



ITC Limited
Registered Office
Virginia House
37 J. L. Nehru Road, Kolkata 700 071 India
Telephone : 91 33 2288 9371, 2288 9900
Fax : 91 33 2288 0655

Press Announcement

May 20, 2011

Financial Results for the Year ended 31st March, 2011

Post-Tax Profits up 23%
Total Dividend of Rs. 4.45 per share

Highlights

Net Turnover	:	+ 17%
Pre-tax Profits	:	+ 21%
Post Tax Profits	:	+ 23%

- Q4 Pre-tax profit of Rs. 1837 crores and Post-tax profit of Rs. 1281 crores represents a growth of 22% and 25% respectively.
- Board recommends total Dividend of Rs. 4.45 per share for 2010/11 including a Special Dividend of Rs. 1.65 per share on the occasion of the Company's 100th Annual General Meeting.
- Non-cigarette FMCG segment registers robust revenue growth of 23% and continues to demonstrate improving profitability.
- Hotels business posts robust performance with revenues and profits growing by 18% and 23% respectively.
- Agri business profits up 26% for the year.
- Paper and Pulp investments leveraged to improve value capture. Segment results grow by 20% for the year.
- Hotel business uniquely positioned as the first hotel chain in the world to have all its premium luxury hotels rated at the highest LEED Platinum rating.

- Personal Care Products business received the prestigious "Product of the Year" award for its innovative product launches in three categories viz., Soaps - 'Vivel Deo Spirit', Skin Cream - 'Vivel Active Fair' and Shower Gel - 'Fiama Di Wills Aqua Pulse'.
- ITC's Sustainability Report 2010 adjudged one of the best reports globally in the 'Best Carbon Disclosure' category by CRRA'11 (Corporate Responsibility Reporting Awards '11).

The Company posted yet another stellar performance in its Centenary Year of operations recording an impressive topline growth and high quality earnings reflecting the robustness of its corporate strategy of creating multiple drivers of growth. Gross Turnover for the year grew by 17% to Rs. 30604.39 crores. Net Turnover at Rs. 21167.58 crores grew by 17% primarily driven by a 23% growth in the non-cigarette FMCG businesses, 23% growth in Agri business and 18% growth in the Hotels segment. Pre-tax profits increased by 21% to Rs. 7268.16 crores while Post-tax profits at Rs. 4987.61 crores registered a growth of 23%. Earnings Per Share for the year stands at Rs. 6.49 (previous year - adjusted for Bonus Issue - Rs. 5.34). Cash generated from Operations stood at Rs. 7460 crores during the year, compared to Rs. 6632 crores in the previous year.

For the fourth quarter, Net Turnover at Rs. 5836.26 crores registered a growth of 15% driven by robust performance in Hotels, non-cigarette FMCG businesses and the Paperboard, Paper and Packaging segment. Pre-tax profits at Rs. 1836.77 crores and Post-tax profits at Rs. 1281.48 crores grew at an impressive rate of 22% and 25% respectively over the same quarter last year.

ITC completed 100 years in August 2010. It is a matter of great pride to reflect on the enormous progress made by the Company over the years. The Company today is the leading FMCG marketer in India, the second largest Hotel chain, the clear market leader in the Indian Paperboard and Packaging industry and the country's foremost Agri business player. Additionally, its wholly owned subsidiary is one of India's fastest growing Information Technology companies in the mid-tier segment.

This year, on the occasion of the Company convening its milestone 100th annual general meeting, the Board of Directors is pleased to recommend a Special Dividend of Rs. 1.65 per share (previous year Special Centenary Dividend - adjusted for bonus issue - Rs. 2.75) in addition to a dividend of Rs. 2.80 per share (previous year - adjusted for bonus issue - Rs. 2.25) for the year ended 31st March, 2011. Total cash outflow in this regard will be Rs. 4002 crores (previous year: Rs. 4452 crores) including Dividend Distribution Tax of Rs. 559 crores (previous year: Rs. 634 crores).

Handwritten signature

FMCG

Branded Packaged Foods

The Branded Packaged Foods business continued to expand rapidly with sales recording an impressive growth of 25% over the previous year. During the year, the business focused on enhancing consumer franchise through new product launches, heightened communication and increased levels of consumer promotions.

The impact of a steep increase in input costs was effectively mitigated through a combination of smart sourcing, increased internal efficiencies and cost saving actions across the supply chain, thereby minimizing the cost burden on the consumer.

During the year, the business launched 'Sunfeast Yippee!' noodles in the fast growing 'instant noodles' category in two exciting flavours. 'Sunfeast Yippee!' has received an encouraging consumer response.

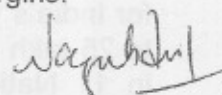
In the Staples business, 'Aashirvaad' atta further consolidated its leadership position during the year. 'Aashirvaad' multigrain atta, launched last year, was well received by consumers and is witnessing significant growth. The business also scaled up its presence in the branded Spices segment during the year with the launch of 'Aashirvaad' rasam and sambhar blended powders in target markets.

In the Biscuits category, 'Sunfeast' recorded significant growth, especially in the value-added and premium end. The 'Sunfeast' range witnessed enrichment and premiumization of its product mix with the re-launch of 'Dark Fantasy' and the introduction of premium 'Dark Fantasy Chocofill' biscuits.

In the Confectionery category, 'Candyman' sustained its market leadership position in the hard boiled segment. The business augmented its product range through flavour extensions with the launch of 'mint-o Gol' orange which was very well received by consumers.

In the Savoury Snacks segment, 'Bingo!' demonstrated robust sales performance during the year and penetrated new markets, gaining further consumer franchise, driven by 360 degree brand inputs and impactful, clutter breaking advertising campaigns.

The business continues to invest in manufacturing and distribution infrastructure to support larger scale in the wake of growing volumes and exploit the benefits of distributed manufacture to service proximal markets. The business continued to focus on supply chain improvements to enhance market servicing and margins.



Personal Care Products

The Personal Care Products business made significant strides in gaining consumer franchise during the year. The business continues to roll out its product offerings under the 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel' and 'Superia' brands and is focused on addressing various consumer benefit segments with the introduction of new variants in the soaps and shampoos categories. The business continues to receive accolades for its product innovation initiatives.

The year saw the successful introduction of 'Vivel Active Fair', the business's newest foray into the growing fairness cream category. In a very short period of time, the brand has garnered a healthy market share in launch markets. 'Fiama Di Wills' with its new 'Aqua Pulse Bath Care' line of shower gel and bathing bar has augmented the brand franchise to men and has been well received in launch markets.

The business grew at a pace distinctly ahead of industry despite extreme competitive pressures from entrenched players. This was achieved through a judicious mix of communicating with consumers through multiple channels, celebrity endorsements, attractive consumer offers to encourage trial purchase and by leveraging the Company's distribution network. This has helped the business garner significant market share in a short span of three years.

The business is positioning itself to actively participate in the emerging growth opportunities in this sector. The business continues to communicate with the consumer through multiple channels, including TV, digital social-networking, print/outdoor advertising, point of sale merchandising, trade schemes, one-on-one consumer interactions, etc.

Education & Stationery Products

The Education & Stationery Products business recorded an impressive sales growth during the year powered by brand 'Classmate' which continued to consolidate its leadership position in student notebooks. Sales of non-paper categories registered an impressive growth of 100% indicating a growing consumer acceptance of 'Classmate' pens, pencils, mathematical instruments, erasers & sharpeners. The year also witnessed the launch of Art stationery under the 'Classmate-Colour Crew' brand.

Brand ambassadors Yuvraj Singh and Soha Ali Khan continued to endorse 'Classmate'. On the occasion of ITC's centenary, the business rolled out the 'Classmate Ideas for India Challenge' (CIIC) – a contest that provided a platform for India's youth to express their ideas for nation building. The event reached out to 25 lakh students across 30 cities and received 60,000 entries that culminated in 11 National Winners. Winning ideas covered potential solutions to India's health, education, water, energy and transportation problems.

The business sources paper and recycled board from the Company's mills at Bhadrachalam and Kovaj respectively. The paper used in 'Classmate' notebooks leverages the Company's world class fibre line at Bhadrachalam which is India's first ozone treated elemental chlorine free facility.

Lifestyle Retailing

During the year, the business consolidated and strengthened its position in the branded apparel market with the presence of 'Wills Lifestyle' expanding to 73 exclusive stores in 40 cities and more than 150 'shop-in-shops' in leading departmental stores. During the year, the premium imagery of the 'Wills Lifestyle' brand continued to be reinforced through its association with the 'Wills Lifestyle India Fashion Week', the country's most prestigious lifestyle event. Under the business's 'Ramp to Racks' initiative, the brand has tied up with leading designers of the country. This initiative has been very well received by consumers and has enhanced the brand's exclusive aura, strengthened its premium standing and deepened its aspirational dimension.

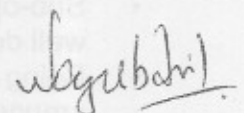
During the year, 'Wills Lifestyle' opened its first Men's luxury store in Chennai offering a comprehensive 'Formals' collection of shirts, trousers, suits & jackets and accessories aimed at the premium business consumer.

In the popular segment, 'John Players' has established a strong pan-India presence with the retail footprint expanding significantly during the year. 'John Players' has become a leading brand in the segment, with new products such as denims, knits and jackets. The continued celebrity association with the popular film star, Ranbir Kapoor, was well received by consumers and further enhanced brand desirability.

Safety Matches

The Safety Matches business sustained its market standing through continued consumer preference for its strong brand portfolio across all market segments. Domestic volumes were impacted during the year as a result of proliferation of cheaper low quality formats in the marketplace. Despite the increased competition, the Company's flagship brand 'Aim', continued to grow.

While steep escalations in the prices of raw materials like wood, paperboard and key chemicals subjected the industry to severe margin pressure during the year, the business mitigated some of the adverse impact through a series of strategic cost management and pricing initiatives.



Incense sticks (Agarbatti)

'Mangaldeep' is currently the second largest national brand in the incense sticks industry. An impressive growth of 54% in sales during the year has further strengthened its market standing. The growth was driven by increasing consumer franchise for the brand combined with enhanced distribution reach and innovative product offerings. During the year the business launched a new variant in the premium category, 'Sarvatra' under the umbrella brand 'Mangaldeep'.

In line with the Company's commitment to the 'Triple Bottom Line', the Agarbatti business provides livelihood opportunities to more than 12,000 persons through small scale entrepreneurs, NGOs and Self Help Groups across India.

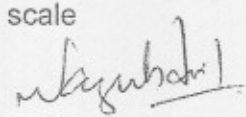
Cigarettes

Disproportionate taxation coupled with a growing incidence of smuggling and illegal manufacture, continue to be the biggest challenge for the Indian cigarette industry. In Western countries, the belief is that loading the cigarette sector with high taxation would lead to a reduction in overall tobacco consumption. This approach, when followed in India is flawed as it overlooks the critical fact that, in India, cigarettes constitute less than 15% of tobacco consumption whilst the larger proportion of tobacco consumption in the country is through other forms such as bidi, khaini, gutkha, zarda etc. These products, over and above being lightly taxed, also avoid substantial taxes by virtue of being products of the unorganised sector. Consequently, cigarettes, despite accounting for a minor portion of tobacco consumption, contribute more than 75% of taxes raised from the tobacco sector.

The problem of discriminatory Central taxation on cigarettes was exacerbated during the year under review with Central Excise Duty on cigarettes increasing by 17% effective March 2010. In addition, many State Governments have been increasing the rate of VAT over the years. These rate increases by the States is completely against the basic tenets of VAT enshrined in the White Paper on VAT issued by the Empowered Committee of State Finance Ministers, wherein it is unequivocally stated – "...the multiplicity of rates in the existing structure will be done away with under the VAT system... Under 4% VAT rate category, there will be the largest number of goods (about 270), common for all States, The remaining commodities, common for all States, will fall under the general VAT rate of 12.5 %."

The Company has, during the year, repeatedly drawn the attention of policy-makers to the fact that

- Sub-optimal taxation practices of States – like differential VAT rates – may well derail the implementation of GST.
- Being highly taxed products, cigarettes are vulnerable to large scale smuggling.



- The differential rate of VAT across the States only encourages unscrupulous tax arbitrage.
- In line with international trends, the contraband trade in cigarettes results in funds flowing in to the coffers of criminal syndicates with consequential detrimental impact on civil society by way of heightened law and order problems.

In fact, in addition to the taxation challenge, the legitimate domestic industry is grappling with another complex problem – the burgeoning illegal trade in cigarettes which, as per recent independent international market studies, accounts for more than 16% of the total industry size. The high rates of Central Excise and VAT has helped fuel the menace of illegal trade in cigarettes. It is estimated that the contraband cigarette trade costs the Exchequer more than Rs. 3,000 crores per annum in lost revenues apart from offering products of dubious and inferior quality to consumers. As per recent independent international market research, India now ranks 6th globally in illicit cigarette trade with one of the highest growth rates in the world - 58% over the period 2004 - 2009.

The year under review also saw unprecedented activity including new brand launches by global cigarette companies trying to gain a foothold in India. The challenges in the market place were met by uncompromising and continuous value creation through innovative and differentiated products and investments in trade marketing and channel engagements.

Inherent expertise in the areas of contemporary product development, cutting edge technology and robust go-to-market processes, combined with the Company's deep consumer insights saw the launch of several new and exciting offers, in line with the strategy of continually meeting emerging consumer needs. 'Lucky Strike' was launched during the year, further enhancing the Company's position at the premium end of the Cigarette industry. 'Classic' and 'Gold Flake' further strengthened their position through the launch of differentiated offers like 'Classic Menthol Rush', 'Gold Flake Sleek Line Kings' and 'Gold Flake Arctic Menthol'. New variants of 'Gold Flake Premium Filter' and 'Players Gold Leaf' were also launched during the year.

Despite the challenging market conditions, the Company remains confident of leveraging its internationally benchmarked product quality, the resilience of its brands and the superiority of its competitive strategies to consolidate its leadership position in the industry.

Hotels

The year witnessed a gradual recovery for the Indian hotels industry after two successive years of decline. The buoyancy, however, was muted on account of several reasons including the run up to the elections in a number of States. Against this backdrop, the business witnessed robust growth of 18% and 23% in Revenues and Pre-Tax profits respectively, reversing the declining trend

witnessed in the last 2 years. The business continues to maintain its leadership position in terms of its operating efficiency with a PBDIT to Net Revenues ratio of 36%.

ITC Gardenia, launched last year, has rapidly established itself as the premier hotel in Bengaluru and delivered profits in its first full year of operations. ITC Mughal at Agra, has undergone a major refurbishment, enriching its ambience. ITC Mughal's award winning 'Kaya Kalp' – The Royal Spa, continues to attract attention and receive accolades from all over the world, resulting in a number of leading international awards.

The business's restaurants 'Bukhara', 'Dum Pukht', 'Dakshin', 'Kebabs & Kurries', 'Pan Asian' and 'West View' are today well renowned and powerful cuisine brands. To this enviable collection, the business debuted its first Japanese offering with the opening of the 'Edo' at ITC Gardenia. 'Edo' has earned rave reviews and many awards for its superlative quality of authentic Japanese food, ambience and informal dining style.

In pursuit of the Company's 'Triple Bottom Line' objectives, the business has increased investments in wind energy to provide clean power to its hotels in Bengaluru (ITC Windsor and ITC Gardenia) and Jaipur (WelcomHotel Rajputana).

In view of the positive long term outlook for the Indian hotel industry, the business continues to sustain its aggressive investment-led growth strategy. Construction activity of the new super luxury properties at Chennai, Kolkata and at Classic Golf Resort near Gurgaon are progressing satisfactorily. In addition, several new projects including joint ventures and management contracts are on the anvil to rapidly scale up the business.

Paperboards, Paper & Packaging

The Paperboards, Paper and Packaging segment recorded yet another year of steady growth in revenues and profits. Segment Revenues grew by 13% over the previous year with Segment Results reflecting a growth of 20%.

The Company, with its wide range of products in the Paperboards segment, is the market leader with a value market share of about 26% and a significantly higher share of the fast-growing value-added paperboards segment. The business's state-of-the-art paper machine is being currently utilized optimally to meet the demand for high quality copier and writing paper leveraging the strong forward linkages with the Company's Education and Stationery Products business. In the growing décor segment, the business continues to record steady growth with a market share of 26%.

The Packaging and Printing business continues to invest in 'best-in-class' technology and skills to provide the most contemporary and superior value

delivery in paper, paperboard and flexible packaging. The business continued to provide strategic support to the Company's FMCG businesses by ensuring security of supplies in addition to sustaining international quality at competitive cost. The Company continues to be a leading supplier of value-added packaging to the Consumer Electronics and FMCG segments.

Agri Business

The Agri business segment posted a strong performance during the year with Segment Revenues and Profits growing 23% and 26% respectively. The business leveraged the good Indian Soya crop this year to offset the global deficit in Soya bean production thereby maximizing value capture. The business model has been reoriented to focus on providing comprehensive assistance to customers on all aspects of commodity sourcing viz. procurement, inventory, logistics, costs and risks.

The business was able to sustain the demand for Indian tobacco through focused strategies based on delivering superior value to the customer, variety offerings in the burley and oriental segment and enlarged customer base. This was achieved despite an abundant global leaf inventory scenario on account of flat global cigarette demand and record crop in key tobacco growing countries like Brazil, Zimbabwe, Malawi and Tanzania.

The business continued to provide strategic sourcing support to the Company's Cigarette business and continued to leverage the e-Choupal network to source identity preserved specific grades of high quality wheat for the Branded Packaged Foods business. In sourcing chip stock potato for the 'Bingo!' brand of potato chips, the business continued its initiative of sourcing locally grown potatoes (closer to manufacturing units) in order to support local farmers and minimise logistics costs.

Contribution to Sustainable Development

The Company, foreseeing the unprecedented threat to sustainable development arising out of poverty, environmental degradation and climate change, has vigorously pursued a conscious strategy to align its businesses to serve a larger societal purpose. Unique business models have been crafted to synergistically deliver economic, environmental and social value. The Company today, is the only company in the world of comparable size to be 'carbon positive', 'water positive' and 'waste recycling positive' even as it has created sustainable livelihood opportunities for over 5 million people.

The Social Investments Programme aims to address these challenges through a range of activities with the overarching objective of creating sustainable sources of livelihood for the stakeholders: (a) For rural communities, the attempt is to diversify farming systems by broad-basing the farm and off-farm based livelihoods portfolio of the poor (b) In the catchment habitations of manufacturing units, the Company's focus is on nurturing and developing social capital to create a more level playing field in the market for relevant and contemporary skills and to compete with the demands for higher productivity.

The footprint of the Company's Social Investments Programme has spread to 51 districts in the States of Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Haryana, Uttar Pradesh and West Bengal.

The Company's pioneering initiative of wasteland development through the Social Forestry Programme currently covers 19,820 hectares in 541 villages, impacting 24,382 beneficiaries. The Social Farm Forestry initiative which today covers over 114000 hectares is aligned to the Company's pulpwood supply chain which creates a sustainable source of raw material for the Company and also meets the energy requirements of rural households.

The coverage of the Company's Soil and Moisture Conservation programme, designed to assist farmers in identified moisture-stressed districts, increased by another 13,204 hectares. 416 water-bodies were created during the year. The total area covered under the watershed programme cumulatively stands at nearly 65,000 hectares. Agreements have been signed with the governments of Maharashtra, Rajasthan and Madhya Pradesh to bring 92,000 hectares under soil and moisture conservation over the next five years.

With the objective of improving the quality of life of people living in proximity of the Company's manufacturing units, the Women Empowerment Programme covered 15,068 women through 1,314 self-help groups (SHG) with total savings of Rs. 206 lakhs. More than 37,000 women were gainfully employed either through micro-enterprises or assisted with loans to pursue income generating activities. Over 2,47,000 children have been covered under the Supplementary Education Programme, through 2523 Supplementary Learning Centres.

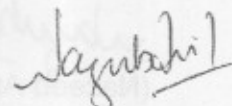
The advances made towards contributing to India's sustainable development goals have been possible, in large measure, to the Company's partnerships with some globally renowned NGOs like BAIF Institute for Rural Development, DHAN Foundation, Foundation for Ecological Security (FES), Mysore Resettlement and Development Agency (MYRADA), Pratham, Self Employed Women Association (SEWA), Self Reliant Initiatives through Joint Action (SRIJAN) and Watershed Organisation Trust (WOTR). These partnerships, which bring together the best-in-class management practices of the Company and the development experience and mobilisation skills of NGOs, will continue to provide innovative grassroots solutions to some of India's worst problems of development in the years to come.



The Company pro-actively pursues a low carbon growth strategy that addresses climate change mitigation and adaptation through several innovative and pioneering initiatives. This integrated strategy encompasses large scale afforestation initiatives for carbon sequestration, increasing use of renewable energy in its operations, continuous efforts towards energy conservation and efficiency, establishment of inspirational green buildings, expansive watershed development programmes and promotion of sustainable agricultural practices amongst farming communities. This is manifest in the Company's Social and Farm Forestry programme that covers over 1,14,000 hectares, its Integrated Watershed Development programmes that irrigate nearly 65,000 hectares of water-stressed land, as well as in the credo of 'Responsible Luxury' of the Company's Hotels business which is today the world's greenest hotel chain, with all premium luxury hotels being LEED Platinum rated.

In the process, the Company has significantly added to the environmental and social capital of the nation. The Company's focus on low carbon intensity practices is also reflected in its commitment to reduce its dependence on fossil fuel based energy. Towards this, in addition to the 20.1 MW wind power capacity set-up earlier, the Company has now installed a 21 MW wind energy unit in Karnataka and 2.5 MW in Rajasthan. These investments have today ensured that 35.3% of the Company's total energy requirements come from renewable sources.

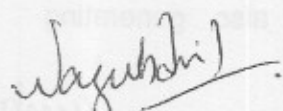
The Company's 'WOW – Wealth Out of Waste' programme has been instrumental in creating awareness amongst the public on the benefits of the 'Reduce-Reuse-Recycle' approach. The waste recycling initiatives implemented by the programme have contributed significantly to the protection of the environment, as well as in improving civic amenities, public health and hygiene. This initiative has received several accolades from the Government, NGOs, commercial institutions and the public at large including the prestigious 'Papyrus Award' by the Bureau of International Recycling (BIR). The Company benefits from the generation of sustainable raw material sources at competitive prices, while conserving precious environmental resources and also generating considerable livelihood opportunities.



The Company's social sector footprint can be seen at a glance in the following chart:

Intervention Areas	Unit of Measurement	2010-11 (Cumulative Achievement)
<i>Total Districts Covered</i>	Number	51
<i>Social and Farm Forestry</i>	Hectare	1,14,480
Soil and Moisture Conservation Programme	Hectare	64,498
<i>Sustainable Agricultural Practices</i>		
Organic Fertiliser units	Number	13,804
<i>Sustainable Livelihoods Initiative</i>		
Cattle Development Centres	Number	210
Animal Husbandry Services	AI doses	5,74,987
<i>Economic Empowerment of Women</i>		
SHG Members	Persons	15,068
Livelihoods created	Persons	37,536
<i>Primary Education</i>		
Beneficiaries	Children	2,47,065
<i>Health and Sanitation</i>		
Low Cost Sanitary Units	Number	3,220

The Board of Directors, at its meeting in Kolkata on 20th May 2011, approved the financial results for the year ended 31st March 2011.



(Nazeeb Arif)
Vice President
Corporate Communications