rupee vis-à-vis currencies of competing origins, lower export incentives and limited trading opportunities in other agri-commodities.

During the quarter, the Business forayed into the Fruits & Vegetables segment with the launch of a range of differentiated variants of potatoes - 'Naturally Low Sugar', 'Natural Antioxidant', 'Baby Potatoes' and 'French Fry Potatoes' - in select markets under the 'Farmland' brand. Farmland potatoes are distinguished by their even grading, superior quality & consistency, good taste along with the assurance of safety and nutrition value. The Business also launched dehydrated onion flakes under the 'ITC Master Chef Smart Onions' brand for the institutional segment. The product, a first-of-its-kind in India, offers convenience and consistent quality along with lower oil absorption. Plans are on the anvil to roll out the product in consumer packs in the ensuing months.

Paperboards, Paper & Packaging

Segment Results registered healthy growth due to higher volumes, imported pulp substitution and benign input costs. Segment Revenue, however, remained muted on account of subdued demand environment prevailing in the FMCG and legal Cigarette industry, surplus capacity in the domestic industry along with zero duty imports under Free Trade Agreement with ASEAN countries and cheap imports from China.

Operations of the Bleached Chemical Thermo Mechanical Pulp mill (BCTMP), recently commissioned by the Business, stabilised during the quarter with further improvement in capacity utilisation. Capacity expansion projects in the Value Added Paperboard and Décor segments are nearing completion.

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 can be viewed at a glance in the following chart:

Intervention Areas	Unit of Measurement	Cumulative till date
Social and Farm Forestry	Lakh Acre	6.82
Soil and Moisture Conservation Programme	Lakh Acre	8.48
Sustainable Agricultural Practices Compost Units	Number	36,589
Sustainable Livelihoods Initiative Cattle Development Centres Animal Husbandry Services	Number Artificial Inseminations (in lakhs)	228 21.62
Economic Empowerment of Women Ultra Poor Women covered Self Help Group Members Livelihoods created	Number Number Number	18,833 37,040 59,765
Primary Education Children covered	Number (in lakhs)	5.54
Health and Sanitation Low Cost Sanitary Units Households covered under Solid Waste Management	Number Number	29,359 78,529
Vocational Training Students Enrolled	Number	52,325

The Board of Directors, at its meeting in Kolkata on 19th January 2018, approved the financial results for the quarter ended 31st December 2017, which are enclosed.


(Nazeeb Arif)
Executive Vice President
Corporate Communications