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Financial Results for the Quarter ended 31st December, 2014

21 Jan 2015

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Financial Results for the Quarter ended 31st December, 2014

Highlights

Q3 FY15 PBT at Rs. 3800 crores up 10.5%
Underlying growth in PBT for 9 months ended 31st December 2014 at 15.2%
Muted growth in FMCG-Cigarettes Segment Revenue and profit due to steep increase in Excise Duty and VAT.
FMCG- Others Segment registers a healthy revenue growth of 11.4% amidst continuing weakness in discretionary demand
Hospitality industry continues to be impacted by weak performance. Segment Results for the quarter include additional depreciation charge due to revision in useful life of fixed assets in accordance with Companies Act 2013 and gestation cost
Lack of trading opportunities in Soya impacts Agri Business revenue growth. Robust growth in profit driven by improved realisations
Paperboards, Paper & Packaging Segment Revenue and profit impacted by slowdown in the FMCG and Cigarettes industry for the quarter ended 30th June 2020



Green shoots up the farmland
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The Company's performance for Q3 FY15 reflects, inter alia, the full impact of the steep hike in Excise Duty on cigarettes announced in the Union Budget 2014 and sharp increases in VAT on cigarettes by Tamil Nadu, Kerala and Assam effected during the quarter. Cigarette Segment Revenue, as a consequence, remained flattish during the quarter compared to same period last year. This, coupled with a degrowth in Agri Business revenue - primarily due to lack of trading opportunities in Soya - led to a muted growth of 2.1% in Net Revenues for the quarter. Profit Before Tax at Rs. 3800.19 crores and Net Profit at Rs. 2635.00 crores, registered a growth of 10.5% each during the quarter. Earnings Per Share for the quarter stood at Rs. 3.30.

FMCG-Others (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#fmcg)| **Cigarettes** (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#cigaret)| **Hotels** (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#hotel)| **Agri Business** (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#agri)
Paperboards, Paper & Packaging (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#paper)| **Contribution to Sustainable Development** (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#cont)

FMCG-Others

The **Branded Packaged Foods Businesses** posted a healthy growth in revenues and enhanced market standing across categories by leveraging its portfolio of differentiated and innovative products.

In the **Staples, Spices and Ready-to-Eat Foods** Business, 'Aashirvaad' atta sustained its high growth trajectory, consolidating its leadership position across markets. The premium variants - 'Multi-grain' and 'Select' - continued to perform strongly with their share in sales mix increasing progressively.

The **Snack Foods** Business recorded robust growth in revenue with the 'Bingo!' range of savoury snacks rapidly gaining consumer franchise. 'Bingo! Yumitos' potato chips and finger snacks sub-brands - 'Tedhe Medhe' and 'Mad Angles' - were the key growth drivers 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 **Bakery and Confectionery Foods** Business launched '**Sunfeast Yumfills Whoopie pie**' - a premium chocolate-enrobed cake - in select markets. The product has met with encouraging consumer response and is being rolled out to target markets. The recently launched '**Sunfeast Mom's Magic**' range of premium cookies witnessed good traction and garnered impressive consumer franchise in target markets.


The **Personal Care Products** Business continued to make steady progress in the Personal Wash and Deodorants categories. The 'Engage' range of deodorants, including the recently launched Cologne variants, continued to receive good response from consumers and grew at a rapid pace during the quarter.

Cigarettes

The challenging operating environment for the legal cigarette industry in India was exacerbated by the steep increase in Excise Duty announced in the Union Budget 2014 - the third year in a row. This includes a sharp increase of 72% on filter cigarettes of 'length not exceeding 65 mm', which has widened the price differential between legal and illegal cigarettes and made it extremely difficult for the legal cigarette industry to counter the unabated growth of illegal cigarettes in the country.

Over the last 3 years or so, the incidence of Excise Duty and VAT on cigarettes, at a per unit level, has gone up cumulatively by 75% and 165% respectively. It is pertinent to note that Kerala, Tamil Nadu and Assam, which together accounted for nearly 30% of the Company's sales volumes, have significantly increased VAT rate on cigarettes with effect from October 8th 2014, November 1st 2014 and November 20th 2014 respectively.

 Combined impact of the sharp increase in Excise Duty on cigarettes and the rise in VAT on cigarettes in Kerala, Tamil Nadu and Assam has adversely impacted the sales volumes. Besides adversely impacting the sales volumes, this has also led to a significant erosion of the revenue potential from the tobacco sector.
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 As stated above is exerting quarter on quarter pressure on the legal cigarette industry, this has led to a significant erosion of the revenue potential from the tobacco sector.
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 Green shoots are starting to appear in the legal cigarette industry, this has led to a significant erosion of the revenue potential from the tobacco sector.
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A recent Government notification, to be effective from April 1st 2015, mandates larger graphic health warnings covering 85% of the surface area of both sides of the pack as compared to the current requirement of covering 40% of the area of one side of the pack. The proposed graphic health warnings are amongst the most stringent in the world and far larger than the top 5 cigarette markets viz. China, Russia, Indonesia, USA and Japan. This would lead to a spurt in sale of illegal cigarettes which will not carry the new warnings.

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 88% of total tobacco consumption in the country. Thus, the share of legal cigarettes in overall tobacco consumption has progressively declined from 21% in 1981-82 to below 12% in 2013-14 even as overall tobacco consumption has increased in India.

Such punitive taxation and discriminatory regulatory regime has also led to a manifold rise in illegal cigarette trade in the country. According to Euromonitor International, a renowned global research organisation, India is now the 5th largest illegal cigarette market in the world. In fact, illegal trade (comprising international smuggled and domestically manufactured tax evaded cigarettes) is estimated to constitute one-fifth of the overall cigarette industry in India resulting in a huge revenue loss of over Rs.7000 crores to the national exchequer.

There is an urgent need for stability in tax rates on cigarettes to reverse the undesirable consequences of a punitive and discriminatory tobacco taxation policy. 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.

TOP (/media-centre/press-releases-content.aspx?id=1549&type=C&news=Financial-Results-for-the-Quarter-ended-31st-December-2014#link)

Hotels

The Hotels industry continued to be impacted by a weak pricing scenario in the backdrop of excessive room inventory in key domestic markets. While Segment Revenue registered a growth of 4.7%, Segment Results were impacted by 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 and gestation costs of new properties - ITC Grand Bharat and My Fortune, Bengaluru.

During the quarter, the Company unveiled its latest offering in the super premium segment - ITC Grand Bharat near Gurgaon. Envisioned as a supreme leisure getaway destination, this sprawling 'Luxury Collection' resort is situated in an idyllic expanse amidst the Classic Golf Resort - a 27-hole Jack Nicklaus designed signature golf course - surrounded by the majestic Aravalis and dotted with pristine lakes. ITC Grand Bharat promises to deliver the finest luxury experience to guests with 100 Deluxe Suites and 4 Presidential Villas, a wide range of fine dining restaurants, signature spa 'Kaya Kalp -The Royal Spa', a host of recreational and cultural activities and a world-class meeting/ banqueting venue.




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Agri Business

During the quarter, Segment Revenue degrew by 10.6% primarily due to lack of trading opportunities in Soya due to higher crop output in USA, Brazil and Argentina. Segment Results, however, recorded a growth of 16.3% on the back of improved realisations mainly in Leaf Tobacco.

Paperboards, Paper & Packaging

The Paperboards, Paper & Packaging segment was impacted by the slowdown in the FMCG and Cigarette industry. Consequently,


 <p>Revenue and profit were impacted during the quarter. Celebrates #WomensEqualityDay with #VoiceOfArt. ITC completed its pulp mill expansion project at the Shadipur unit. The facility is currently under commissioning.</p>	 <p>Financial Results for the Quarter ended 30th June, 2020. ITC is augmenting inhouse capacity by 30,000 tonnes per annum. (/media-centre/press-releases-content.aspx?id=2302&type=C&news=standalone-financial-results-for-the-quarter-ended-30th-june-2020)</p>	 <p>Green shoots up the farm. (/media-centre/press-releases-content.aspx?id=2315&type=C&news=itc-taking-up-the-farm)</p>
<p>Contribution to Sustainable Development</p>		


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	
Soil and Moisture Conservation Programme	Hectare	194,955 171,626
Sustainable Agricultural Practices	Number	
Compost Units		22,289
Sustainable Livelihoods Initiative		
Cattle Development Centres	Number	256
Animal Husbandry Services	Artificial Insemination doses (in lakhs)	15.03
Economic Empowerment of Women	Persons	
Self Help Group Members	Persons	
Livelihoods created		22,072 42,819
Primary Education	Children (in lakhs)	
Beneficiaries		4.00
Health and Sanitation	Number	
Low Cost Sanitary Units		5,676
Vocational Training	Number	
Students Enrolled		15,083

The Board of Directors, at its meeting in Kolkata on 21st January 2015, approved the financial results for the quarter ended 31st December 2014, which are enclosed.


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[Exemplar in](#)
[Sustainability](#)
[ITC Research and Development](#)
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[Shareholder Value](#)
[ITC Apps](#)

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[Goods \(FMCG\)](#)
[Hotels](#)
[Paperboards & Specialty Papers](#)
[Packaging](#)
[Agri Business](#)
[Information Technology](#)
[Group Companies](#)

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[Corporate Social Responsibility](#)
[Environment, Health & Safety](#)
[ITC Sustainability Policies](#)
[ITC CSR Policy](#)
[ITC Impact Studies](#)

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