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Financial Results for the Quarter ended 30th June, 2015

30 Jul 2015

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Financial Results for the Quarter ended 30th June, 2015

Highlights

FMCG-Others Segment registers revenue growth of 12.2% amidst subdued demand conditions.  
Legal cigarette industry volumes remain under severe pressure even as illegal trade grows unabated.  
Hotels segment registers a healthy revenue growth of 15.7% driven by strong growth in room occupancies and Food & Beverage  
venues. Segment Results include the impact of gestation of ITP Grand Bharat commissioned in November 2014.  
Agriculture Segment Revenue impacted by lack of trade opportunities in wheat & soy. However, Segment Profits up 10% on account of superior product mix and higher realisations.  
Paperboards, Paper & Packaging Segment impacted by the continuing slowdown in the FMCG and Cigarette industry, reduction of import duty under various regional Free Trade Agreements.



The Company's performance during the quarter was subdued reflecting the unprecedented pressure on legal cigarette industry volumes, sluggish demand conditions prevailing in the FMCG industry and lack of trading opportunities in wheat and soya. Net Revenue for the quarter stood at Rs. 8505.53 crores. Profit Before Tax at Rs. 3432.23 crores and Net Profit at Rs. 2265.44 crores registered a growth of 5.1% and 3.6% respectively during the quarter. Earnings Per Share for the quarter stood at Rs. 2.83.

**FMCG** (/media-centre/press-releases-content.aspx?id=1598&type=C&news=Financial-Results-for-the-Quarter-ended-30th-June-2015#fmcg)| **Cigarettes** (/media-centre/press-releases-content.aspx?id=1598&type=C&news=Financial-Results-for-the-Quarter-ended-30th-June-2015#cigaret)| **Hotels** (/media-centre/press-releases-content.aspx?id=1598&type=C&news=Financial-Results-for-the-Quarter-ended-30th-June-2015#hotel)

**Paperboards, Paper & Packaging** (/media-centre/press-releases-content.aspx?id=1598&type=C&news=Financial-Results-for-the-Quarter-ended-30th-June-2015#paper)| **Agri Business** (/media-centre/press-releases-content.aspx?id=1598&type=C&news=Financial-Results-for-the-Quarter-ended-30th-June-2015#agri)

## FMCG-Others

The **Branded Packaged Foods Businesses** posted healthy growth in revenues during the quarter, despite sluggish demand conditions and regulatory challenges in the Instant Noodles category.

- In the **Staples, Snacks and Meals Business**, 'Aashirvaad' atta sustained its high growth trajectory consolidating its leadership position across markets. The 'Bingo!' range of snack foods registered robust growth driven by the finger snacks portfolio comprising the 'Mad Angles', 'Tangles' and 'Tedhe Medhe' sub-brands. The 'Bingo! Yumitos' potato chips portfolio also gained strong traction in the market. In the **Instant Noodles** category, while sales of 'Sunfeast YiPPee!' noodles recorded robust growth in the initial part of the quarter, regulatory issues largely pertaining to a competitor's products impacted sales in recent weeks. It is pertinent to note that Sunfeast YiPPee! noodles are manufactured in state-of-the-art facilities complying to strict quality and hygiene norms. Stringent tests are conducted at ITC's internal world-class laboratories as well as at external laboratories which are FSSAI-approved and also NABL-accredited. In all these tests, Sunfeast YiPPee! noodles have been found to be in compliance with all food safety regulations.


- In the **Confections Business**, the recently launched 'Mom's Magic' premium cookies and 'Yumfills Whoopie Pie' continue to garner increasing consumer franchise. Market standing of the 'Sunfeast Bounce' range of cream biscuits improved further during the quarter with the brand consolidating its position as the largest selling cream brand in the country thereby sustaining the Company's leadership position in the overall creams segment. The Business also migrated the popular range of cookies under a new sub-brand 'HiFi' for sharper positioning in the market.

- The 'B Natural' range of juices, which is now available across all target markets, has garnered impressive consumer franchise in a relatively short span of time. The Company seeks to leverage its agri-sourcing expertise and deep distribution reach to scale up the brand going forward.


During the quarter, the **Personal Care Products Business** posted robust revenue growth driven by improved volumes and enriched mix in the Personal Wash and Deodorants categories. The Business augmented its product portfolio with the launch of 'Vivel Neem' in the Personal Wash category and several variants in the Skin Care category under the 'Vivel Cell Renew' brand aimed at addressing specific consumer needs. The recently acquired trademarks 'Savlon' and 'Shower to Shower' have been fully integrated with the existing operations of the Business.

## Cigarettes

The performance of the Cigarette business during the quarter reflects the extremely challenging operating environment for the legal cigarette industry in India which is facing unprecedented pressure on sales volumes. The punitive taxation regime on legal cigarettes in India was exacerbated with two rounds of sharp increase in Excise Duty – in July 2014 and February 2015. This includes a cumulative increase of 115% 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.

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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 2014-15 even as overall tobacco consumption has increased in India. Besides adversely impacting the performance of the legal cigarette industry, this has led to sub-optimisation of the revenue potential from the tobacco sector.

According to a recent independent study, it is estimated that products representing 68% of overall tobacco consumption in the country escape taxation as they are manufactured in the unorganised sector with little statutory oversight. As a result, revenue collections from the tobacco sector are sub-optimised even as the overall tobacco control and health objectives remain substantially unfulfilled. The requirement therefore is an India-centric tax and policy framework for tobacco that cognises for the unique tobacco consumption pattern in the country.

The imposition of discriminatory and punitive VAT rates by some States provides an attractive tax arbitrage opportunity for illegal cigarette trade by criminal elements. The consequential decline in legal cigarette volumes in such States has led to stagnation/decline in revenue collections, even as illegal cigarettes gained significant traction. On the other hand, the pragmatic decisions of several State Governments to rationalise VAT on cigarettes have facilitated improvement in revenue buoyancy and arresting the growth of illegal trade.

According to an independent study conducted by Euromonitor International - a renowned global research organisation - India is now the 5th largest market for illegal cigarettes in the world. In fact, illegal trade comprising smuggled foreign 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 per annum 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 continues 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 maximise the revenue potential from the tobacco sector and contain the growth of the illegal segment.

## Hotels

The hospitality sector continues to be adversely impacted by a weak pricing scenario in the backdrop of excessive room inventory in key domestic markets and sluggish macroeconomic environment both in India and key source markets. Despite a challenging operating environment, the Business recorded robust growth in revenue driven by improved room occupancies and strong growth in the Food & Beverage segment.

Segment Results remained muted during the quarter, reflecting gestation costs of the recently commissioned ITC Grand Bharat, Gurgaon and higher depreciation charge due to revision in useful life of fixed assets in accordance with Schedule II of the Companies Act 2013 with effect from 1st April 2014.

Construction activity at the luxury hotel projects in Kolkata and Hyderabad is progressing satisfactorily. Requisite approvals are also in place to commence excavation works for the construction of a luxury hotel - ITC Narmada - in Ahmedabad.

## Agri Business

Segment Revenue during the quarter was impacted by the lack of export opportunities in wheat and soya. While export of Indian wheat was adversely impacted by lower international prices and poor quality due to unseasonal rains, soya trading opportunities were constrained due to adverse price parity in view of higher crop output in major origins. Robust growth in leaf tobacco exports, on the back of new business development and strengthening trade with existing customers, partially mitigated the impact.

Segment Results, on the other hand, recorded strong growth on the back of superior product mix and improved realisations leading to significant improvement in Return on Capital Employed.

The Business continued to provide strategic sourcing support to the Company's Cigarette business and leverage its deep rural

to source superior quality wheat and soya. Backed by the #VoiceOfArt campaign, the Business has been successful in driving the quality of its products. Watch the video to learn more about the campaign.



(/stories-non/vivel.aspx)  
Paperboards, Paper & Packaging



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The Paperboards, Paper & Packaging segment continued to be impacted by the slowdown in the FMCG and Cigarette industry. Reduction of import duties under various Free Trade Agreements, especially with ASEAN which became effective from 1st January 2014, also weighed on the performance of the domestic Paper and Paperboard industry. Cheap imports from China also impacted the domestic industry. Consequently, Segment Revenue and profit were impacted during the quarter.

The recently completed in-house pulp mill expansion project has been fully operationalised and is performing optimally. To further reduce the dependence of imports, the Business has embarked on setting up India's first Bleached Chemical Thermo-Mechanical Pulp mill at its Bhadrachalam unit. The project is progressing as per schedule.

In the Packaging & Printing Business, capacity and capability in cartons and flexibles manufacturing is being augmented at both its plants in Chennai and Haridwar. These interventions are expected to be completed shortly.

### 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
<b>Total Districts Covered</b>	Number	<b>71</b>
<b>Social and Farm Forestry</b>	Hectare	<b>198,363</b>
<b>Soil and Moisture Conservation Programme</b>	Hectare	<b>212,282</b>
<b>Sustainable Agricultural Practices</b>	Number	<b>24,595</b>
Compost Units		
<b>Sustainable Livelihoods Initiative</b>		
Cattle Development Centres	Number	<b>256</b>
Animal Husbandry Services	Artificial Inseminations (in lakhs)	<b>15.95</b>
<b>Economic Empowerment of Women</b>	Persons	<b>24,484</b>
Self Help Group Members	Persons	<b>45,183</b>
Livelihoods created		
<b>Primary Education</b>	Children ( in lakhs)	<b>4.22</b>
Beneficiaries		
<b>Health and Sanitation</b>	Number	<b>8,353</b>
Low Cost Sanitary Units		
<b>Vocational Training</b>	Number	<b>22,088</b>
Students Enrolled		

The Board of Directors, at its meeting in Kolkata on 30th July 2015, approved the financial results for the quarter ended 30th June 2015,



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