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Corporate Communications



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Media Statement
May 25, 2012

Financial Results for the Year ended 31st March, 2012

Post-Tax Profits up 23.6%

Highlights

Net Turnover	:	+17.2%
Pre-tax Profits	:	+22.4%
Post Tax Profits	:	+23.6%

- Q4 Pre-tax profit of Rs. 2268 crores and Post-tax profit of Rs. 1614 crores represents a growth of 23.5% and 26.0% respectively.
- Board recommends Dividend of Rs. 4.50 per share for 2011/12 (previous year Dividend Rs. 2.80 per share and Special Dividend Rs. 1.65 per share).
- Non-cigarette FMCG segment registers robust revenue growth of 23.6% and continues to demonstrate improving profitability.
- Hotels business continues to be impacted by the weak economic environment in global source markets and slowdown of the domestic economy.
- Agri Business profits grow 13.6% driven by better realisations and higher volumes.
- Paper and Pulp investments leveraged to improve value capture. Segment results grow by 14.3% for the year.

The Company posted yet another year of impressive results with topline growth and high quality earnings reflecting the robustness of its corporate strategy of creating multiple drivers of growth. This performance is particularly remarkable when viewed against the backdrop of the extremely challenging business context in which this was achieved, namely, a slowdown in the economic growth, sustained high inflation and continuing cascading impact of arbitrary increases in VAT on cigarettes.

Gross Revenue for the year grew by 14.2% to Rs. 34871.86 crores. Net Revenue at Rs. 24798.43 crores grew by 17.2% primarily driven by a 23.6% growth in the non-cigarette FMCG businesses, 20.0% growth in Agri business and 16.6% growth in the Cigarettes segment. Pre-tax profits increased by 22.4% to Rs. 8897.53 crores while Net Profits at Rs. 6162.37 crores registered a growth of 23.6%. Earnings Per Share for the year stands at Rs. 7.93 (previous year Rs. 6.49). Cash flows from Operations stood at Rs. 8334 crores compared to Rs. 7528 crores in the previous year.

For the 4th quarter, Net Turnover at Rs. 6861.35 crores registered a growth of 17.6% driven by robust performance in the Non-cigarette FMCG, Agri and Cigarettes segments. Pre-tax profits at Rs. 2268.36 crores and Post Tax profits at Rs. 1614.36 crores grew at an impressive rate of 23.5% and 26.0% respectively over the same period last year.

The Directors are pleased to recommend a Dividend of Rs. 4.50 per share (previous year – Dividend Rs. 2.80 per share and Special Dividend Rs. 1.65 per share) for the year ended 31st March, 2012. Total cash outflow in this regard will be Rs. 4089.04 crores (previous year Rs. 4002.09 crores) including Dividend Distribution Tax of Rs. 570.75 crores (previous year Rs. 558.62 crores).

FMCG

Branded Packaged Foods

The Branded Packaged Foods business grew significantly during the year, recording robust growth in revenues and enhanced market standing across segments. Value capture was improved through cost optimisation across the supply chain and optimal capital deployment. The quality of the Company's products continues to be 'best-in-class' in the industry across all segments. Continuing investments in R&D and product development have enabled the business launch successful and innovative products.

During the year, the business witnessed sustained inflationary pressure on input costs. Supply side driven constraints coupled with growing demand caused prices of packaging materials, edible oil and industrial fuels to remain at inflated levels. These cost pressures were mitigated through a combination of improvements in product and process efficiencies, smart sourcing and supply chain initiatives.

The business ventured into the Instant Noodles category towards the end of 2010. The product has been well received by consumers and is already the second largest Instant Noodle brand in the country. Focused market research, deep consumer insights and innovative product formats under the 'Sunfeast Yippee!' brand are expected to further strengthen consumer traction in this fast growing and highly competitive industry segment.

In the Staples category, 'Aashirvaad' atta strengthened its leadership position aided by the performance of Aashirvaad 'Multi-grain' atta. Premium offerings of Aashirvaad 'Multi-grain' and 'Select' brands continued to grow rapidly, aided by a growing proportion of consumers shifting to these valued added propositions.

The Biscuit industry also witnessed impressive growth during the year and the 'Sunfeast' brand continued to do well across product platforms. Portfolio enrichment was driven through launch of Sunfeast Dark Fantasy Choco Fills and Sunfeast 'Dual' Dream Cream. These two innovative, 'first to market' flavours created excitement amongst consumers and significantly enhanced the consumer franchise of the 'Sunfeast' brand.

In the Confectionery category, 'Candyman' & 'mint-o' continued to register strong growth during the year. The category witnessed two launches with mint-o Gol Green and mint-o Strong. The continued success of Toffichoo, Lacto and Choco-Double éclairs provided further impetus to the overall growth of the Confectionery business.

In the Salty Snacks segment, the market standing of the 'Bingo!' brand has significantly improved through enhanced brand building efforts. Use of digital media, word of mouth and clutter breaking advertisements improved brand salience. The product portfolio was further strengthened during the year with the launch of a new product format - 'Tangles' and a new innovative variant - 'Mad Angles Masti Chaat'.

The business continues to invest in manufacturing and distribution infrastructure to support larger scale and improve reach and availability.

Personal Care Products

The Personal Care Products business continued to make significant strides in strengthening its portfolio through a slew of new launches and extensions in the Soaps, Shampoos and Skin Care categories. The business continues to roll out its product offerings under the 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel' and 'Superia' brands across new geographies and is focused on addressing various consumer benefit segments with the introduction of new variants.

The year saw the successful introduction of a new range of soaps under the 'Vivel' franchise with the launch of 'Vivel Luxury Crème' variant and a new offering 'Vivel Clear 3-in-1' in the transparent soap segment. The business continues to receive accolades for its product innovation initiatives. In continuation of previous years' trends, this year, the 'Vivel Clear 3-in-1' transparent soap was voted 'Product of the Year' in the soaps category.

The business entered the Talcum Powder category during the year by launching 3 variants under the Fiama Di Wills brand in select markets. During the year, the business also made a foray into the fast growing Face Wash category with offerings under the Fiama Di Wills and Vivel brands. The fairness cream portfolio was augmented with the

introduction of a new variant under the Superia brand. These initiatives have received encouraging consumer response and are being rolled out to target markets.

The business used a mix of smart sourcing, value engineering and cost management measures to mitigate the impact of high and volatile commodity prices.

The business continues to leverage its strengths to maximise opportunities in the rapidly transforming landscape of Beauty and Personal Care Products in India.

Education & Stationery Products

The business is amongst the leading and fastest growing players in the Indian stationery market. Its flagship brand 'Classmate' is India's leading student notebook brand with a distribution footprint of over 75,000 stationery retail outlets across the country. Besides notebooks, the 'Classmate' brand offers a wide range of products that include ball and gel pens, wood cased and mechanical pencils, mathematical instruments, erasers, sharpeners and scales. 'Classmate' also endorses 'Colour Crew', an art stationery brand, comprising a range of wax crayons, colour pencils and sketch pens for young children.

During the year, the business took significant steps to strengthen 'Paperkraft', its executive and office supplies stationery brand. Working in tandem with the Company's Paperboards & Specialty Papers Division, the business has positioned 'Paperkraft' as the finest green paper for business applications viz. copy-scan-print-fax. Paperkraft's green credentials are supported, among other factors, by membership of the prestigious Global Forest & Trade Network.

The education & stationery products industry continues to grow on the back of massive government and private investments in the education sector. The Company's strong brands – 'Classmate' and 'Paperkraft' – with increasing consumer franchise, high quality product range and excellent distribution infrastructure is advantageously positioned to respond to this opportunity.

Lifestyle Retailing

During the year, the business posted strong growth in revenues and continued to strengthen its market position in the branded apparel segment. The business's focus on cost management actions and improvements in operational efficiencies helped to partly offset the adverse impact of tax and cost increases.

In the Premium segment, Wills Lifestyle with its superior product variety and richer product mix, continued to enjoy strong consumer franchise. The retail footprint was expanded to 86 exclusive stores across 40 cities and more than 300 'shop-in-shops' in leading departmental stores and multi-brand outlets. This was supported by significant improvements in product range, enhanced availability and impactful visibility resulting in volume growth across channels.

In the 'Popular' segment, John Players has established a strong pan-India presence with over 340 Flagship Stores and 1100 Multi Brand Outlets and Departmental Stores. The denims sub-brand registered strong growth as a result of an enhanced range, premium differentiated washes and contemporary fits, and has received positive consumer and trade response.

Incense sticks (Agarbatti)

The Agarbatti business recorded an impressive growth in revenues and enhanced market standing during the year, driven by increasing consumer franchise for the 'Mangaldeep' brand combined with deeper distribution reach and innovative consumer offerings. Mangaldeep is the second largest national brand in the industry.

During the year, the business launched several new variants under the umbrella brand - 'Mangaldeep'. These variants have received wide consumer acceptance and are being rolled out across India. The year also saw the business offering unique products coinciding with festivals.

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.

Safety Matches

The Safety Matches business maintained its market standing driven by continued consumer preference for its strong brand portfolio across all market segments. With sustained escalation in the prices of raw materials like wood, paperboard and key chemicals, industry margins remained under severe pressure during the year. The business mitigated the adverse impact of input cost increases through actions initiated during the year.

The business continues to partner with multiple units from the small scale sector by sourcing a significant portion of its requirement from this sector. A uniform taxation framework which provides a level playing field to all manufacturers is necessary to trigger the required investments for modernisation, which in turn will create a safe working environment for the working population engaged in the industry. Government policy should create this supportive environment to enable the industry to become globally competitive.

Cigarettes

The Cigarettes industry in India continues to be impacted by an environment of rapidly escalating challenges and discriminatory taxation. The steep increase in the tax rates on cigarettes, both at the Central and at the State level, has led to the undesirable

consequence of shifting consumption patterns to lightly taxed or tax evaded tobacco products besides fuelling the rampant growth of illegal cigarettes. In effect, the spiralling tax rates have only led to sub-optimising the revenue potential from this industry without achieving the stated objective of a reduction in overall tobacco consumption.

The steep hike in Excise Duty rates announced in the Union Budget 2012 will further exacerbate the problem of discriminatory and high taxation on cigarettes within the tobacco industry.

The accelerated tax increase on cigarettes relative to other tobacco products has shifted tobacco consumption to cheaper, lightly taxed or tax evaded products like Bidi, Khaini, Chewing Tobacco and Gutkha which are the most dominant forms of tobacco consumption in India and constitute as much as 85% of total usage. The objectives of revenue maximisation and tobacco control have been severely compromised by this lopsided tax policy on Cigarettes which now contributes over 74% of tax revenue, whilst accounting for less than 15% of tobacco consumption.

The domestic legal cigarette industry is faced with the growing menace of illegal cigarettes. Independent research indicates that, in India, whilst there is a fall in volumes of 'duty paid' cigarettes by 4.4% during the period 2005 to 2010, the 'duty-not-paid' volumes grew by 49.3% during the same period. India has now been recognised as one of the leading destinations for illegal cigarettes.

Attractive tax arbitrage opportunities, due to high level of taxes on the legal domestic Cigarette industry in India, incentivises illegal flow of cigarettes into the country, especially of internationally advertised and known brands. Coupled with our porous borders, cigarette imports under Open General License (OGL) make it extremely difficult to monitor and regulate the inflow of illegal stocks. Further, with the domestic Cigarette industry being strictly regulated, including compulsory licensing under the Industrial (Development & Regulation) Act, 1951, a liberal import policy is contrary to the Government's tobacco control policies. This is also detrimental to the interests of Indian tobacco farmers, as it directly impacts the demand for indigenous tobacco by the domestic industry.

The demographic construct of India's population calls for multiple price points to meet the needs of the country's diverse consumer segments. The growth of illegal cigarettes is also aided by the vacuum created at lower price points, where legal industry has been unable to operate, due to a disproportionately high tax burden. Further, the lacunae in the provisions of the Industrial (Development & Regulation) Act, 1951 encourages 'fly by night' operators to manufacture illegal cigarettes without obtaining requisite licenses and clandestinely clear them without payment of taxes.

The Company, along with other stakeholders and industry bodies continues to represent to the regulatory authorities seeking a non-discriminatory tax and regulatory policy on tobacco products in the interest of the Government exchequer, domestic farmer community and industry.

Despite a difficult operating environment in the market place, it is gratifying to report that the business further improved its market standing during the year. The business's uncompromising commitment to continuous and consistent offerings of value-added, world-class products has been reinforced through innovations in product development and launch of differentiated offers. The portfolio has been strengthened through strategic investments in product quality and technology.

A premium line of hand-rolled cigars launched in 2010 under the brand name 'Armenteros' has gained significant consumer franchise, competing against world renowned Cuban and other cigar brands. The Armenteros range of cigars is now available in premium outlets across key cigar markets and is expected to further consolidate and grow its franchise.

The Cigarette business faces the daunting challenges of an unprecedented high incidence of taxation, complex tax structure, rising illegal trade and a discriminatory regulatory climate. Despite these challenges, the relentless pursuit of excellence in building robust, world-class brands and innovation in processes and investment in appropriate state-of-art technologies will enable it to further consolidate its market standing.

Hotels

The hospitality industry in India continued to be impacted by the slowdown of the domestic economy and adverse economic environment of the international feeder markets of the US and Europe. While the US market appears to be on the path of slow recovery and holds promise for the future, the European market is yet to come out of its debt problems and recession. As a result, both international and domestic business segments for the luxury hotels business remained muted.

In the backdrop of these difficult circumstances, the Hotels business registered a marginal growth in revenues and profits, while maintaining its leadership position in terms of operational efficiency as reflected by the PBDIT to Net Revenue ratio.

Recognising the changing preferences of the business traveller, the business launched a new brand this year viz. 'My Fortune' which is designed to cater to the upscale business traveller in the mid market to upscale segment. The first 'My Fortune' hotel was launched in Chennai during the year and further expansion of the new brand is planned going forward.

During the year, the premier hotel at Jaipur the Rajputana Palace has been upgraded from the 'WelcomHotel' category to 'ITC Hotel' and its co-branding from the 'Sheraton' brand to 'The Luxury Collection'. The hotel is now known as the 'ITC Rajputana' in line with other premium properties of the ITC Hotels chain. The business remains committed to 'Responsible Luxury' and continues to be the only green hotel chain in the world.

In view of the positive long term outlook for the Indian Hotel industry, the business continues to sustain its investment-led growth strategy. Construction of the new super luxury property, ITC Grand Chola, at Chennai is now complete and slated to open in early 2012-13. The construction activity of the new luxury properties at 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 across all brands.

Paperboards, Paper & Packaging

The Paperboards, Paper and Packaging segment recorded yet another year of steady growth in revenues and profits. Segment Revenues grew by 12.6% over the previous year to touch Rs.4130 crores. Segment Results at Rs. 937 crores reflect a growth of 14.3%.

The year under review witnessed steep hikes in the cost of chemicals and coal as well as curtailment in supplies of coal by the government through the reduction of allocations, forcing the industry to buy high cost coal in the open market. These factors, together with the sharp depreciation of the Rupee, adversely impacted the industry. However, the business with its integrated operations and strategic cost management actions was able to minimise the adverse impact of these cost escalations.

The Packaging and Printing business continues to provide contemporary and superior packaging solutions facilitated by its state-of-the-art technology and processes. The business continues to provide strategic support to the Company's FMCG businesses by providing innovative packaging solutions and security of supplies in addition to delivering benchmarked international quality at competitive costs.

The Packaging and Printing business continued to leverage its multiple packaging platforms to expand business in the domestic and export markets, and grew volumes both from existing customers as well as from enlargement of its customer base. During the year, the business continued to invest in contemporary technologies in flexibles and paperboard packaging at the Haridwar and Chennai facilities.

Agri Business

The Agri Business segment posted a strong performance with Segment Revenues and Profits growing significantly during the year. The business's uniquely structured commodity sourcing business model with strong competencies in multi-location

sourcing, logistics and supply chain management was able to leverage its strengths to improve value capture in the soya market and significantly expand business scale.

Despite adverse conditions in Leaf tobacco demand and supply situation, the business was able to sustain the demand for Indian tobaccos through focused strategies leveraging its sources of competitive advantage in crop development, product integrity, strategic sourcing and superior processing capability. Significant volumes of flue cured tobaccos were garnered through superior understanding of customer requirements and delivering committed quality and value to the customer. The business continues to focus on superior quality and varietal offerings to customers in the burley segment through collaborative and customised programmes. The business is also engaged with potential customers across the globe and actively explored market opportunities in the growing smokeless tobacco segment through customised offerings.

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

Inspired by a vision to subserve a larger national purpose and abide by the strong value of Trusteeship, ITC has crafted innovative business models to create larger societal capital while simultaneously delivering long term shareholder value. This overarching aspiration to create meaningful societal value is manifest in ITC's strategy to enhance the competitiveness of value chains of which it is a part. It has therefore been a conscious strategy of the Company to deliver corporate social responsibility in the context of its businesses, by enriching value chains that encompass the most disadvantaged sections of society, especially those residing in rural India, through economic empowerment based on grass-roots capacity building. In pursuit of the Company's commitment to the Triple Bottom Line, ITC's Social Investments Programme continues to be driven by the needs and concerns of two important stakeholders - the rural communities with whom the Company's agri-businesses have forged a long and enduring partnership; and the communities (both rural and urban) residing in close proximity of our manufacturing units. The Social Investments Programme aims to address key challenges these stakeholders face in terms of livelihoods.

The Company addresses these challenges through a range of activities with the overarching objective of creating sustainable sources of livelihoods for our 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 through an integrated approach that includes the development of wastelands, watersheds, agriculture and

dairy. (b) In the catchment habitations of manufacturing units, the focus is on creating livelihoods through agarbatti production and developing social capital to prepare the beneficiaries for relevant and contemporary skills.

The footprint of the Company's Social Investments Programme now extends to 60 districts in the states of Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal.

The Company's pioneering initiative of wasteland development through the Social Forestry Programme, currently covers 24,196 hectares in 1,319 villages, impacting nearly 30,000 poor households. The initiative is aligned to our pulpwood supply chain to create a sustainable source of raw material for the Company and also to meet the energy requirements of rural households. The highlight of this year has been the introduction of the Agro Forestry model. Another significant achievement of the year was the successful completion of the FSC - FM (Forest Stewardship Council - Forest Management) Certification audit.

The coverage of the Company's Soil and Moisture Conservation programme, designed to assist farmers in identified moistures-stressed districts, increased by another 24,942 ha. 467 water-bodies were created during the year. The total area covered under the watershed programme cumulatively stands at 89,441 hectares. ITC signed two new MoUs with the Government of Rajasthan for promoting sustainable livelihoods through watershed development in the districts of Bundi and Pratapgarh under MGNREGA.

The Improved Agricultural Programme this year focussed on two new initiatives: the direct recharge of defunct wells, with a coverage of 61 wells and improved agricultural practices through 37 farmer schools with 918 farmer students and demonstration plots to ensure methodical and systematic learnings.

The Sustainable Livelihoods initiative of the Company strives to create alternative employment for surplus labour and thereby decrease pressure on arable land by promoting non-farm incomes. The programme for genetic improvements of cattle through artificial insemination to produce high-yielding crossbred progenies has been given special emphasis because it reaches out to the most impoverished and has the potential to enable them to live with social and economic dignity. 83 new Cattle Development Centres were established during the year, taking the total to 293 centres covering more than 5,000 villages, which provided 2.32 lacs artificial inseminations during the year. Taking the next step in the development of a viable livestock economy, Dairy Development in Munger was a major focus area this year. Farmers from 60 villages were mobilised for milk procurement on 3 milk routes.

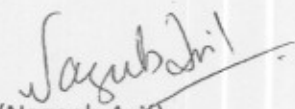
The Women Empowerment Programme covered over 16,000 women through 1,380 Self-Help Groups (SHG) with total savings of Rs 285 lakhs. Cumulatively, more than 39,000 women were gainfully employed either through micro-enterprises or assisted

with loans to pursue income generating activities. Over 19,000 new students were covered through Supplementary Learning Centers and Anganwadis. Of these, 952 first generation learners were enrolled into formal schools for the first time in their lives. 919 youth were covered this year by the skills development initiative.

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, Dhan, FES, MYRADA, Pratham, SEWA, SRIJAN, DSC and 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 grass-roots solutions to some of India's worst problems of development in the years to come.

Intervention Areas	Unit of Measurement	2011-12 (Cumulative Achievement)
Total Districts Covered	Number	60
Social Forestry	Hectare	24,196
Soil and Moisture Conservation Programme	Hectare	89,441
Sustainable Agricultural Practices		
Organic Fertiliser units	Number	13,943
Sustainable Livelihoods Initiative		
Cattle Development Centres	Number	293
Animal Husbandry Services	AI doses(Lakhs)	8.07
Economic Employment of Women		
SHG Members	Persons	16,280
Livelihoods created	Persons	39,700
Primary Education		
Beneficiaries	Children(Lakhs)	2.66
Health and Sanitation		
Low Cost Sanitary Units	Number	3595

The Board of Directors, at its meeting in Kolkata on 25th May 2012, approved the financial results for the year ended 31st March 2012, which are enclosed.


(Nazeeb Arif)

