



ITC Limited
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23rd January, 2019

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.
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 – Media Statement

Further to our letter dated 23rd January, 2019 forwarding the Unaudited Financial Results of the Company for the Quarter and Nine Months ended 31st December, 2018, we now enclose a copy of the Media Statement issued by the Company on the subject.

Yours faithfully,
ITC Limited

(R. K. Singhi)
Executive Vice President &
Company 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



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Media Statement

January 23, 2019

Highlights

Robust growth in Gross Revenue; up 15.1%

**Post tax profit (before exceptional items) up 13.8%;
highest growth in 17 quarters**

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- **FMCG-Others Segment continues to perform well with most major categories enhancing their market standing.**
 - **Robust growth in Segment EBITDA - up 42% to Rs 173 crores**, driven by enhanced scale, product mix enrichment and cost management initiatives, notwithstanding increase in input costs, sustained investments in brand building, gestation cost of new categories and start-up costs of new facilities.
 - **Robust underlying growth of 29% in Hotels Segment results excluding gestation cost of new properties.** Recently commissioned hotels - ITC Kohenur and ITC Grand Goa, Resort & Spa, continue to receive excellent response from discerning guests, setting new standards in service excellence.
 - **Paperboards, Paper & Packaging Segment Profit up 24% 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.**
 - **Trading opportunities in Wheat, Coffee, Oilseeds and Aqua along with enhanced focus on value-added portfolio drive Agri Business Revenue growth.** Steeper depreciation in currencies of competing origins in recent years, subdued demand for leaf tobacco in international markets along with leaf cost escalation pertaining to Andhra 2017 crop continue to weigh on Segment Results.
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Gross Revenue for the quarter stood at Rs. 11340.15 crores, representing a growth of 15.1% driven mainly by FMCG-Others, Agri Business and Paperboards, Paper & Packaging. Profit after Tax before considering exceptional items, grew by 13.8% - a 17-quarter high. Total Comprehensive Income stood at Rs. 3637.01 crores (previous year Rs. 3177.06 crores).

FMCG-Others

The **FMCG-Others Segment** posted a steady performance during the quarter with Revenue growing by 11.5% led by Atta, Snacks, Premium cream Biscuits and Noodles 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. Growth in overall Segment Revenue was partially impacted by the ongoing restructuring of the Lifestyle Retailing Business and structural changes pertaining to the timing of trade promotions in the Matches and Agarbatti Business.

Segment EBITDA at Rs. 173.38 crores posted strong growth of 42% on the back of enhanced scale, product mix enrichment and cost management initiatives, notwithstanding increase in input costs, sustained investments in brand building, gestation costs of new categories and start-up costs of new facilities.

The **Branded Packaged Foods Businesses** sustained its high growth trajectory with most major categories recording improvement in market standing.

- In the **Staples, Snacks and Meals Business**, 'Aashirvaad' atta consolidated its leadership position across markets maintaining its strong growth momentum. Increasing consumer traction, anchored on innovative and differentiated variants, continues to drive growth in the Snacks portfolio led by 'Bingo!' potato chips and Tedhe Medhe. In the Instant Noodles category, product portfolio stood augmented with the launch of YiPPee! 'My' range noodles. Available in four exciting variants, the 'My' range has been crafted keeping in mind the taste preferences of young adults. The products have received encouraging response and are being rolled out to target markets.
- In the **Confections Business**, Dark Fantasy Choco Fills continue to witness impressive growth driven by superior product attributes, focused communication, efficient distribution and consumer activation. During the quarter, the Biscuits portfolio stood expanded with the launch of 'Sunfeast' Mom's Magic Choco Chip and two crispy variants of Sunfeast Snacky – "Masala Twist" and "Something Else!". The Business also launched 'Candyman' Fantastik, a crispy wafer roll filled with luscious choco creme, in the Confectionery segment which has received encouraging response from target consumers.
- In the **Dairy & Beverages Business**, product portfolio was augmented with the launch of Sunfeast 'Wonderz Milk' in three exciting formats (Fruit 'n' Milk, Shakes and NutShakes) in select markets. Made with real fruit and badam bits, Sunfeast Wonderz promises to take the consumers on an exciting taste adventure to discover the wonders of milk. The Business also expanded its fresh dairy footprint with the launch of 'Aashirvaad Svasti' milk and dahi in Kolkata. The products are made using highest quality milk procured through a superior sourcing network leveraging the expertise of the Company's Agri Business and processed using a special "Taste-Up" process that makes the milk Richer, Thicker and Tastier.



- During the quarter, the 'Fabelle' range of chocolates was augmented with the launch of several delectable variants. In the boxed chocolate range, the Business launched Ruby Gianduja - a blended chocolate with rich Turkish hazelnut paste which offers a delightful experience to chocolate enthusiasts and connoisseurs. The luxury chocolate bars range was further strengthened with the launch of Rocky Road, a crunchy chocolate bar filled with nuts, delectable dry fruits and crispy cereals. The quarter also marked the launch of a range of premium chocolate bars, crafted in two unique formats - Centre Filled bars (Fabelle Soft Centres) and Multi Layered bars (Fabelle Choco Deck). Priced in the range of Rs.65-Rs.160 per pack, these products are currently available in select retail and modern trade outlets in Bengaluru.

The **Personal Care Products Business** continued to scale up led by fragancing products, liquids (handwash and bodywash) and the 'Nimyle' range of herbal floor cleaners. In the Fragrancing category, the highly innovative range of pocket perfumes, designed to drive on-the-go consumption, continued to grow strongly despite intense competitive activity in recent months. The 'Dermafique' range of premium creams, cleansing and toning products, launched in the previous quarter stood expanded with the introduction of two new variants, Acne Avert [Cleansing Mousse] and Night Replenish [Body Serum]. 'Nimyle' recorded robust growth in existing markets in East and was extended to new markets in South.

The Business continued to focus on deepening consumer engagement through innovative brand campaigns in conventional and social media platforms. 'Charmis' range of skin creams relaunched in the previous quarter with a fresh look and enhanced sensorial experience has been well received by discerning consumers.

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. Capacity utilisation at ICML Trichy, commissioned in September'18, was scaled up progressively during the quarter. Further, the manufacturing capability of ICML Kapurthala was augmented with the commissioning of new state-of-the-art lines for Juices/Milk based beverages.

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.

The legal cigarette industry, already reeling under the cumulative impact of steep increase in taxation over the previous five years and intense regulatory pressures, was further impacted by a sharp increase of 13% in tax incidence on cigarettes (19% increase for the king-size filter segment) under the GST regime. Coupled with the increase in Excise Duty rates announced in the Union Budget 2017, this resulted in an incremental tax burden of over 20% on the Cigarette Business post implementation of GST.

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, adversely impacted 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.

Segment Results during the quarter include the impact of escalation in input costs largely on account of consumption of higher cost leaf tobacco crop and increased salience of capsule cigarettes in the sales mix.

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 delivering world-class products to Indian consumers. The Business continues to provide superior and innovative offerings based on consumer preferences. Some of the key recent interventions include the launch of innovative variants viz., 'Classic' Rich & Smooth (triple segment filter with superior filtration), Classic Verve low smell (demi slim format), 'Hollywood' (triple segment filter) and 'Flake' Taste Pro (dual segment filter).

Hotels

The Business recorded a healthy growth in Segment Revenue during the quarter driven by improvement in ARR. Operations at the recently commissioned hotels - ITC Kohenur (commissioned in Q1 FY19) and ITC Grand Goa, Resort & Spa (commissioned in October'18) - were scaled up, receiving excellent reviews from discerning guests and raising the bar of service excellence. The iconic culinary brands of ITC Hotels viz. Dum Pukht, Bukhara, Kebabs & Kurries, Peshawri, Avartana, Ottimo, Royal Vega, continue to delight customers with their delectable offerings. The newer brands - Dum Pukht Begum's, Tempero and Yi Jing have received encouraging response from discerning guests.

The Business made steady progress during the quarter in the construction of ITC Hotels at Kolkata & Ahmedabad and WelcomHotels in Amritsar, Guntur & Bhubaneswar.

Agri Business

Market opportunities in Wheat and Oilseeds along with enhanced focus on value-added portfolio, especially Coffee, Spices and Aqua, resulted in robust growth in revenue during the quarter. However, in the leaf tobacco vertical, subdued demand for leaf tobacco in international markets, relatively steeper depreciation in currencies of competing origins in recent years along with leaf cost escalation pertaining to Andhra 2017 crop continued to weigh 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 support the growing requirements for Aashirvaad atta delivering substantial savings to the system through deep farmer engagement, sourcing the right wheat varieties, 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.

Agri Business also supports the Dairy portfolio through 360-degree farmer-connect programme involving extension services towards enhancing farm productivity and a hygienic and efficient procurement network.

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 packaged prawns, fruit puree, fresh fruits and vegetables and dehydrated onions under the 'ITC Master Chef' and 'Farmland' brands. The recently launched range of Frozen snacks products comprising ten variants of vegetarian and non-vegetarian snacks under the ITC Master Chef brand have received encouraging consumer traction in the launch markets and are being scaled up.

Paperboards, Paper & Packaging

Segment Revenue growth of 20.5% was driven by strong demand and capacity augmentation in Value Added Paperboard and Décor segments. Segment Results registered a healthy growth of 23.8% 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 during the year. 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 previous quarter, adding 1.5 lakh TPA value-added paperboard capacity. Capacity utilisation of this machine was further ramped up during the quarter. The rebuilt paperboard machine incorporates state-of-the-art technologies and enables manufacture of best-in-class coated boards delivering globally benchmarked parameters across the vectors of light-weighting and bulk improvement.

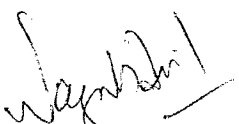
Contribution to Sustainable Development

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 is given in the table below:

Intervention Areas	Unit of Measurement	Cumulative till date
Social and Farm Forestry	Lakh Acres	7.20
Soil and Moisture Conservation Programme	Lakh Acres	9.68
Sustainable Agricultural Practices Compost Units	Number	39,280
Sustainable Livelihoods Initiative Cattle Development Centres	Number	157
Animal Husbandry Services	Artificial Inseminations (in lakhs)	23.17
Economic Empowerment of Women Ultra Poor Women covered	Number	20,690
Self Help Group Members	Number	40,933
Livelihoods created	Number	62,312
Primary Education Children covered	Number (in lakhs)	6.01
Health and Sanitation Low Cost Sanitary Units	Number	33,950
Households covered under Solid Waste Management	Number	157,512
Vocational Training Students Enrolled	Number	63,834

The Board of Directors, at its meeting in Gurugram on 23rd January 2019, approved the financial results for the quarter ended 31st December 2018, which are enclosed.


(Nazeeb Arif)
Executive Vice President
Corporate Communications