



**ITC Limited**  
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20<sup>th</sup> May, 2016

The Manager  
Listing Department  
National Stock Exchange  
of India Limited  
Exchange Plaza,  
Plot No. C-1, G Block  
Bandra-Kurla Complex  
Banda (East)  
Mumbai 400 051

The General Manager  
Dept. of Corporate Services  
BSE Limited  
1<sup>st</sup> floor, New Trading Ring  
Rotunda Building, P. J.  
Towers  
Dalal Street, Fort  
Mumbai 400 001

The Secretary  
The Calcutta Stock Exchange  
Limited  
7, Lyons Range  
Kolkata 700 001

Dear Sirs,

**Audited Financial Results for the  
Quarter and Twelve Months ended 31<sup>st</sup> March, 2016**

Further to our letter dated 20<sup>th</sup> May, 2016 forwarding the Audited Financial Results of the Company for the Quarter and Twelve Months ended 31<sup>st</sup> March, 2016, we now enclose a copy of the Media Statement issued by the Company on the subject.

Yours faithfully,  
ITC Limited

(R. K. Singhi)  
Sr. Deputy Secretary

Encl. as above.



cc: Securities Exchange Commission  
Division of Corporate Finance  
Office of International Corporate Finance  
Mail Stop 3-9  
450 Fifth Street  
Washington DC 20549  
U.S.A.

cc: Societe de la Bourse de Luxembourg  
35A Boulevard Joseph II  
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## Media Statement

May 20, 2016

### Financial Results for the Quarter and Year ended 31st March, 2016

#### Highlights

- Gross Revenue and Pre-tax profit for the quarter up 9.8% and 14.4% respectively.
- Gross Revenue crosses Rs. 50000 crores during the year. Excluding agri-commodity exports, Gross Revenue up 6.4% over the previous year. Pre-tax profit for the year up 6.9%.
- Board of Directors recommend to shareholders for their approval (a) Total Dividend of Rs. 8.50 per share including a Special Dividend of Rs. 2.00 per share for FY16 and (b) Issuance of 1 bonus share for every 2 existing ordinary shares held by Members on record date.

#### Financial year ended 31st March 2016

- FMCG-Cigarettes Segment continues to be impacted by severe pressure on legal cigarette industry volumes even as illegal trade grows unabated.
- FMCG-Others Segment registers revenue growth of 7.7% amidst sluggish demand conditions and price deflationary environment. Most categories record improvement in market standing. Segment Results improve further despite start-up cost of new categories (Juices, Dairy, Health & Hygiene segment in Personal Wash) and sustained investment in brand building.
- Hotels Segment Revenue up 8.4% aided by healthy growth in occupancy and Food & Beverage revenue. Segment Results include the impact of gestation costs of ITC Grand Bharat and business disruption caused by heavy rains in Chennai during November/December 2015.
- Agri Business Segment Revenue impacted by lack of trading opportunities in wheat, coffee & soya due to higher crop output and steeper currency

depreciation in competing origins. Significant scale up in sourcing of wheat for 'Aashirvaad' atta. Profitability improvement driven by superior product mix and higher realisations.

- Paperboards, Paper & Packaging Segment impacted by slowdown in the FMCG and Cigarette industry, zero duty imports under Free Trade Agreement with ASEAN countries and cheap imports from China.
- Effective Tax Rate up 280 bps to 34.2% mainly due to increase in surcharge, change in income tax provisions relating to holding period for investments in debt oriented mutual funds to qualify as long-term capital asset, eligibility criteria for claiming investment allowance etc.

#### Quarter ended 31st March, 2016

- Improvement in performance during the quarter driven by improved realisations, margin expansion, benign input costs and favourable base effect.
  - FMCG-Others Segment Revenue growth impacted due to persistently sluggish demand environment, price deflationary scenario and trade pipeline synchronisation in the Notebooks category. Growth in Segment Results driven by higher scale and gross margin expansion.
- 

#### **Financial Performance**

The Company delivered another year of steady performance in the backdrop of an extremely challenging year in the wake of unprecedented pressure on the legal cigarette industry due to the cumulative impact of steep increase in taxation and increasing regulatory pressures, sluggish demand and price deflationary conditions in the FMCG space, and start-up costs relating to new products/categories especially in the non-cigarette FMCG segment. The business environment in the Hotels industry also remained challenging with the overhang of excess room inventory exerting pressure on pricing apart from which the Business had to absorb the gestation costs of new properties. Agri exports from India were impacted during the year due to higher crop output and steeper currency depreciation in competing origins. The Paperboards, Paper and Packaging segment also had to contend with a weak demand and pricing environment.

Despite the challenging business environment as aforesaid, Gross Revenue at Rs. 51582.45 crores grew by 3.2% primarily driven by a 7.7% growth in the non-cigarette FMCG segment and 6.2% growth in the Cigarettes segment. Excluding exports of agri-commodities, Gross Revenue for the year grew by 6.4%. Profit Before Tax registered a growth of 6.9% to Rs. 14958.39 crores while Net Profit at Rs. 9844.71 crores increased

by 2.5%. Earnings Per Share for the year stood at Rs. 12.26 (previous year Rs. 12.05). Cash flows from Operations aggregated Rs. 14079.07 crores compared to Rs. 13534.65 crores in the previous year.

During the 4th quarter of the year, Net Revenue and Profit Before Tax stood at Rs. 10062.38 crores and Rs. 3831.52 crores respectively. The muted growth in revenue during the quarter reflects, inter alia, the continuing impact of higher taxes and regulatory pressures on the legal cigarette industry, weak demand conditions in the FMCG industry and synchronisation of trade pipeline in the Notebooks category. Profit Before Tax for the quarter grew by 14.4% aided by favourable base effect, benign input costs and Gross Margin expansion in the FMCG-Others segment.

### **Corporate Action**

2015/16 has been a year of significant milestones for the Company. The year marks the completion of 20 years since the Company embarked upon its corporate strategy of creating multiple drivers of growth and focusing on 'Triple Bottom Line' performance.

Over the last 20 years, the Company has delivered outstanding performance across key financial metrics and is today, also widely recognised as a global exemplar of sustainable business practices. During the period 1995/96 to 2015/16, Gross Revenue has grown at a compound annual rate of 12.2% crossing the Rs. 50000 crore mark in 2015/16, while Profit After Tax has grown at a compound annual rate of 19.9%. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have grown at a compound rate of 23.3% per annum during this period, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital. Your Company has also achieved and sustained the unique distinction of being 'water positive' (for 14 years), 'carbon positive' (for 11 years) and 'solid waste recycling positive' (for 9 years) – the three key global indices of environmental sustainability.

Over the last decade or so, the Company has created several world-class Indian brands in the FMCG space. These brands, in aggregate, recorded a consumer spend of more than Rs. 12000 cr. in 2015/16, with the 'Aashirvaad' brand crossing the Rs. 3000 cr. mark during the year. In addition, the 'Sunfeast' brand is today over Rs. 2500 cr. while Bingo! & Classmate are over Rs. 1000 cr. each, in terms of annual consumer spend. The FMCG-Others Segment achieved breakeven at the PBIT level in 2013/14 and has sustained/enhanced its profitability for 3 years in a row despite absorbing the gestation cost of new categories (Gums, Juices, Dairy, Deodorants) and higher brand building spends both on existing as well as new variants.

The capabilities built over the last 20 years provide the Company a strong foundation for sustaining its position as one of India's most admired and valuable corporations creating growing value for the Indian economy and its stakeholders.

To celebrate these landmark achievements, the Board of Directors were pleased to recommend to the shareholders for their approval,

- a) A Special Dividend of Rs. 2.00 per share in addition to the dividend of Rs. 6.50 per share (previous year: Rs.6.25 per share) for the year ended 31st March, 2016. Total cash outflow in this regard will be Rs. 8232.61 crores including Dividend Distribution Tax of Rs. 1392.49 crores.
- b) Issuance of 1 bonus share of Re.1/- each, for every 2 existing ordinary shares of Re.1/- each held by the Members on the record date.

The Board also recommended a transfer to General Reserve of Rs. 990.00 crores (previous year: Rs. 970.00 crores).

## **FMCG**

### **FMCG-Others**

The FMCG industry faced another challenging year with demand conditions remaining sluggish for the third year in a row. Headwinds in rural demand due to the second successive year of sub-par monsoons and price deflationary conditions prevailing in the industry resulted in a relatively muted growth of 7.7% in Segment Revenue during the year. Additionally, the Company had to contend with regulatory issues surrounding the Noodles industry (largely related to products of the lead competitor) and synchronisation of trade pipeline in the later part of the year ahead of the ensuing season in Notebooks category. Most categories witnessed expansion in Gross Margin driven by product mix enrichment and benign input costs. Segment Results for the year improved to Rs. 71 crores from Rs. 34 crores in FY15 after absorbing gestation costs of new categories viz., Juices, Gums & Dairy and significant brand investments towards communicating the superior value proposition offered by YIPPeE! Noodles, besides a host of new launches in existing categories.

### **Branded Packaged Foods Businesses**

Demand conditions in the Branded Packaged Foods industry remained sluggish during the year with consumers curbing discretionary spending, headwinds in rural demand, heightened competitive intensity against the backdrop of decline in commodity prices and regulatory issues surrounding the Noodles industry. Despite such a challenging operating environment, the Company sustained its position as one of the fastest growing branded packaged foods businesses in the country leveraging a robust portfolio of brands, differentiated range of products customised to regional tastes and preferences along with enhanced product visibility and availability in key markets.

In the Staples, Snacks and Meals Business, the Company posted a robust performance during the year, growing well ahead of the industry. In the Staples category, 'Aashirvaad'

atta consolidated its leadership position across markets aided by robust performance of the value-added portfolio comprising the 'Multigrains', 'Select' and 'Superior MP' variants. The Business recently launched a range of blended spices in select markets under the 'ITC Master Chef' brand. The Company also recorded impressive gains in market standing in the Savoury Snacks, Noodles & Pasta categories. Consumer franchise of YiPPee! Noodles grew significantly on the back of a focused and integrated 360 degree communication campaign reassuring consumers on the quality and safety of YiPPee! Noodles, even as the Noodles industry had to contend with regulatory issues pertaining largely to the lead competitor's products. The 'Bingo!' range of finger snacks registered significant growth driven by the 'Tedhe Medhe' and 'Mad Angles' sub-brands. In the potato chips category, 'Yumitos Original Style' grew at a robust pace on the strength of region-specific interventions.

In the Confections Business, the Company increased the scale of operations and improved market standing. The 'Sunfeast Mom's Magic' range of premium cookies, launched during the previous year in two variants - 'Rich Butter' and 'Cashew & Almond' – grew rapidly on the back of a superior value proposition and sustained investments in brand building. Market standing of the 'Sunfeast Bounce' range of cream biscuits improved further during the year thereby sustaining its position as the largest selling cream brand in the country. The Business augmented its product portfolio during the year with the launch of several new variants including 'Sunfeast Delishus' 'Gourmet cookies - Chocolate Chip made with Ghana Cocoa', 'Sunfeast Farmlite Oats with Chocolate' and 'Sunfeast Marie Light Rich Taste' with a differentiated taste and flavour profile. These variants have been well received by the markets. The Business continued to leverage the 'Candyman' and 'mint-o' brands and focused on premiumising its product portfolio by enhancing the share of variants priced at 'Re. 1 & above' in the sales mix. During the year, 'Candyman Choco Double Eclairs' emerged as the fastest growing brand in the éclair segment. The Business also scaled up the 'GumOn' brand which was launched last year, clocking robust growth in launch markets. The Gums portfolio was strengthened during the year with the introduction of a strawberry variant.

In the Dairy and Beverages Business, the 'B Natural' range of juices garnered impressive consumer traction in a relatively short span of time since its launch. During the year, the Business forayed into the fast-growing Dairy category with the launch of 'Aashirvaad Svasti' – Pure Cow Ghee in select markets.

### **Personal Care Products**

The Personal Care Products Business delivered a resilient performance during the year which was marked by tepid volume growth and price deflation. Most players in the industry passed on the benefit of a decline in input costs, especially of palm oil, to consumers and implemented aggressive product promotion initiatives in a bid to revive demand. The Company's Personal Care Products Business responded proactively to these challenges and continued to enrich its product portfolio, expand distribution, manage costs by developing alternative sources of supply and leveraging scale, and improve supply chain

responsiveness. During the year, the Business rolled out several differentiated product offerings in the Deodorants, Soaps, Shower Gel and Skin Care categories under the 'Engage', 'Fiama Di Wills', 'Vivel', and 'Superia' brands, and improved in-store brand salience of offerings under the 'Essenza Di Wills' brand.

The 'Savlon' and 'Shower to Shower' trademarks acquired during the previous year were fully integrated with the existing operations of the Business during the year. The Company also entered the fast-growing Hand Wash category with the introduction of 'Savlon Hand Wash' in three variants which continue to gain good consumer traction.

The Engage portfolio was fortified during the year with the addition of 'Engage Perfume Sprays' in two variants each for both men and women.

### **Education & Stationery Products**

The Education & Stationery Products Business consolidated its leadership position in the Education and Stationery products industry in India. The later part of the year saw synchronisation of the trade pipeline ahead of the 2016 season in view of the subdued demand conditions and tight liquidity position in the market. This resulted in muted growth in revenue during the year.

The Business enriched its product portfolio with the launch of several differentiated offerings under the 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi' brands. Several products in innovative formats were launched during the year including Paperkraft notebooks with unique covers, Classmate 'Octane' pens while the art stationery range of products was further expanded with the introduction of oil pastels and plastic crayons.

### **Lifestyle Retailing**

The branded apparel industry witnessed significant pressure during the year in the wake of consumers cutting back on discretionary spends and heavy discounting by industry players including the online channel. Despite these challenging conditions, the Company's Lifestyle Retailing Business clocked healthy growth in revenue led by the 'John Players' brand.

In the Premium segment, brand equity of 'Wills Lifestyle' was enhanced with heightened focus on premium product platforms. The retail footprint of the Wills Lifestyle brand spans over 100 exclusive stores in 50 cities and 350 'shop-in-shops' in leading national and regional chains, departmental stores and multi-brand outlets and 6 exclusive boutiques across ITC Hotels.

'John Players' has emerged as a leading brand in the 'Youth fashion' segment. The brand has earned the distinction of being featured amongst the top five brands in the apparel category in 'Brand Equity - The Most Exciting Brands' list published by The Economic Times. John Players continues to expand its strong pan-India presence with over 400 flagship stores, 600 'shop-in-shops' in leading national & regional retail chains and departmental stores, and 1600 multi-brand outlets.

## **Safety Matches and Incense sticks (Agarbatti)**

The Company recorded yet another year of impressive revenue growth in the Agarbatti category, growing well ahead of the industry. Growing franchise for the 'Mangaldeep' brand, superior consumer experience and enhanced distribution reach contributed to a robust performance during the year. The Company also consolidated its leadership position in the 'Dhoop' segment. Investments were made during the year to enhance quality, availability and improving supply chain responsiveness.

The Business sustained its market leadership in the Safety Matches category leveraging a robust portfolio of offerings across market segments. However, volumes remained impacted due to the proliferation of cheap and low quality products.

## **Cigarettes**

The performance of the Cigarettes business remained subdued during the year due to unprecedented pressure on the legal cigarette industry in India on account of the cumulative impact of steep increase in taxation and intense regulatory pressures.

Over the last 4 years, the incidence of Excise Duty and VAT on cigarettes, at a per unit level, has gone up cumulatively by 118% and 142% respectively thereby exerting severe pressure on legal industry volumes even as illegal trade grows unabated. It is pertinent to note that steep increases in Excise Duty on cigarettes in recent years have resulted in widening the differential in Excise Duty rates (on a per kg. of tobacco basis) between cigarettes and other tobacco products from 29 times in 2005/06 to over 53 times currently. An analysis of the WHO Report on Tobacco Taxation, 2015<sup>1</sup> reveals that at 6.5% of per capita GDP, cigarette taxes in India are amongst the highest in the world. In fact, cigarette taxes in India are 14 times higher than USA, 9 times higher than Japan, 7 times higher than China, 5 times higher than Australia and 3 times higher than Malaysia and Pakistan.

High incidence of taxation and a discriminatory regulatory regime on cigarettes in India have over the years led to a significant shift in tobacco consumption to lightly taxed or tax-evaded tobacco products like bidi, khaini, chewing tobacco, gutkha and illegal cigarettes which presently constitute over 89% of total tobacco consumption in the country. Besides adversely impacting the performance of the legal cigarette industry, this has led to sub-optimisation of the revenue potential from the tobacco sector.

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

<sup>1</sup> As per WHO Report titled 'The Global Tobacco Epidemic, 2015 – Raising Taxes on Tobacco', cigarettes taxes (for 2000 cigarettes of the most sold brand covering both Central and State Taxes) in India represent 6.5% of per capita GDP.

According to an independent study conducted by Euromonitor International – a renowned global research organisation – India is now the 4th largest market for illegal cigarettes in the world. In fact, illegal trade comprising smuggled foreign and domestically manufactured tax-evaded cigarettes is estimated to constitute one-fifth of the overall cigarette industry in India. A recent study by the Federation of Indian Chambers of Commerce and Industry (FICCI) has estimated that revenue loss due to illegal cigarettes is more than Rs. 9000 crores per annum which represents a growth of nearly 50% over a two year period. During the year under review, the Company was in continuous engagement with various enforcement agencies whose proactive initiatives have resulted in significant increase in seizure of smuggled cigarettes.

The Company continues to engage on an ongoing basis with policy makers at both the Centre and the States for moderation in tax rates on cigarettes to maximise the revenue potential from the tobacco sector and contain the growth of illegal trade. Such a policy would also bolster the tobacco control and health objectives of the Government which have hitherto been seriously compromised since non-cigarette tobacco products from the unorganised sector and illegal cigarettes are manufactured using inferior tobaccos and other ingredients of questionable quality and hygiene without any regulatory oversight.

Over and above a punitive and discriminatory taxation regime, the legal Cigarette industry continues to be subjected to increasingly stringent regulations. A Government notification, originally proposed to be effective from 1st April 2015, increased the size of graphic health warnings (GHW) from 40% of the surface area on one side of the cigarette package to 85% of the surface area of both sides of the package, and substituted the previous pictures with even more gruesome and repulsive ones. The implementation of the new GHW was subsequently kept in abeyance by the Central Government pending the recommendations of the Parliamentary Committee on Subordinate Legislation (PCOSL) which was tasked with the responsibility of examining the issue of introduction of larger GHW in India. The decision to defer the notification till completion of PCOSL's review was reiterated by the Government in the Parliament. Nevertheless, whilst the PCOSL was engaged in the matter, on 24th September 2015, the Central Government notified that the new GHW would come in to effect from 1st April 2016. On 15th March 2016, the PCOSL in its Final Report recommended that the size of the GHW should be kept at 50% on both sides of the cigarette package as opposed to 85% proposed by the Government.

The implementation of any change in health warnings on cigarette packages is an elaborate process for manufacturers, entailing months of preparation involving substantial cost and effort. Since the matter of new GHW was under the Parliamentary Committee's consideration, and the Government had itself held out that it would await the Committee's report, the industry was led to believe that the Government would re-notify new health warnings after considering the Committee's recommendations. Further, the question of the legality of the new warnings was and continues to be pending before the Court. In this situation, the Company, as any prudent person would, did not commit to wasting substantial resources in creating the large number of cylinders and other tools necessary for a changeover of the warnings. As a result, the Company was not in readiness to print the new GHW and was compelled to cease manufacture of cigarettes with effect from 1st April 2016 pending clarity on the matter. Subsequently, in order to attain clarity on the matter, the Company challenged the rules mandating larger GHW before the Honourable

High Court of Karnataka. The Court was pleased to direct, vide Interim Order dated 12th April 2016, that the Government should not take any coercive steps against the Company for a period of 8 weeks during which the Company would continue to follow the Cigarettes and Tobacco Products (Packaging and Labelling) Rules, 2008 ("2008 Rules"), which prescribed 40% warning on the front panel of the cigarette packs. Accordingly, the Company resumed production of cigarettes at its factories from 15th April 2016.

On 4th May 2016, the Honourable Supreme Court directed the Honourable High Court of Karnataka to hear and dispose of within 6 weeks, the legal challenge to GHW pending in several High Courts. The Honourable Supreme Court, however, also ordered that any stay order granted by any High Court would not be given effect to till the cases are finally disposed of. As a consequence of the above development, in compliance with the interim requirements pending hearing in the Honourable Karnataka High Court, the Company progressively commenced manufacture of cigarettes with 85% warning.

The Tobacco industry in India supports the livelihood of over 45 million people including vulnerable sections of the society like farmers, farm labour, rural poor, women, tribals etc. and contributes around Rs. 30,000 crores to the national exchequer apart from generating valuable foreign exchange earnings of around Rs. 6000 crores.

The proposed GHW is excessively large, extremely gruesome and unreasonable. There is no evidence to suggest that cigarette smoking would cause the diseases depicted in the pictures or that large GHW will lead to reduction in consumption. In fact this inadequacy of evidence prompted the courts in USA to hold that the US FDA's proposal for introduction of similar GHW in that country as unconstitutional. Further, over 100 countries representing 60% of the signatories to the Framework Convention on Tobacco Control have not adopted GHW. It is pertinent to note that other major tobacco producing countries have taken a considered view on the matter and have not adopted over-sized and excessive graphic health warnings, thus striking a balance between the interests of the consumer and of their farmers. It may also be noted that the global average size for GHW is only about 30% coverage of the principal display area. Moreover, the top three cigarette consuming countries - USA, China and Japan - which together account for 51% of global cigarette consumption have only text based warnings and have not adopted pictorial / graphic health warnings.

The new GHW will encourage the flow of illegal trade of brands owned by international companies into the country since such brands are manufactured in many jurisdictions which do not mandate the printing of graphic health warnings on cigarette packages as applicable in India. The legal cigarette industry in India will be hard pressed to counter the menace of illegal cigarettes as they will be perceived by the consumer to be safer in the absence of the statutorily mandated health warnings. Coupled with the fact that illegal cigarettes are available at a fraction of the price of legal cigarettes, the new GHW will provide further fillip to the growth of illegal cigarettes in the country.

It is pertinent to note that the Department of Commerce, in its submissions to PCOSL, has stated that "large warnings will lead to an increase in overall tobacco consumption and illegal cigarettes; when large quantities of non-cigarette tobacco products from unorganised sector are sold loose and / or without any health warnings, it gives an impression of these products being relatively safer than cigarettes."

As always, the Company complies fully with all regulations and laws in letter and spirit and continues to engage with policy-makers for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country.

The Company's strong product portfolio along with superior consumer insights and a strategy of continuous innovation and value addition has helped deliver superior competitive performance. Some of the key new products launched during the year include 'Classic Fine Taste – Low Smell', 'Noir' – the first 97mm super slim cigarette in the country and new Kretek and capsule filter offers. Significant investments were made during the year on cutting-edge anti-counterfeit technology solutions that will enable the Company to protect its trademarks, state-of-the-art on-line quality oversight systems and know-how for developing innovative packaging formats in the future.

The operating environment for the legal cigarette industry is likely to remain extremely challenging in the year ahead in view of the high levels of taxation which was exacerbated by a further increase of 10% in Excise Duty as announced in the Union Budget 2016, rising illegal trade and increasing regulatory pressures including the new GHWs. Despite these challenges, the Company remains confident of sustaining its leadership position in the legal cigarette industry by leveraging its superior strategies, comprehensive product portfolio and world-class execution capabilities.

## HOTELS

The operating environment in the hospitality sector remained challenging during the year. While occupancy improved during the year, average room rates remained under pressure due to subdued growth in foreign tourist arrivals coupled with a steady supply of new room inventory particularly in key markets like New Delhi, Mumbai and Bengaluru. The Company's hotels in Chennai also had to contend with business disruption due to heavy rainfall and floods in the city during November/December 2015.

Despite a challenging operating environment, Segment Revenue recorded a growth of 8.4% driven by improvement in room occupancy and robust growth in the Food & Beverage segment. Segment Results, however, reflect the impact of floods in Chennai, gestation costs of the recently commissioned ITC Grand Bharat, Gurgaon and higher depreciation charge due to revision in useful life of fixed assets in accordance with Schedule II of the Companies Act 2013.

The Company's Hotels Business continues to be rated amongst the fastest growing hospitality chains with over 100 properties across the country under 4 distinct brands - 'ITC Hotels' in the Luxury segment, 'WelcomHotel' in the 'upper-upscale' segment, 'Fortune Hotels' in the 'upscale & mid-market' space and 'WelcomHeritage' in the 'leisure & heritage' segment.

The Company was declared the successful bidder for a 250-room luxury beach resort located in South Goa operating under the name Park Hyatt Goa Resort and Spa, following an auction held by IFCI Limited in February 2015 in terms of the Securitisation and

Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Subsequent to the Company making full payment of the bid amount, IFCI issued the requisite Sale Certificates in favour of the Company on 25th February, 2015. However, based on an appeal by the erstwhile owners, the sale has been struck down by the Honourable Bombay High Court. The Company and IFCI have filed a Special Leave Petition before the Honourable Supreme Court and the matter is sub judice.

Steady progress is being made on construction of new hotels at Kolkata, Hyderabad and Ahmedabad. The Company's third property under the 'My Fortune' brand at Coimbatore is nearing completion. All requisite clearances for the Company's first overseas project at Colombo have been received from the Sri Lankan authorities by WelcomHotels Lanka (Private) Limited, a wholly-owned subsidiary of the Company. While excavation work is in its final stage at the Colombo project site, allied works including piling are progressing as per schedule.

## **PAPERBOARDS, PAPER & PACKAGING**

During the year, the Paperboards, Paper and Packaging segment was impacted by the muted demand environment prevailing in the FMCG and Cigarette industry. Additionally, zero duty on imports under the Free Trade Agreement (FTA) with ASEAN countries, coupled with cheaper imports from China continued to adversely impact the domestic Paper and Paperboard industry. Consequently, Segment Revenue grew by 0.9% and Segment Profits declined by 1.5% respectively against the backdrop of a challenging business context as aforesaid.

In the Paperboards and Specialty Papers Business, despite a challenging operating environment and heightened competitive intensity, the Company continued to drive volume growth and improve realisations during the year. This was achieved by focusing on identified end-use segments, investments in quality systems and processes, and enhancing customer service levels.

The Business consolidated its market leadership position in the Value Added Paperboard (VAP) segment through effective key account management, focus on product & process innovation, enhanced service delivery levels leveraging strategically located 'quick service centres' and improved manufacturing efficiencies.

Sales of flexibles and cartons packaging recorded healthy growth during the year, driven by increased offtake by existing customers and robust new business development. The factories at Tiruvottiyur, Haridwar and Munger continued to maintain the highest standards in Quality and Environment, Health & Safety (EHS). With investments in world-class technology, best-in-class quality management systems, multiple locations and a wide packaging solutions portfolio, the Packaging and Printing Business has established itself as a one-stop shop offering superior packaging solutions.

## **AGRI BUSINESS**

As per latest estimates, Leaf tobacco exports from India dropped to a four-year low of 207 million kgs. during the year. Decline in cigarette consumption & build-up of uncommitted stocks both globally and in India, coupled with steeper currency depreciation in competing origins weighed on leaf tobacco exports. Despite the challenging business environment, the Company sustained its pre-eminent position as the leading exporter of unmanufactured tobacco from India through focused strategies aimed at strengthening trade with existing customers and robust new business development.

During the year, the quality of wheat crop in India was adversely impacted primarily due to unseasonal rains. The Business leveraged its wide geographical sourcing network and customised infrastructure to secure supplies of critical grades with benchmark quality while scaling up operations significantly towards meeting the growing requirements for Aashirvaad atta. The Business also delivered substantial savings to the system through efficient logistics management and other cost-optimisation initiatives. However, lack of export trading opportunities in wheat, soya and coffee due to higher crop output and steeper currency depreciation in competing origins impacted revenue growth during the year.

The Business continues to provide strategic sourcing support to the Company's Cigarette business and leverage its deep rural linkages to source identity-preserved specific grades of superior quality wheat and high quality chip stock potatoes for the Branded Packaged Foods Businesses. The Business is collaborating with research organisations such as Indian Agricultural Research Institute, Directorate of Wheat Research, Punjab Agricultural University and Agarkhar Research Institute towards scaling up wheat sourcing from areas that are in close proximity of atta manufacturing plants. As part of its wheat crop development program, the Business has introduced location-specific new and improved seed varieties along with appropriate package of practices across many states and continues to focus on augmenting capabilities in proprietary crop intelligence, scaling up the sourcing & delivery network and developing blends based on consumer requirements. The Business also leveraged its extensive sourcing network and associated infrastructure in key growing areas coupled with well-entrenched farmer linkages to source high quality chip stock potato for the Company's Bingo! Yumitos brand and fruit pulp for the Company's 'B Natural' brand.

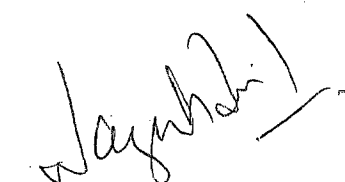
### **Contribution to Sustainable Development**

The Company's Corporate Social Responsibility (CSR) programme aims to address the challenges arising out of poverty, environmental degradation and climate change through a range of activities with the overarching objective of creating sustainable sources of livelihood for stakeholders.

The footprint of the Company's CSR programmes has spread to 166 districts across the country and can be viewed at a glance in the following chart:

| Intervention Areas                                        | Unit of Measurement | Cumulative till date |
|-----------------------------------------------------------|---------------------|----------------------|
| <b>Total Districts Covered</b>                            | Number              | 166                  |
| <b>Social and Farm Forestry</b>                           | Hectare             | 225,293              |
| <b>Soil and Moisture Conservation Programme</b>           | Hectare             | 259,050              |
| <b>Sustainable Agricultural Practices</b>                 |                     |                      |
| Compost Units                                             | Number              | 30,868               |
| Area under Sustainable Agriculture                        | Hectare             | 58,105               |
| <b>Sustainable Livelihoods Initiative</b>                 |                     |                      |
| Cattle Development Centres                                | Number              | 238                  |
| Animal Husbandry Services (Artificial Insemination doses) | Number (in lakhs)   | 17.91                |
| <b>Economic Empowerment of Women</b>                      |                     |                      |
| Ultra Poor Women covered                                  | Number              | 10,200               |
| Livelihoods created                                       | Number              | 51,027               |
| <b>Primary Education</b>                                  |                     |                      |
| Children covered                                          | Number              | 460,967              |
| <b>Health and Sanitation</b>                              |                     |                      |
| Low Cost Sanitary Units                                   | Number              | 15,429               |
| Households covered under Solid Waste Management           | Number              | 42,159               |
| <b>Vocational Training</b>                                |                     |                      |
| Students Enrolled                                         | Number              | 31,367               |

The Board of Directors, at its meeting in Kolkata on 20th May 2016, approved the financial results for the year ended 31<sup>st</sup> March 2016, which are enclosed.



(Nazeeb Arif)  
Executive Vice President &  
Head -Corporate Communications