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May 23, 2014

Media Statement
Financial Results for the Year ended 31st March, 2014

Post-tax Profits up 18.4%

Highlights

Net Turnover	:	+11.1%
Pre-tax Profits	:	+18.5%
Post-tax Profits	:	+18.4%

- Q4 Pre-tax profit of Rs. 3223 crores and Post-tax profit of Rs. 2278 crores represent a growth of 18.1% and 18.2% respectively.
- Board recommends Dividend of Rs. 6.00 per share for FY14 (previous year Dividend Rs. 5.25 per share).
- Non-Cigarette FMCG segment registers robust revenue growth of 16%, despite a challenging operating environment.
- Non-Cigarette FMCG segment records its maiden profits in FY14 amidst heightened competitive intensity and sharp increase in input costs.
- Hospitality industry continues to be impacted by the weak economic environment and significant additions to room supplies in major Indian cities.
- Agri Business profits grow 14.2% driven by improved realisations and higher volumes.
- Paperboards, Paper & Packaging Segment Revenues up 14.7% aided by higher volumes and product mix enrichment. Profitability impacted by steep increase in wood, coal and chemical costs.

The Company continued to deliver strong financial performance with healthy growth in revenues and high quality earnings. This performance is particularly commendable when viewed against the backdrop of the extremely challenging business context in which it was achieved, namely, a sluggish macro-economic environment; steep increase in taxes/duties on Cigarettes for two years in a row; weak demand conditions in the FMCG industry; gestation costs relating to the new FMCG businesses; sharp escalation in input costs in the Paperboards, Paper & Packaging Business and a weak demand & pricing environment in the Hotels businesses.

Gross Revenue for the year grew by 11.7% to Rs. 46712.62 crores. Net Revenue at Rs. 32882.56 crores grew by 11.1% primarily driven by a 16.0% growth in the non-cigarette FMCG segment, 14.7% growth in Paperboards, Paper & Packaging segment and 10.6% growth in the Cigarettes business. Pre-tax profit increased by 18.5% to Rs. 12659.11 crores while Net Profit at Rs. 8785.21 crores registered a growth of 18.4%. Earnings Per Share for the year stood at Rs. 11.09 (previous year Rs. 9.45). Cash flows from Operations aggregated Rs. 10760 crores compared to Rs. 9596 crores in the previous year.

During the 4th quarter of the year, Net Turnover at Rs. 9145.14 crores registered a growth of 11.8% driven by robust performance in the Non-Cigarette FMCG, Paperboard, Paper & Packaging and Cigarettes segments. Pre-tax profits at Rs. 3222.74 crores and Post-tax profits at Rs. 2278.01 crores grew at an impressive rate of 18.1% and 18.2% respectively over the same period last year.

The Directors are pleased to recommend a Dividend of Rs. 6.00 per share (previous year – Dividend Rs.5.25 per share) for the year ended 31st March, 2014. Total cash outflow in this regard will be Rs. 5582.90 crores (previous year Rs. 4853.49 crores) including Dividend Distribution Tax of Rs. 810.99 crores (previous year Rs. 705.03 crores).

FMCG

FMCG-Others

The FMCG industry witnessed a marked slowdown during the year in the backdrop of a challenging macro-economic environment which, inter alia, saw growth in Private Final Consumption Expenditure in real terms decelerating to around 3% during the year. Categories involving higher discretionary spends or with relatively high penetration levels were impacted the most. The trend of premiumisation witnessed in recent years in most major categories also did not carry through as strongly. Despite a challenging operating environment, Segment Revenues recorded a robust growth of 16% during the year crossing the Rs.8000 crores mark during the year. The FMCG-Others Segment recorded its maiden profit during the year with a PBIT of Rs. 22 crores representing a positive swing of Rs. 103 crores over FY13 driven by enhanced scale, operating leverage, supply chain efficiencies and strategic cost management initiatives.

Branded Packaged Foods Businesses

With growth in Private Final Consumption Expenditure witnessing a marked slowdown during the year, the Branded Packaged Foods industry recorded a deceleration in growth rates. Notwithstanding such sluggish demand conditions, the Company's Branded Packaged Foods businesses recorded improvement in market standing, growing well ahead of the overall industry.

In the **Bakery and Confectionery Foods** business, the Biscuits and Confectionery categories enhanced the scale of operations and improved market standing in a year that saw significant deceleration in industry growth and volume declines in certain segments. 'Sunfeast' biscuits sustained its robust growth trajectory, especially at the value-added and premium end. The Business strengthened its portfolio of offers in the super premium segment with the launch of 'Sunfeast Delishus' gourmet cookies, 'Dark Fantasy Choco Fills Luxuria' and the 'Sunfeast Farmlite' range of health cookies. The Business sustained its market leadership position in the highly competitive cream biscuit segment leveraging its strong portfolio of brands and products.

In the Confectionery category, 'Candyman Jellicious' - a new jelly variant - and the fruit flavour portfolio were the key drivers of growth. The Business has developed a number of new products/platforms and continues to focus on growing the 'Re. 1 & above' portfolio with a view to enhancing profitability.

In the **Snack Foods** business, the Company continued to enhance market standing in the fast-growing Savoury Snacks, Noodles & Pasta categories. In the Noodles category, 'Sunfeast YiPPee!' registered a robust growth of nearly three times the industry average cementing its position as the fastest growing brand in the market. The Business also launched an innovative premium variant of Sunfeast YiPPee! Noodles with a Chinese Masala flavour and 'Tricolor pasta' format in 2 exciting variants. These products have received encouraging consumer response in launch markets. The Business re-launched the potato chips range under the 'Bingo! Yumitos' sub-brand with a view to sharpening its positioning in the market.

The **Staples, Spices and Ready to Eat Foods** business continued to grow at a rapid pace during the year. In the Staples category, 'Aashirvaad' atta consolidated its leadership position aided by strong performance of the value-added variants comprising Aashirvaad 'Multigrain', 'Select' and 'Superior MP' atta.

Personal Care Products

The Personal Care Products Business made good progress during the year towards strengthening its product portfolio through a series of new launches and range extensions. During the year, the Business rolled out a number of differentiated product offerings in the Soaps, Shower Gel, Skin Care, Face Wash and Deodorant categories

under the 'Fiama Di Wills', 'Vivel', 'Engage' and 'Superia' brands, and improved in-store brand salience of offerings under the 'Essenza Di Wills' brand.

The year marked the Company's foray into the fast-growing Deodorants market with the successful launch of 'Engage' - a first-to-market range of deodorants for couples. This new range of deo sprays for men and women provides 24-hour freshness and has been crafted to enhance personal grooming and confidence. The brand has been well received in the market garnering impressive consumer franchise in a relatively short span of time.

Education & Stationery Products

The Education & Stationery Products Business recorded yet another year of robust growth in revenues, further consolidating its market standing. The Company's flagship brand 'Classmate', continues to gain consumer franchise and is today India's largest and fastest growing student stationery brand.

During the year, the Business launched Classmate Pulse notebooks for college students as well as limited edition Paperkraft notebooks with dynamic finishes. With a view to expanding the market and enlarging the consumer base, the Business also launched a value brand - christened 'Saathi'- in select States. The initial response for these interventions has been encouraging and the products are being rolled out in target markets. The Classmate portfolio today comprises offerings spanning notebooks, writing instruments including pens and pencils, scholastic products such as geometry boxes, scales, erasers and sharpeners as well as art stationery such as wax crayons, colour pencils and sketch pens.

Lifestyle Retailing

During the year, the Lifestyle Retailing Business was impacted by the slowdown in discretionary consumption expenditure. The Business remained focused on strengthening its market standing by continuing to invest in brand building, enhancing range architecture and product vitality.

In the Premium segment, 'Wills Lifestyle' with its high fashion imagery, growing desirability and rich product mix, continues to enjoy strong market standing and consumer bonding. The Business embarked on the strategy of establishing its sub-brands - 'Wills Classic' in the formal wear segment, 'Wills Sport' in casual wear and 'Wills Clublife' in the party wear segment. Retail presence of Wills Lifestyle has expanded to 92 exclusive stores in 40 cities and more than 700 'shop-in-shops' in leading departmental stores and multi-brand outlets.

The Company's unique consumer loyalty programme 'Club ITC', with over 1.8 lakh members, serves as a platform for creating superior bonding with premium consumers and leverages synergies between Wills Lifestyle and ITC Hotels. During the year, sales of Wills Lifestyle products to Club ITC members increased significantly and the Business

plans to increasingly leverage the programme in the ensuing years to enhance consumer connect.

In the Youth segment, 'John Players' continues to expand its strong pan-India presence with over 400 Flagship Stores and 1600 Multi Brand Outlets and Departmental Stores. The denims sub-brand, 'John Players Jeans', continued to grow at a rapid pace, drawing in younger consumers with 'innovative' & 'adventurous' endorsements.

Safety Matches and Incense sticks (Agarbatti)

The Agarbatti category recorded an impressive growth in revenues during the year, well ahead of the industry, driven by a growing franchise for the 'Mangaldeep' brand, superior consumer experience and enhanced distribution reach. The product portfolio was augmented during the year with the launch of variants such as 'Sadhvi', 'Mogra' and 'Sambrani' under the umbrella brand Mangaldeep. During the year, the Company attained market leadership in the 'Dhoop' segment.

The Business maintained its market leadership in the Safety Matches category, leveraging its strong brand portfolio.

During the year, the scheme involving demerger of the non-engineering business of Wimco Ltd. into ITC Ltd. (parent entity) with effect from 1st April, 2013, has been sanctioned by the Honourable Bombay High Court on 10th April, 2014 and by the Honourable Calcutta High Court on 14th May, 2014. The certified copies of the Orders are awaited.

Cigarettes

The Cigarette industry had to contend with a steep increase in Excise Duty for the second year in succession along with discriminatory and punitive increases in Value Added Tax (VAT) rates by some States. Such tax increases not only undermine the legal domestic cigarette industry and sub-optimize revenue potential from this sector but also fail to achieve the objective of tobacco control in the country.

According to various independent reports, there is a high degree of dual consumption with an estimated 60% of cigarette consumers in India also consuming other forms of tobacco. High incidence of taxation and a discriminatory regulatory regime on cigarettes have, over the years, led to a significant shift in tobacco consumption to cheaper and revenue inefficient forms like bidis, chewing tobacco etc. Thus, while overall tobacco consumption is increasing in India, the share of legal cigarettes in overall tobacco consumption has declined from 21% in 1981/82 to below 12% in 2013/14. Consequently, India has a miniscule share of only 1.8% of global cigarette consumption but constitutes nearly 84% of the global consumption of smokeless tobacco. 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.



High taxes on domestic cigarettes have also led to an increasing demand for cheaper tax-evaded cigarettes. The revenue loss to the Government on account of this trade is estimated at over Rs. 6,000 crores. The menace of illegal trade is compounded by the imposition of high VAT rates by States. Despite a consensus amongst the Empowered Committee of State Finance Ministers that all tobacco products would be taxed at Revenue Neutral Rates applicable to general category of goods, there are 29 different tax rates currently applicable on cigarettes. Uttar Pradesh and Punjab, which had increased VAT rates to punitive levels of 50% and 55% respectively, witnessed a huge decline in legitimate cigarette volumes even as illegal and duty-evaded cigarettes gained significant traction leading to loss of potential tax revenues. The recent pragmatic decisions of the State Government of Uttar Pradesh and Punjab to rationalise VAT on cigarettes is a step in the right direction and is already showing positive results in terms of revenue buoyancy and arresting the growth of illegal trade.

A new segment of filter cigarettes of 'length not exceeding 65 mm' which was announced in the Union Budget 2012 has enabled the industry to continue making offers at the Rs. 2 per stick price point and partially contain the growth in the illegal segment. While the response from the market 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. The industry continues to engage with policy makers for seeking a reduction in Excise Duty in this segment to enable making viable offers at competitive price points.

During the year, the Company continued to make rapid strides towards building a future-ready business through a holistic approach towards portfolio planning and development of best-in-class products which offer superior and differentiated value propositions to consumers. The year also marked the Company's entry into the Nicotine Replacement Therapy (NRT) space with the launch of KwikNic - a 2mg Nicotine chewing gum - in August 2013. In a category which has been traditionally dominated by the pharmaceutical industry and primarily distributed through chemist outlets, KwikNic has received encouraging market response based on its superior product and packaging quality.

HOTELS

The hospitality sector continued to be adversely impacted by the weak economic environment prevailing in major international source markets and in India on the one hand, and significant additions to room supplies in key Indian cities on the other. Against the backdrop of such a challenging business environment, Segment Revenues saw a modest increase of 5.5% during the year. While the Hotels Business maintained its leadership position in the industry in terms of operating margins, Segment Results were impacted mainly on account of the relatively weak pricing scenario and increase in operating costs in an inflationary environment.

ITC Grand Chola, which was opened to guests in September 2012, delivered a competitively superior performance in its first full year of operations. In a relatively short span of time, the hotel has carved a niche for itself as an iconic luxury destination with



impeccable green credentials of being the world's largest LEED Platinum certified luxury hotel, delivering the highest standards of service excellence.

During the year, the Business actively pursued an 'Asset Right' strategy, bringing into its fold 4 new hotels in New Delhi, Chandigarh, Kollam and Kozhikode under the 'WelcomHotel' brand through management contracts. Apart from reducing the capital intensity of operations, the properties in Kollam and Kozhikode enabled the Business in expanding its footprint to Kerala - a key leisure market in the country.

Construction of the new super luxury golf and spa resort – ITC Grand Bharat, at the Classic Golf Resort, Manesar is nearing completion with the Hotel expected to commence operations in mid-2014. Construction activity at the luxury hotel projects in Kolkata and Hyderabad is progressing satisfactorily. Good progress was also made during the year with regard to the Business's first overseas project in Colombo, Sri Lanka, with concept design in completion stage and receipt of requisite approvals from the Sri Lankan Tourism Development Authority.

PAPERBOARDS, PAPER & PACKAGING

During the year, the Paperboards, Paper and Packaging segment recorded a growth of 14.7% in Revenue, aided by higher volumes and product mix enrichment. Segment Results were however impacted due to 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 new paperboard machine, commissioned in March 2013 at the Bhadrachalam plant, has been fully ramped up leading to further consolidation of the Company's pre-eminent market position in the Value Added Paperboard segment.

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

AGRI BUSINESS

The Business strengthened its market standing as the largest Indian exporter of Unmanufactured Tobacco with a revenue growth of 29% during the year despite a challenging market context of flat global demand and rising domestic leaf prices. The Business not only strengthened its presence in existing markets through its segmented offerings and collaborative crop development models but also expanded its customer base by acquiring new customers in new markets.

The Business's 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 markets.



The Business continued to provide strategic sourcing support to the Company's Cigarette business and leverage its deep rural linkages to source identity preserved specific grades of high quality wheat for the Branded Packaged Foods business. The Business continued to support the Foods Business by procuring high quality chip stock potatoes for 'Bingo! Yumitos' brand. The Business continued to work closely with farmers towards improving quality and yield, and introducing chip stock in newer geographies with a view to sourcing a higher share of requirements closer to manufacturing centres.

The Board of Directors, at its meeting in New Delhi on 23rd May, 2014, approved the financial results for the year ended 31st March, 2014, which are enclosed.

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(Nazeeb Arif)

Vice President

Corporate Communications