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MEDIA STATEMENT

May 17, 2013

Financial Results for the Year ended 31st March, 2013

Post-tax Profits up 20.4%

Highlights

- Net Turnover : +19.4%
 - Pre-tax Profits : +20.1%
 - Post-tax Profits : +20.4%
- Q4 Pre-tax profit of Rs. 2729 crores and Post-tax profit of Rs. 1928 crores represent a growth of 20.3% and 19.4% respectively.
 - Board recommends Dividend of Rs. 5.25 per share for 2012-13 (previous year Dividend Rs. 4.50 per share).
 - Non-cigarette FMCG segment registers robust revenue growth of 26.4% and continues to demonstrate improving profitability. Non-cigarette FMCG segment records maiden profit during Q4 2012-13.
 - ITC Grand Chola achieved the distinction of being the world's largest 'Leadership in Energy and Environmental Design' (LEED) Platinum rated hotel under the New Construction category and India's first 5 Star 'Green Rating for Integrated Habitat Assessment' (GRIHA) rated luxury hotel by the Ministry of New and Renewable Energy.
 - Hospitality industry continues to be impacted by the weak economic environment and significant additions to room inventory.
 - Agri Business profits grow 13.7% driven by better realisations and higher volumes.
 - Paperboards, Paper & Packaging Segment Revenues up 9.1% aided by higher volumes and product mix enrichment. Profitability impacted by steep increase in wood, coal and chemical costs.
 - New state-of-the-art Paper Machine commissioned at Bhadrachalam in March 2013.

The Company posted another year of strong performance across all financial parameters, leveraging its corporate strategy of creating multiple drivers of growth. This performance is even more encouraging when viewed against the backdrop of the extremely challenging business context in which it was achieved, namely, the continued economic slowdown, steep increase in taxes/duties on Cigarettes, gestation costs relating to the new FMCG businesses and recent investments in the Paperboards, Paper & Packaging and Hotels businesses.

Gross Revenue for the year grew by 19.9% to Rs. 41809.82 crores. Net Revenue at Rs. 29605.58 crores grew by 19.4% primarily driven by a 26.4% growth in the Non-cigarette FMCG segment, 26.4% growth in Agri business segment and 13.4% growth in the Cigarettes segment. Pre-tax profits increased by 20.1% to Rs. 10684.18 crores while Net Profits at Rs. 7418.39 crores registered a growth of 20.4%. Earnings Per Share for the year stood at Rs. 9.45 (previous year Rs. 7.93). Cash flows from Operations aggregated Rs. 9596 crores compared to Rs. 8334 crores in the previous year.

During the 4th quarter of the year, Net Turnover at Rs. 8180.30 crores registered a growth of 19.2% driven by robust performance in the Non-cigarette FMCG, Agri and Cigarettes segments. Pre-tax profits at Rs. 2729.34 crores and Post-tax profits at Rs. 1927.98 crores grew at an impressive rate of 20.3% and 19.4% respectively over the same period last year.

The Directors are pleased to recommend a Dividend of Rs. 5.25 per share (previous year – Dividend Rs. 4.50 per share) for the year ended 31st March, 2013. Total cash outflow in this regard will be Rs. 4853.49 crores (previous year Rs. 4089.04 crores) including Dividend Distribution Tax of Rs. 705.03 crores (previous year Rs. 570.75 crores).

FMCG

Branded Packaged Foods Businesses

The Company's Branded Packaged Foods businesses continued on a high growth trajectory recording impressive growth in market shares and enhanced market standing across operating segments.

During the year, the Branded Packaged Foods businesses had to contend with high levels of input costs. Global demand-supply dynamics, policy uncertainties and adverse currency movement led to steep hike in prices of key commodities such as wheat, maida, edible oils, packaging material and industrial fuels particularly during the first half of the year. These cost pressures were however mitigated through a combination of improvements in product and process efficiencies, smart sourcing and supply chain initiatives.

In the **Bakery and Confectionery Foods** business, the Biscuits and Confectionery categories gained significant scale and market standing during the year. 'Sunfeast' biscuits sustained its robust growth trajectory, especially at the value-added and premium end. Product range stood significantly augmented with the launch of several 'first-to-market' variants including 'Dark Fantasy Choco Fills – Coffee', 'Dark Fantasy Choco Meltz', 'Butterscotch Zing', 'KajuBadam Cookies'. During the year, the brand emerged as the clear market leader in the highly competitive premium cream biscuits segment. In the Confectionery category, 'Candyman' and 'mint-o' continued to register strong growth during the year. The business launched 'Creme Lacto' and 'mint-o Ultramintz' – a sugar-free extra-strong mint in select markets. The products have met with encouraging consumer response.

In the **Snack Foods** business, the Company continued to enhance market standing and expand scale in the fast growing Savoury Snacks, Noodles and Pasta categories. In the Savoury Snacks category, the market standing of 'Bingo!' brand has significantly improved, leveraging an innovative product range, enhanced brand building efforts, use of digital media to spur word-of-mouth and clutter-breaking advertising campaigns. The business' 'new-to-market' format of snacks, 'Bingo! Tangles', has been well received in target markets and is gaining impressive consumer traction. In the Instant Noodles and Pasta category, the Company's brand 'Sunfeast Yippee!' has been well received by consumers and is the second largest brand in the market.

In the **Staples, Spices and Ready to Eat Foods** business, 'Aashirvaad' atta consolidated its leadership position aided by the strong performance of Aashirvaad 'Multi-grain' atta. The premium 'Multi-grain' and 'Select' variants continued to grow rapidly with an increasing proportion of consumers shifting to these value-added offerings.

The businesses continues to invest in distributed capacities and capabilities to meet anticipated growth and develop a differentiated and distinctive range of products.

Personal Care Products

The Personal Care Business continued to grow at a fast clip, distinctly ahead of industry despite competitive pressures from entrenched players. This was achieved through a combination of innovative and differentiated offers in the Personal Wash, Skin Care, Face Wash and Deodorants categories and by leveraging the distribution network of the Company to reach target consumers. The business continues to leverage the umbrella brands, namely, 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel' and 'Superia' and is focused on addressing various consumer benefits with the introduction of new variants.

During the year, the business forayed into the high growth Deodorants market with the launch of 'Aqua Pulse Deodorant Spray' under the 'Fiama Di Wills Men' franchise. The Skin Care range was also expanded during the year with the launch of 'Vivel Cell Renew' Body Lotion, Hand Crème/Moisturiser and 'Vivel Perfect Glow' Skin Toner in target markets. The new product launches have received encouraging consumer response.

As in previous years, in recognition of excellence in product quality and innovation, two of the Company's products - 'Fiama Di Wills Men Aqua Pulse De-Stressing & Brightening Face Wash', and 'Vivel Cell Renew Fortify & Repair Moisturiser' - were voted 'Product of the Year' in their respective categories.

The business is well poised to seize the emerging opportunities in this rapidly evolving industry and continues to invest in creation of vibrant brands, cutting-edge products, flexible and responsive manufacturing and supply chain operations to build sustainable competitive advantage.

Education & Stationery Products

The Stationery business recorded robust growth in revenues during the year, consolidating the Company's position as the leading and fastest growing player in the Indian Stationery market. The Company's flagship brands - 'Classmate' for the student community and 'Paperkraft' for office and executive requirements - continue to gain increasing consumer franchise.

Continuing investments in a superior product range, effective consumer engagement and an efficient supply chain network has enabled Classmate gain significant market share. During the year, brand Classmate was strengthened through a series of interventions resulting in further improvement of market standing. The business also made good progress during the year in the non-paper categories comprising pens, wood-cased & mechanical pencils, mathematical instruments, art stationery & scholastic products. Such complementary products are helping position Classmate as a complete stationery brand.

The Education & Stationery business, with its collaborative linkages with small & medium enterprises, and a strong product portfolio of notebooks & writing instruments under the Classmate and Paperkraft brands, is well poised to strengthen its leadership position in the Indian stationery market.

Lifestyle Retailing

During the year, the Lifestyle Retailing business posted high growth in revenues and continued to strengthen its position in the branded apparel market. While revenue growth was impacted in the initial part of the year due to weak consumer sentiment, there was a marked improvement as the year progressed. The restoration of exemption of excise duty on branded

readymade garments as announced in the Union Budget 2013, is expected to provide the much needed impetus for the industry.

In the Premium segment, 'Wills Lifestyle' further strengthened its consumer franchise on the back of significant improvements in product variety, enhanced availability and impactful visibility. Retail footprint was expanded to 90 exclusive stores across 40 cities and more than 500 'shop-in-shops' in leading departmental stores and multi-brand outlets.

In the Youth segment, 'John Players' has established a strong pan-India presence with availability in over 400 stores and 1500 multi-brand outlets and departmental stores. Brand reach was further augmented during the year with the launch of nearly 100 stores, penetrating more markets and acquiring new franchise.

The business continued to receive industry recognition during the year. While Wills Lifestyle was accorded 'Superbrand' status, John Players was rated amongst the 'Top 10 Most Trusted Apparel Brands 2012' by The Economic Times.

Safety Matches and Incense sticks (Agarbatti)

The Agarbatti category recorded an impressive growth in revenues well ahead of the industry, driven by increasing consumer franchise for the 'Mangaldeep' brand and enhanced distribution reach. Product portfolio was augmented during the year with the launch of variants such as 'Fragrance of Temple' series and 'Dhoop 4-in-1', under the umbrella brand 'Mangaldeep'. The business maintained its market leadership in the Safety Matches category aided by continued consumer preference for its strong brand portfolio across all market segments.

Cigarettes

Discriminatory and punitive taxation coupled with a growing incidence of smuggling and illegal manufacture are the biggest challenges confronted by the domestic cigarette industry. These challenges were further compounded during the year by the steep increase of 22% in cigarette Excise Duty rates announced in the Union Budget 2012 and the arbitrary increases in Value Added Tax (VAT) on cigarettes by some States. The sharp increase in Excise Duty on cigarettes announced in the Union Budget 2013 will exacerbate the problem of discriminatory and high taxation on cigarettes within the tobacco industry leading to sub-optimisation of the revenue potential from this sector.

The imposition of discriminatory and punitive VAT rates by some States provides an attractive tax arbitrage opportunity resulting in illegal inter-state diversion of stocks by criminal elements thus depriving the State Governments of their legitimate revenue share. Punitive tax rates on cigarettes have proved detrimental to revenue collection and have led to multi-fold increase in illegal trade of cigarettes without any visible decrease in overall tobacco consumption. A case in point is the State of Uttar Pradesh which increased VAT on cigarettes from 17.5% to 50% with effect from 1st July 2012. The steep increase in VAT rates led to a sharp drop in legal cigarette sales in the State even as illegal and duty-evaded cigarettes and inter-state movement of stocks gained significant traction leading to loss of potential tax revenues to the State exchequer. The recent pragmatic decision of the State Government of Uttar Pradesh to reduce VAT on cigarettes from 50% to 25% is a step in the right direction and is expected to result in enhanced revenue buoyancy and arrest the growth of illegal trade in the State.

Despite such a challenging business scenario, the business has successfully enhanced its market standing through robust strategies and excellence in execution. The business continues to invest in development of products that are 'best-in-class' and offer superior and differentiated value propositions to consumers.

The pattern of tobacco consumption in India is unique and is dominated by non-cigarette products which are not only cheaper but also revenue inefficient. It is also pertinent to note that while cigarettes account for less than 15% of the overall tobacco consumption (by weight) in the country, they contribute about 75% of the total tax revenue from the tobacco sector accruing to the exchequer. In contrast, other forms of tobacco are lightly taxed in India, and in some cases are even duty exempt, leading to a high degree of potential tax loss.

The fact that cigarette consumption is price elastic, while consumption of tobacco per se is not, is borne out by the fact that the total tobacco consumption in the country increased from 406 million kg in 1981-82 to 475 million kg in 2010-11 even as the tobacco consumption in the form of cigarettes declined from 86 million kg to 72 million kg during the same period. Thus, while overall tobacco consumption is increasing in India, the share of cigarettes in overall tobacco consumption has declined from 21% to 15%. In fact, India's annual per capita consumption of cigarettes is the lowest in the world. The requirement therefore is an India-centric tax and policy framework for tobacco that cognises for the unique consumption pattern in the country.

A cross-country study of cigarette prices and affordability based on evidence from the Global Adult Tobacco Survey, and published in Tobacco Control (British Medical Journal), found that the price of cigarettes was the highest in India relative to its income (in terms of Purchasing Power Parity). Interestingly, the Study also established the fact that bidis in India were extremely affordable with a large price differential of more than 8 times as compared to cigarettes on account of the high levels of taxation on cigarettes. At 2.25% of per capita GDP, cigarette taxes (per 1000 cigarettes in most popular price category) in India are the highest in

the world. In comparison, tax incidence on cigarettes (per 1000 cigarettes in most popular price category) as a percentage of per capita GDP in other countries such as Japan (0.37%), Germany (0.62%), China (0.81%), Pakistan (0.85%), Thailand (1.20%) is much lower.

The policy of high taxation narrowly focused on cigarettes has also led to the rapid growth of the illegal cigarettes segment. This segment has grown exponentially from 11 billion sticks in 2004 to 22 billion sticks in 2012, of which, 2 billion sticks have been added in the last one year alone. The illegal segment now accounts for 18% of cigarette trade and India is now the 5th largest market in the world for illegal cigarettes comprising smuggled foreign as well as domestic duty-evaded cigarettes. Most of these illegal regular sized filter cigarettes are offered to consumers at a convenient and low price of Re. 1 per stick. Such low consumer prices are feasible only if taxes are evaded, as the Excise Duty component alone on a regular size filter cigarette is significantly higher than the price point.

The introduction of a new segment of filter cigarettes of length not exceeding 65 mm announced in the Union Budget 2012, was a positive step towards arresting the growth of illegal cigarette trade. The industry has responded swiftly making significant investments and launched several offerings in the new segment. While initial market response has been encouraging, the high central Excise Duty rate of Rs. 689 per thousand applicable to this segment coupled with a steep increase in the rate and incidence of VAT, have made it difficult for the legitimate industry to fully counter the menace of illegal cigarettes.

With steep Excise Duty hikes, discriminatory VAT taxes by various States, rising illegal trade and heightened competitive intensity, the year ahead will indeed be challenging. The business remains confident that despite the severe pressures, its robust product portfolio, innovation in processes and investments in cutting-edge technology and superior execution of competitive strategies will enable it to sustain and reinforce its market standing in the years to come.

Hotels

The domestic tourism industry remained sluggish during the year in the backdrop of a weak global and domestic economic environment. While growth in foreign tourist arrivals slowed down to 2.8% during the year versus 9.9% in 2011-12, domestic air travel recorded de-growth. Industry performance was also affected due to the significant increase in room inventory in some of the key domestic markets.

Such a challenging business environment adversely impacted business performance leading to a muted growth in Segment Revenues during the year. While the Company's Hotels business maintained its leadership position in terms of operating margins, Segment Results were adversely impacted largely by the relatively weak pricing scenario and the gestation costs relating to ITC Grand Chola, which commenced operations in September 2012.

During the year, the Company unveiled its latest offering in the super premium segment - ITC Grand Chola in Chennai. The hotel has achieved the distinction of being the world's largest 'Leadership in Energy and Environmental Design' (LEED) Platinum rated hotel under the New Construction category and India's first 5 Star 'Green Rating for Integrated Habitat Assessment' (GRIHA) rated luxury hotel by the Ministry of New and Renewable Energy, thereby bolstering the unique positioning of 'ITC Hotels' as the greenest luxury hotel chain in the world.

In line with the Company's commitment to the 'Triple Bottom Line', investments have been made in renewable energy to provide clean power to the Company's hotels in Bengaluru (ITC Windsor and ITC Gardenia), Chennai (ITC Grand Chola), Mumbai (ITC Maratha) and Jaipur (ITC Rajputana). With these investments, the Company's Hotels business met over half of its energy requirements from clean and renewable sources.

In view of the positive long-term outlook for the Indian Hotel industry, the Company continues to sustain its investment-led growth strategy. Construction activity of two new luxury properties at Kolkata and at Classic Golf Resort near Gurgaon is progressing satisfactorily. In addition, the Company, through a newly formed subsidiary, acquired a prime plot of land in Colombo, Sri Lanka on a 99-year lease from the Government of Sri Lanka, for developing a mixed-use project including a 5-star luxury property. Further, several new projects, including joint ventures and management contracts, are on the anvil to rapidly scale up the business across all brands.

Paperboards, Paper & Packaging

During the year, the Paperboards, Paper and Packaging segment recorded a growth of 9% in revenues aided by higher volumes and product mix enrichment. The relatively lower growth in Segment Results during the year reflects the steep hike in input prices particularly of wood, coal and chemicals.

The business continues to focus on the value-added product segment in which it is a clear market leader. The business successfully commissioned a state-of-the-art and highly energy efficient paper machine with an installed capacity of over 1 lakh tonnes per annum at the Bhadrachalam plant during the year. With this, the total capacity of the Bhadrachalam plant stands at over 5.5 lakh tonnes per annum, thereby sustaining its position as the single largest integrated pulp and paperboard/paper unit in the Indian industry.

The Packaging and Printing business continues to provide strategic support to the Company's FMCG businesses through innovative packaging solutions, faster speed-to-market for new launches and security of supplies in addition to delivering benchmarked international quality at competitive costs.

During the year, the business augmented the capacity and capability of its Haridwar plant with the successful commissioning of a new state-of-the-art line for cigarette packaging, expansion of carton line capacity and other downstream conversion facilities towards meeting the growing demand from the northern markets.

The integrated nature of the business model on the one hand and robust forward linkages with the Company's FMCG businesses on the other, strategically positions the business to further consolidate and enhance its leadership status in the Indian paperboard, paper and packaging industry.

Agri Business

Notwithstanding a sluggish global demand scenario, the business recorded robust growth in leaf tobacco export revenues by leveraging its strengths in crop development, superior sourcing and processing capabilities. The business not only strengthened its presence in existing markets but also accessed customers in new markets. The business also made progress during the year in growing the smokeless tobacco segment through customised offerings.

The recently commissioned Green Leaf Threshing plant in Mysore has stabilised and exceeded benchmarks on all operating parameters of throughput, processing yield and quality. This investment has enhanced the processing capability of the business and reduced transportation costs given the factory's proximity to the tobacco growing areas in Karnataka.

The business' uniquely structured commodity sourcing business model with strong competencies in multi-location sourcing, logistics and supply chain management enabled achieving enhanced scale and value capture in the wheat and soya market. The business continued to source identity preserved and special varieties of wheat through its e-Choupal network for the Company's Branded Packaged Foods businesses.

The business continued to provide strategic sourcing support to the Company's Cigarette business and 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's Vision to subserve larger national priorities and create enduring societal value is the inspiration for its multi-dimensional sustainability initiatives that are today acknowledged as global exemplars. The Company's sustainability strategy aims to significantly enhance national wealth through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and societal capital. It is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise. The Company's 'Triple Bottom Line' contribution is manifest in the creation of innovative business models that not only generate new sources of competitive advantage for its businesses, but also in the process enables the replenishment of natural capital and augmentation of sustainable livelihoods.

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
Total Districts Covered	Number	60
Social and Farm Forestry	Hectare	142,572
Soil and Moisture Conservation Programme	Hectare	116,127
Sustainable Agricultural Practices		
Compost Units	Number	14,446
Sustainable Livelihoods Initiative		
Cattle Development Centres	Number	303
Animal Husbandry Services	Artificial Insemination doses (in lakhs)	10.82
Economic Empowerment of Women		
Self Help Group Members	Persons	18791
Livelihoods created	Persons	40192
Primary Education		
Beneficiaries	Children (in lakhs)	3.07
Health and Sanitation		
Low Cost Sanitary Units	Number	3847

The Board of Directors, at its meeting in Kolkata on 17th May 2013, approved the financial results for the year ended 31st March 2013, which are enclosed.


 (Nazeeb Arif)
 Vice President
Corp. Communications