Report of the Directors
&
Management Discussion and Analysis
For the Financial Year Ended 31st March, 2012

Your Directors submit their Report for the financial year ended 31st March, 2012.

SOCIO-ECONOMIC ENVIRONMENT

After staging a smart recovery in 2010, growth in global economic output slowed down considerably in 2011. Against a growth rate of 5.3% recorded in 2010 and a forecast of 4.4% at the beginning of the year, global output is estimated to have grown by only 3.9% in 2011, according to the International Monetary Fund's April 2012 report. Growth in Advanced Economies slowed down to 1.6% in 2011 against 3.2% in 2010 primarily due to the sovereign debt crisis in the euro zone, contraction of the Japanese economy and a sluggish recovery in the US. Growth in Emerging & Developing economies also decelerated from 7.5% in 2010 to 6.2% in 2011 with China, India and Brazil recording significant decline in growth rates. Capital flows into Emerging and Developing economies declined and remained volatile due to lower risk appetite caused by the financial uncertainty in the developed world which also led to sharp fluctuations in the exchange rates in many of these economies.

The world economy is passing through a very difficult phase and is expected to grow by 3.5% in 2012. Despite a better than expected recovery shaping in the US, the key reasons for the subdued growth forecast of 1.4% in the Advanced Economies remain the sovereign debt crisis in the euro zone, focus on fiscal consolidation and continued bank deleveraging. Growth in the developing world is forecast to slow down further to 5.7% with the key economies of China, India, Brazil and Russia - all expected to record lower rates of growth.

As stated above, the Indian economy decelerated considerably during the year, growing below 7% in 2011/12 as compared to 8.4% in 2010/11. The cumulative impact of a tight monetary policy stance adopted by the Reserve Bank in a bid to balance the growth-inflation dynamic, lower global demand and hardening international prices of crude oil combined to lower the growth rate to below 6% during the second half of the year. There was a marked slowdown in the mining and quarrying, manufacturing and construction sectors. The poor performance of the Industrial sector which grew below 4% - a 10 year low - reflected a number of factors including a higher interest rate regime, slackening external demand and a general decline in business confidence. Of particular concern is the sharp fall in the Gross Fixed Capital Formation which dropped below 30% of GDP during the year, representing a decline of nearly 4 percentage points over the last 4 years. The position on the 'twin deficits' also worsened with the fiscal deficit touching 5.9% of GDP and the current account deficit estimated at around 4% of GDP. With a burgeoning current account deficit on the one hand and only a small increase in net capital inflows on the other, the overall Balance of Payments situation turned negative - the first time in 16 years excluding 2008/09! This, amongst other factors, led to a sharp depreciation of the Indian Rupee which fell to record lows. There was some good news on the inflation front which, after staying close to 10% for an extended period of 22 months, moderated to around 7% in recent months.

As per the RBI's Monetary Policy Statement 2012/13 released in April 2012, the Indian economy is projected to grow by 7.3% in 2012/13 assuming normal monsoons. Significant downside risks to this baseline forecast include the outlook for global commodity prices - especially of crude oil, slippages on the fiscal front which could stoke inflation and lead to a crowding out of private investment and the unsustainable current account deficit levels. The inflation scenario remains challenging with oil prices ruling high, incomplete pass-through of past price increases, suppressed inflation in respect of coal and electricity and persisting structural issues especially on the supply side. This leaves little flexibility in the near term on the interest rates front after RBI's 50 basis points repo rate cut in April 2012.

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While a growth rate of around 7% per annum would sustain India's position as one of the fastest growing major economies in the world, it is far below the desired levels and the country's potential. Given the low levels of per capita income and the fact that a significant proportion of our population lives in poverty, it is imperative that the economy reverts to its 8% to 9% growth trajectory. Fortunately, India enjoys the unique advantage of having multiple forces driving its economic growth engine in the form of a favourable demographic profile of population, relatively high savings and investment rates, a large domestic consumption base and the oft-quoted entrepreneurial spirit of its people. Raising the growth bar to the desired double-digit levels would however require, inter-alia, directing government spending to more productive areas by reducing the various forms of subsidies in a phased manner, investments towards augmentation of physical and social infrastructure, skill development and job creation.

With India accounting for one-sixth of the world's population but only 2.4% of the global land mass, 4% of world's freshwater resources and 1% of global forest resources, the pressure of economic growth on the country's natural capital will be enormous. The focus, both at a national and corporate level, must therefore be on fashioning strategies that foster sustainable, equitable and inclusive growth. It is your Company's belief that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital with enhancing shareholder value. This 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring uni-dimensional 'shareholder value', is the driving force that defines ITC's sustainability vision and its growth path into the future.

Your Company's exemplary initiatives in the area of sustainable development have won global recognition and have combined to make it the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being 'water positive' (for 10 years), 'carbon positive' (for 7 years), and 'solid waste recycling positive' (for 5 years).

The following sections outline your Company's progress in pursuit of the 'Triple Bottom Line' objectives.

FINANCIAL PERFORMANCE

Your Company posted yet another year of impressive results with strong 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 it was achieved, namely, a slowdown in the economy, high levels of inflation and the continuing cascading impact of arbitrary increases in VAT on cigarettes.

Gross Revenue for the year grew by 14.2% to ₹ 34871.86 crores. Net Revenue at ₹ 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. Profit before tax increased by 22.4% to ₹ 8897.53 crores while Net Profits at ₹ 6162.37 crores registered a growth of 23.6%. Earnings Per Share for the year stands at ₹ 7.93 (previous year ₹ 6.49). Cash flows from Operations aggregated ₹ 8334 crores compared to ₹ 7528 crores in the previous year.

Continuing with your Company's chosen strategy of creating multiple drivers of growth, your Company is today, the leading FMCG marketer in India, the second largest Hotel chain, the clear market leader in the Indian Paperboard and Packaging industry and the country's foremost Agri business player. Your Company's wholly owned subsidiary, ITC Infotech India Limited, is one of India's fast growing Information Technology companies in the mid-tier segment. Additionally, over the last sixteen years, your Company's Gross Revenues and Net Profits recorded an impressive compounded growth of 12.7% and 21.8% per annum respectively. During this period, Return on Capital Employed improved substantially from 28.4% to 45.4% while Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compounded annual growth rate of 25.7% during this period, placing your Company

[It is your Company's belief that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital with enhancing shareholder value.]

amongst the foremost in the country in terms of efficiency of servicing financial capital. Your Company today is one of India's most admired and valuable corporations with a market capitalisation of nearly ₹ 180000 crores and has consistently featured, over the last sixteen years, amongst the top 10 private sector companies in terms of market capitalisation and profits.

Your Directors are pleased to recommend a Dividend of ₹ 4.50 per share (previous year - ₹ 4.45 per share including a Special Dividend ₹ 1.65 per share) for the year ended 31st March, 2012. Total cash outflow in this regard will be ₹ 4089.04 crores (previous year ₹ 4002.09 crores) including Dividend Distribution Tax of ₹ 570.75 crores (previous year ₹ 558.62 crores) representing an increase in the payout over last year that included ₹ 1484 crores as Special Dividend, including Dividend Distribution Tax, declared to commemorate your Company's 100th AGM.

Your Board further recommends a transfer to General Reserve of ₹ 650.00 crores (previous year ₹ 498.76 crores). Consequently, your Board recommends leaving a surplus in Statement of Profit and Loss of ₹ 1972.59 crores (previous year ₹ 548.67 crores).

FOREIGN EXCHANGE EARNINGS

Your Company continues to view foreign exchange earnings as a priority. All businesses in the ITC portfolio are mandated to engage with overseas markets with a view to testing and demonstrating international competitiveness and seeking profitable opportunities for growth. The ITC group's contribution to foreign exchange earnings over the last ten years amounted to nearly US$ 4.9 billion, of which agri exports constituted 56%. Earnings from agri exports are an indicator of your Company's contribution to the rural economy through effectively linking small farmers with international markets.

During the financial year 2011/12, your Company and its subsidiaries earned ₹ 3072 crores in foreign exchange. The direct foreign exchange earned by your Company amounted to ₹ 2621 crores, mainly on account of exports of agri-commodities. Your Company's expenditure in foreign currency amounted to ₹ 1859 crores, comprising purchase of raw materials, spares and other expenses of ₹ 1153 crores and import of capital goods at ₹ 706 crores. Details of foreign exchange earnings and outgo are provided in Note 28 to the Financial Statements.

PROFITS, DIVIDENDS AND SURPLUS

(₹ in Crores)

PROFITS	2012	2011
a) Profit Before Tax	8897.53	7268.16
b) Tax Expense		
– Current Tax	2664.29	2263.71
– Deferred Tax	70.87	16.84
c) Profit for the year	6162.37	4987.61
SURPLUS IN STATEMENT OF PROFIT AND LOSS		
a) At the beginning of the year	548.67	61.31
b) Add : Profit for the year	6162.37	4987.61
c) Less:		
– Transfer to General Reserve	650.00	498.76
– Proposed Dividend for the financial year		
• Ordinary Dividend of ₹ 4.50 per ordinary share of ₹ 1/- each (previous year - ₹ 2.80 per share)	3518.29	2166.68
• Special Dividend of Nil per ordinary share of ₹ 1/- each (previous year - ₹ 1.65 per share)	–	1276.79
– Income Tax on Proposed Dividends		
• Current Year	570.75	558.62
• Earlier year's provision no longer required	(0.59)	(0.60)
d) At the end of the year	1972.59	548.67

BUSINESS SEGMENTS

A. FAST MOVING CONSUMER GOODS

FMCG – Cigarettes

The cigarette industry in India continues to be impacted by a discriminatory taxation and regulatory policy framework. 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 to lightly taxed or tax evaded tobacco 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

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total usage. The twin 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. Further, the tax arbitrage opportunities have fuelled the rampant growth of illegal cigarettes.

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 year under review also witnessed arbitrary and steep hikes in VAT rates on cigarettes by many States. This is a complete departure from the principles of uniform VAT rates enunciated by the Empowered Committee in its White Paper on State level Value Added Tax. Further, several States continued to levy discriminatory and higher rates of VAT on cigarettes compared to other tobacco products, thereby widening the tax gap amongst tobacco products. A plethora of 29 different tax rates are currently applicable on cigarettes across States in India which has forced manufacturers to adopt State specific pricing. Not only will this result in unproductive costs in managing supply chain complexities but also lead to potential disputes in the assessment of ad-valorem taxes. The imposition of non-uniform VAT rates by States also goes against the tenets of the draft National Competition Policy, which recommends a ‘single national market’ in line with the principle that fragmented markets impede competition. In addition, the resultant attractive tax arbitrage opportunity promotes illegal inter-State diversion of stocks by unscrupulous elements thus depriving the Government of revenue and diverting trade away from legitimate distribution channels.

The findings reported in the Global Adult Tobacco Survey (GATS) India, 2009-10 study, conducted under the aegis of the Ministry of Health & Family Welfare, shows that whilst the consumer base of tobacco in India stands at 34.6% of all adults, the cigarette share is only 5.7%. About 75% of Indian tobacco consumers consume non-smoking tobacco products mainly in the form of oral chewing products which constitutes the single largest consumer base for tobacco products in India. It may be noted that India, with 17% of the world population, accounts for 89% of global tobacco consumption in smokeless form. Cigarette consumption in India, on the other hand, constitutes only 1.9% of global consumption. This pattern of tobacco consumption is contrary to global trends, including that of our neighbouring countries, where cigarettes are the dominant form 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, as a result of 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.

Another dangerous outcome of the increasing volume of illicit trade is that it encourages the entry of organised criminal syndicates, which can have serious law and order consequences for the country. Internationally, it has been reported that illegal profits from cigarette smuggling have been used to fund terrorist activities.

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

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'fly by night' operators to manufacture illegal cigarettes without obtaining requisite licenses and clandestinely clear them without payment of taxes.

The industry had recommended that the Excise Duty rate at the entry level segment be reduced to ₹ 200 per thousand cigarettes to enable the domestic legal industry to effectively counter illegal cigarettes with competitively priced products. Whilst, the length prescribed for the filter cigarette segment at the lowest end has been revised from 'length ≤ 60mm' to 'length ≤ 65mm', the Excise Duty on the segment has been retained at ₹ 689 per thousand cigarettes. Coupled with alarmingly high State VAT and local taxes, the legitimate, duty paid, industry will still be unable to match the prices of product offers of the illegal industry, at the current Excise Duty level.

The implementation of Goods and Services Tax (GST) with a unitary standard rate of tax across the Indian common market will be an important milestone in the near future. As stated earlier, cigarettes, by virtue of being very highly taxed, offers a lucrative tax arbitrage opportunity and is vulnerable to large scale smuggling. Consequently, it is imperative that GST on cigarettes is levied in an appropriate manner i.e. at the uniform standard rate applicable to the general category of goods across the country, with availability of input tax credit. Central Excise Duty should continue to be levied only at specific rates. It is critical to note that any increase in the overall tax rate on cigarettes, will widen the arbitrage opportunity between legitimate cigarettes and illegal, tax evaded cigarettes. It is, therefore, critical that the combined incidence of Excise Duty and GST on cigarettes remains revenue neutral (i.e., kept at current levels).

Your 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 your Company further improved its market standing during the year. Your Company'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 continues to be strengthened through strategic investments in product quality and technology.

A premium line of hand-rolled cigars launched by your Company 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.

During the year, a state-of-the-art, flexible, Primary Plant designed to cater to future product development requirements was successfully commissioned at Ranjangaon, Pune. The uncompromising focus on quality, investments in best-in-class technology and embedding of best practices has ensured the continued delivery of products of international quality. Structured problem solving methodologies like Six Sigma and several initiatives that foster innovation have been deployed to ensure sustained improvements in quality and productivity of all resources.

In line with your Company's commitment to building sustainable environmental capital, the business continues to invest in renewable sources of energy. A 6.3 megawatts (MW) wind energy facility has been commissioned in Maharashtra during the year. Solar panels have been installed for boiler feed water and furnace oil preheating systems at Bengaluru and Munger factories respectively. All units also maintained the highest standards of Environment Health and Safety (EHS) and won recognition by way of numerous awards. Saharanpur and Bengaluru factories were the first in India to obtain Platinum Green Factory Building Rating from the Indian Green Building Council as part of a holistic approach towards sustainability. Munger, Bengaluru, Saharanpur and Kidderpore factories have won the RoSPA Gold Award for Occupational Health and Safety. Munger factory was awarded the 'Shreshtha Suraksha Puraskar'

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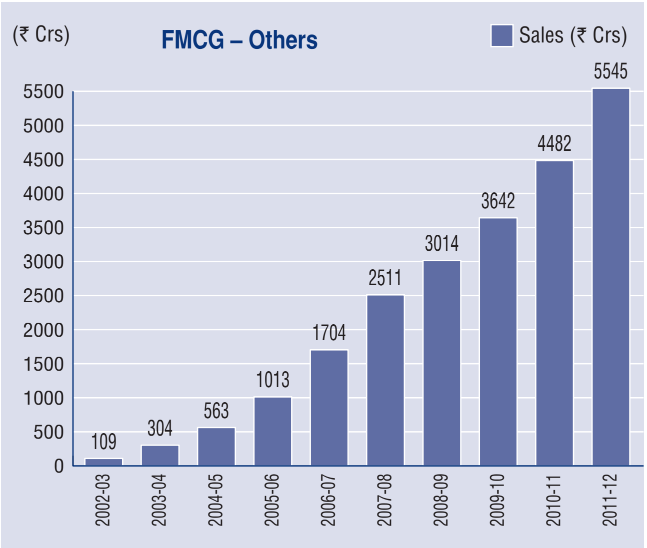
from National Safety Council of India under Safety Award scheme 2010 (Manufacturing sector), and Certificate of Appreciation at the CII Eastern Region Energy Conservation Awards. The Bengaluru factory won the Energy Efficient Unit award under CII National Energy Award 2011, Energy Conservation Initiative Award by Centre for Sustainable Development, Innovative Rainwater Harvesting Project in the National Awards for Excellence in Water Management by CII, 'Unnatha Suraksha Puraskara' by National Safety Council-Karnataka Chapter, Karnataka Renewable Energy Development Limited (KREDL) award for achievements in Energy Conservation and Certificate of Appreciation under CII Southern Region Excellence Award in Environment, Health & Safety. The Kidderpore factory won the Water Efficient Unit Award under CII National Award for Excellence in Water Management 2011 and Certificate of Appreciation under CII Eastern Region Safety, Health and Environment (SHE) Award.

Your Company's Cigarettes 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, innovation in processes and investment in world class technologies will enable your Company to further consolidate its market standing. Your Company believes that both the objectives of maximisation of the economic potential of tobacco and the tobacco control can be achieved through rationalisation of taxes on cigarettes, minimisation of discriminatory taxes between different classes of tobacco products and a regulatory framework that addresses the genuine concerns of all the stakeholders of the tobacco industry. The need is for a balanced agenda on tobacco, both fiscal and regulatory.

FMCG - Others

The Indian FMCG industry is estimated to be over ₹ 160000 crores in size and accounts for nearly 2.2% of the GDP of the country. The industry has tripled in size over the last 10 years and has grown at approximately 17% CAGR in the last 5 years, driven by robust economic growth, rising income levels, increasing urbanisation and favourable demographic trends. These growth drivers are expected to continue to favourably impact the industry which is estimated to reach ₹ 400000 crores by 2020 (Source: CII, FMCG Roadmap to 2020). According to a recent study by the consultancy firm Boston Consultancy Group, the Indian consumer market is poised to grow at a compounded annual growth rate of 15% between 2010 and 2020, faster than most other emerging markets.

Given these positive fundamentals, your Company has been rapidly scaling up its new FMCG businesses comprising Branded Packaged Foods, Personal Care Products, Education and Stationery Products, Lifestyle Retailing, Incense Sticks (Agarbattis) and Safety Matches with Segment Revenues growing at an impressive compound annual growth rate of nearly 40% since 2005-06.



Within a relatively short span of time, your Company has established several strong consumer brands in the Indian FMCG market. Segment Results reflect the gestation costs of these businesses largely comprising costs associated with brand building, product development, R&D and infrastructure creation. The year under review saw a 24% growth in Segment Revenues and a significant improvement in Segment Results

[Within a relatively short span of time, your Company has established several strong consumer brands in the Indian FMCG market.
During the year under review, the new FMCG businesses saw a 24% growth in Segment Revenues and a significant improvement in Segment Results.]

which recorded a positive swing of ₹ 102 crores at the PBIT level.

Your Company's unwavering focus on quality, innovation and differentiation backed by deep consumer insights, world class R&D and an efficient and responsive supply chain will further strengthen its leadership position in the Indian FMCG industry.

Highlights of progress in each category are set out below.

Branded Packaged Foods

Your Company's Branded Packaged Foods business grew significantly during the year, recording growth in market shares and enhanced market standing across segments. A robust range of well-differentiated products, supported by significant investments in product development, innovation, manufacturing technology and unmatched distribution infrastructure continue to enhance the market standing and consumer franchise of your Company's brands. Continuing investments in R&D and product development have enabled your Company launch successful and innovative products. The quality of your Company's products continues to be 'best-in-class' in the industry across all segments. Value capture was improved through cost optimisation across the supply chain and optimal capital deployment.

During the year, the business witnessed inflationary pressures on input costs. Supply side constraints coupled with growing demand caused prices of edible oil, packaging material and industrial fuel 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.

Your Company 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 is expected to further strengthen consumer traction in a fast growing and highly competitive industry segment.

In the Staples category, 'Aashirvaad' atta consolidated its leadership position aided by the strong performance of Aashirvaad 'Multi-grain' atta. Premium offerings of Aashirvaad 'Multi-grain' and 'Select' brands continued to grow rapidly aided by an increasing proportion of consumers shifting to these value-added propositions.

The Biscuits industry witnessed impressive growth during the year and your Company's 'Sunfeast' brand continued to do well across product platforms. Portfolio enrichment was driven through the 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' and '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 Savoury Snacks segment, the market standing of your Company's '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. Supply Chain improvements to enhance product freshness, optimal servicing of proximal markets and margin expansion continue to receive significant attention.

Buoyed by increasing consumer franchise for your Company's brands, it is expected that the accelerated growth of the Branded Packaged Foods business will be sustained in the years ahead. The growth momentum of the Foods business will continue to be driven by focus on product quality, innovative product development, multi-point contact with consumers and high quality of service to all segments of trade.

[The accelerated growth of the Branded Packaged Foods business will be sustained in the years ahead and be driven by focus on product quality, innovative product development, multi-point contact with consumers and high quality of service to all segments of trade.]

Personal Care Products

Your Company's 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 benefits 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 Créme' variant and a new offering 'Vivel Clear 3-in-1' in the transparent soap segment. Your Company 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 with the launch of 3 variants under the Fiama Di Wills brand. 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. The new product launches as aforementioned have received encouraging consumer response and are being rolled out across target markets.

The business continued to grow at a healthy rate despite the high degree of competitive intensity especially from entrenched players. The strategy of developing products on the basis of deep consumer insights and superior quality has helped your Company gain market standing in a short span of time.

The year under review witnessed sharp escalation and volatility in the prices of key inputs. Your Company used a mix of smart sourcing strategies, value engineering and cost control measures to mitigate the impact thereof and enhance margins.

During the year, the factory at Manpura received certifications for ISO 9001 (Quality Management System), ISO 14001 (Environment Management System) and OHSAS 18001 (Occupational Health & Safety Assessment System) from Messrs. Det Norske Veritas (DNV). With this, the main production units of the business are certified for their quality management systems. A business-wide programme using 'Lean' and 'Six Sigma' methodologies, which was launched last year, was further broad-based during the current year in pursuit of process excellence.

Sustained investment in R&D over the years has resulted in a healthy pipeline of new and innovative products. Product innovation and quality continue to be focus areas that are expected to provide the requisite competitive advantage and impetus for growth in the near future. These interventions, together with investments in world class manufacturing processes and technology will enable the business to further strengthen its portfolio of value-added products.

The Personal Care industry in India continues to be on a long term growth path, with rising disposable incomes and changing consumer preference for enhanced personal grooming. The business is well poised to actively participate in the emerging growth opportunities in this sector and continues to leverage its strengths in the rapidly transforming landscape of beauty and personal care products in India.

Education & Stationery Products

Your Company is the leading and fastest growing player in the Indian stationery market. The 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 includes ball and gel pens, wood cased and mechanical pencils, mathematical instruments, erasers, sharpeners and scales. 'Classmate' also endorses 'Colour Crew', an art stationery brand, with a range of wax crayons, colour pencils and sketch pens for children.

The Classmate range of products is sourced from small scale manufacturers, who have over the years continuously improved their delivery and quality capabilities. A majority of them, with your Company's assistance, are ISO 9001:2008 certified. Paper and recycled board are sourced from your Company's mills

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at Bhadrachalam and Kovai respectively. The paper used in Classmate notebooks leverages your Company's world class fibre line at Bhadrachalam which is India's first ozone treated elemental chlorine free facility. Every Classmate notebook also carries a powerful social message that reflects your Company's commitment to improving the quality of primary education in rural India.

During the year, the business took significant steps to strengthen 'Paperkraft', its executive and office supplies stationery brand. Working in tandem with the Paperboards & Specialty Paper business, your Company 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 your Company's membership of the prestigious Global Forest & Trade Network.

The education and stationery products industry continues to grow on the back of massive government and private investments in the education sector. The government's flagship Sarva Shiksha Abhiyan programme coupled with the mid-day meals initiative is successfully enhancing enrolment and reducing dropouts at the primary school level. Likewise, it is expected that enrolment ratios at the secondary and tertiary levels will also improve. Progressive reforms will enable flow of private sector investments into capacity building and quality enhancement in education delivery. Further, the Right of Children to Free and Compulsory Education Act, 2009, will further accelerate growth in the education and stationery supplies sectors. Your Company's strong brands – 'Classmate' and 'Paperkraft' – with increasing consumer franchise, widening high quality product range and excellent distribution infrastructure is advantageously positioned to respond to this opportunity.

Lifestyle Retailing

During the year, your Company's Lifestyle Retailing business posted strong growth in revenues and continued to strengthen its position in the branded apparel market. After a buoyant first half, industry growth moderated in the second half due to the slowing down of the domestic economy and price increases effected by most industry players consequent to the introduction of Excise Duty on branded apparel in the Union Budget 2011 and rising input costs. The business's focus on strategic 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 of the brand was expanded to 86 exclusive stores across 40 cities and more than 300 'shop-in-shops' in leading departmental stores and multi-brand outlets. Significant improvements were achieved during the year in terms of product range, enhanced availability and impactful visibility resulting in volume growth across channels.

Product appeal was enhanced through the introduction of differentiated offerings across several premium product platforms – 'Wonderpress' wrinkle free fabrics, 'Ecostyle' organic collection and 'Créme de Cotton' supersoft cottons. The 'Luxuria' range of Men's super-premium formals, finely crafted from luxurious Egyptian cotton with high-end trims and superior garmenting continued to receive positive consumer response. The Women's range was energised by offering an extensive, high-end designer wear range, stylised formals, a variety of trendy silhouettes and a premium range of accessories.

In the Popular segment, 'John Players' has established a strong pan-India presence with over 340 flagship stores and 1,100 multi brand outlets and departmental stores. During the year, the retail footprint was expanded significantly, with nearly 100 new stores being launched, increasing brand reach, penetrating more markets and acquiring new franchise. The denims category registered strong growth as a result of an enhanced range, premium differentiated washes and contemporary fits while continuing to receive positive consumer and trade response.

Wills Lifestyle continued to receive recognition from the industry, including the 'Superbrand' certification, and is the first Indian brand to receive the prestigious 'Oeko-Tex Standard 100 Certification'.

Business processes for creation of winning designs and efficient supply chain were strengthened during the year.

[Wills Lifestyle continued to receive recognition from the industry, including the 'Superbrand' certification, and is the first Indian brand to receive the prestigious 'Oeko-Tex Standard 100 Certification'.]

Improving retail and manufacturing productivity were pursued vigorously with continued focus on strengthening capability through training, knowledge and skill inputs.

The business will continue to increase the premium quotient of its offerings on the basis of deeper understanding of consumer preferences, and delivering products benchmarked to world class quality standards. Further investments are planned to enhance range vitality, supply chain responsiveness and superior customer service to delight the customer with an international shopping experience.

Incense sticks (Agarbattis)

Your Company's 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 business continues to contribute to your Company's commitment to the 'Triple Bottom Line' by providing livelihood opportunities to more than 12,000 people through small and medium scale entrepreneurs and NGOs / Self Help Groups across India. Business initiatives of introducing enabling tools and technology in the rural communities continue to enhance product quality and increase the earning potential of agarbatti rollers. These initiatives, along with the continuing association with various State Governments for setting up sourcing centres, are creating sustainable livelihood opportunities for rural women through agarbatti rolling.

Safety Matches

Your Company's Safety Matches business maintained its market leadership aided 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. Your Company mitigated the adverse impact of these input costs through a series of strategic cost management actions. Your Company continues to focus on enhancing market standing through the launch of high quality and value-added products.

Your Company continues to partner the small scale sector by sourcing a significant portion of its requirement from multiple units in this sector. Your Company is helping to improve the competitive ability of these units by providing technical inputs to strengthen their systems and processes.

Technology induction in manufacturing is crucial for the long term sustainability of this industry. A uniform taxation framework which provides a level playing field to all manufacturers is necessary to enable the required investments for modernising this industry. This would not only help the industry in improving its competitiveness but also provide a safer working environment for the large number of people employed in this industry.

B. HOTELS

The hospitality industry in India continued to be impacted by the slowdown in the domestic economy and adverse economic environment in the international feeder markets of the US and Europe. While the US market appears to be on the path of slow recovery, 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 remained muted.

In the backdrop of these challenging circumstances, your Company's Hotels business registered a marginal growth in revenues and profits, while maintaining its leadership position in terms of operating margins.

Your Company's Hotels business continues to be rated amongst the fastest growing hospitality chains with 94 properties at 67 locations in India operating under 4 brands – 'ITC Hotel' at the luxury end, 'WelcomHotel' in the 5 star segment, 'Fortune' in the mid market to

> The flagship brand 'Classmate' is India's leading student notebook brand with a distribution footprint of over 75,000 stationery retail outlets across the country.

upscale segment and 'WelcomHeritage' in the heritage leisure segment. In addition, the business has licensing and franchising agreements for two brands – 'The Luxury Collection' and 'Sheraton' with the Starwood Hotels & Resorts.

Recognising the changing preferences of the business traveller, your Company launched a new brand under the 'Fortune' brand this year viz. 'My Fortune' which is designed to cater to the upscale business traveller. The first 'My Fortune' hotel was launched in Chennai during the year and further expansion is on the anvil.

During the year, your Company's premier hotel at Jaipur has been upgraded to an 'ITC Hotel' with 'The Luxury Collection' co-branding. The hotel is now known as 'ITC Rajputana' in line with other luxury properties of the chain.

Food and Beverage (F&B) remains a major strength of your Company and its iconic brands 'Bukhara', 'Dum Pukht' and 'Dakshin' continue to garner coveted international awards and accolades. The renovated Dum Pukht Restaurants at ITC Maurya and ITC Maratha have been highly appreciated by its patrons and generated healthy business during the year. Other signature F&B brands viz. 'West View', 'Kebabs & Kurries' and 'Pan Asian' have firmly established themselves and continue to sustain leadership position in their respective cities. The business's first Japanese cuisine brand 'Edo' has established itself as the benchmark for traditional Japanese cuisine in Bengaluru and is fast gaining recognition.

In pursuit of your Company's 'Triple Bottom Line' commitment, investments have been made in renewable energy to provide clean power to your Company's hotels in Bengaluru (ITC Windsor and ITC Gardenia), Mumbai (ITC Maratha) and Jaipur (ITC Rajputana). During the year, further investments in wind energy were made in Tamil Nadu to cater to the needs of the newly built ITC Grand Chola at Chennai. With these investments, your Company's Hotels business will meet nearly two-thirds of its energy requirements from clean and renewable sources.

Your Company remains committed to its 'Responsible Luxury' ethos and is the greenest luxury hotel chain in the world. With ITC Rajputana having obtained the 'Leadership in Energy and Environment Design' (LEED) Platinum rating during the year, all premium ITC Hotels now have this coveted rating.

During the year, your Company launched a unique pan-ITC consumer loyalty programme – 'Club ITC' – targeted at the premium clientele of 'Wills Lifestyle' and 'ITC Hotels'.

In view of the positive long term outlook for the Indian Hotel industry, your Company 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 hotel is part of the 'ITC Hotel' brand and has 522 plush hotel rooms and suites, 78 service apartments, 60,000 sq. ft. of conference and banqueting facilities, 10 Food and Beverage outlets and the award-winning spa brand 'Kaya Kalp'. Construction activity of two new luxury properties at Kolkata and at Classic Golf Resort near Gurgaon is 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.

The 'Fortune' brand which caters to the mid market to upscale segment continued its expansion by forging new alliances, taking the total number of hotels in its fold to 67 with an aggregate room inventory of over 5,000. Of these, 27 properties are under various stages of development. The 'WelcomHeritage' brand continues to be the country's most successful and largest chain of heritage hotels with 40 operating properties, spread across 13 States in India.

Your Company's Hotels business, with its globally benchmarked levels of product and service excellence and customer centricity, represented by its four brands is well positioned to sustain its leadership status in the industry and poised to emerge as the largest hotel chain in the country over the next few years.

[Your Company's Hotels business continues to be rated amongst the fastest growing hospitality chains with 94 properties at 67 locations in India operating under 4 brands – 'ITC Hotel', 'WelcomHotel', 'Fortune' and 'WelcomHeritage'.]

C. PAPERBOARDS, PAPER AND PACKAGING

The Paperboards, Paper and Packaging segment recorded yet another year of steady growth in revenues and profits. Segment Revenues grew by 13% over the previous year to touch ₹ 4130 crores. Segment Results at ₹ 937 crores reflect a growth of 14%.

Paperboards & Specialty Papers

The global demand for paper & paperboard slowed down to 1% in 2011 as against a 6% growth in 2010. Even in India, demand decelerated to around 6.5% during 2011-12 against 7.1% in the previous year.

The global paper market continued to witness a structural shift with emerging economies, particularly in Asia such as China and India, driving the demand growth.

Though India has 17% of the world's population, it consumes only about 2% of global paper production. Per capita consumption in India is very low at only 9 kgs compared to a global average of 55 kgs, 65 kgs in China and 215 kgs in Japan.

Shift in demand to Asia and the low levels of per capita consumption in India offers Indian paper manufacturers exciting opportunities in the years to come. Though there is considerable scope for growth in the Indian paper market, competition, including from key global players, has also increased and the industry is witnessing large capital investments. Though growth in demand is expected to absorb the increased capacity, increasing and maintaining market share as well as protecting margins will be challenging.

Further, reduction of import duties under various Regional Free Trade Agreements especially with ASEAN has started impacting the profitability of the domestic paper industry. In line with the representations made by the Indian Paper Manufacturers Association, it is imperative that the current duty structures are kept unchanged.

The domestic paper and paperboard industry is currently estimated at 11.6 million tonnes per annum, out of which paperboards is 2.2 million tonnes per annum which is expected to grow at around 8% per annum aided by value-added paperboard at 12% per annum. The growth potential of the paperboard industry is anchored on expectations of higher GDP growth, increase in demand from rural markets, branded packaged products and organised retail. Further, the need for differentiated packaging coupled with change in lifestyles will continue to drive demand for paperboard. Your Company is the market leader in the paperboard segment with focus on the value-added products. To further consolidate its pre-eminent position in the industry, the business has invested in a state-of-the-art machine which is expected to be operational by early 2013.

The 'Writing and Printing' paper segment, estimated at 3.1 million tonnes, grew by 6.2% in the year under review. This segment produces papers for use in copiers, desktop printers, advertising and promotional materials, notebooks, books and annual reports. The growth in the value-added writing and printing paper segment will continue to be fuelled by initiatives like Sarva Shiksha Abhiyan and Right of Children to Free and Compulsory Education Act, 2009 as well as by increasing literacy levels, changing demographic profiles and GDP growth. This segment is expected to grow at around 8% per annum during the next 5 years, with higher growth expected in the Copier and Fine Paper categories at 16% per annum. The business with its strong forward linkages with your Company's Education and Stationery Products business has emerged as a leading player in the segment.

Specialty papers, with an estimated market size of 4.7 lakh tonnes, is expected to grow at 9.4% per annum over the next 5 years, with increased spends on infrastructure and construction driving demand for quality décor and insulating grades. Your Company is a market leader in decor grades and is the largest manufacturer of cigarette tissue in India.

Given that pulpwood availability is a major challenge for the paper industry, your Company continues with its policy of promoting social forestry plantations for pulpwood. During the year, over 57 million high quality saplings were sold/distributed to farmers. Research on clonal development has resulted in the introduction of high yielding and disease resistant clones which are adaptable to a wide variety of agro-climatic conditions.

The need for differentiated packaging coupled with change in lifestyles will continue to drive demand for paperboard.
Your Company is the market leader in the paperboard segment with focus on the value-added products.

This initiative, besides securing the long term supply of fibre at competitive costs, also assists in generating farm incomes through utilisation of marginal wastelands. Enhanced R&D activity has resulted in the development of high yielding eucalyptus and subabul clones and your Company's continued focus on clonal plantations in core areas is expected to yield significant competitive advantage in the years to come. Your Company's R&D team is actively collaborating with several expert agencies to further leverage bio-technology for enhancing farm productivity and wood yields.

In the last 15 years, your Company's bio-technology based research initiatives have resulted in the planting of about 545 million saplings covering nearly 1,25,000 hectares of plantations, including around 11,000 hectares planted during the year. These pioneering initiatives have generated over 56 million person days of employment opportunities over this period for small farmers and poor tribals. Your Company plans to accelerate the plantation activity and is in the process of setting up a new state-of-the-art clonal saplings production capacity in Bhadrachalam to facilitate the same.

Your Company continues to promote agro-forestry in pulpwood plantations on waste land as well as on land where mono-cropping is practised. This will generate additional income to farmers, provide wood security for the industry and also help in conservation of the environment. In Andhra Pradesh, mono-cropping is currently practised in cultivation of cotton, tobacco, maize and pulses in more than 30 lakh hectares. During the year under review, your Company facilitated the introduction of agro-forestry models which incorporate inter-cropping practices where eucalyptus trees are grown adjacent to agricultural crops. By integrating tree growing with crop production, the problems of poor agricultural production, worsening wood shortages and environmental degradation can be simultaneously addressed. Furthermore, inter-cropping technologies/practices also help to take pressure off the remaining natural forests and increases the diversity of vegetation on existing farms. During the year under review, a small beginning was made by your Company by promoting agro-forestry plantations in 600 hectares and this is proposed to be substantially increased in the years to come.

Your Company continues to represent to policy makers on the need to introduce appropriate amendments to the Forest (Conservation) Act, 1980 and related Rules, to permit industry to use degraded forest land for afforestation linked to the end-use of such wood. An enabling policy framework that encourages public-private partnerships for the development of degraded forestlands would serve the multiple objectives of enhancing the competitiveness of the Indian paper and paperboard industry, reducing import dependence, creating sustainable livelihoods in rural India and contributing to the national objective of enhancing the country's green cover.

In India only 15% of the paper consumed is recovered for recycling as against about 70% in the western countries. Your Company's collaborative initiative called 'Wealth out of Waste' (WOW) continues to promote and facilitate waste paper recycling, with a view to conserving scarce natural resources. The waste paper industry is largely unorganised and a lot of effort has gone into establishing processes and systems in the operational areas of collection, sorting and grading of waste paper as well as on accounting, compliances and controls. It is expected that this effort would assist in the availability of quality fibre on a sustained and long term basis at competitive prices.

During the year about 26,000 tonnes of waste paper was collected and with continued focus on building capability it is expected that the entire waste paper requirements of the business would be sourced through this initiative over time. The first anniversary of National Recycling Day was celebrated in Hyderabad on 1st July 2011 with large participation from school children and general public. Your Company also launched the 'Save 100000 Trees' initiative during the year.

During the year, your Company achieved the distinction of being the first paper company in India to obtain the Forest Stewardship Council - Forest Management (FSC-FM) certification covering 8,000 hectares of social forestry plantations involving about 9,000 farmers.

Your Company's collaborative initiative called 'Wealth out of Waste' (WOW) continues to promote and facilitate waste paper recycling, with a view to conserving scarce natural resources.

FSC–FM certifies that the plantation activities of an organisation are economically, socially and environmentally viable. To the extent of pulp produced from such certified plantations, your Company will be able to commit to its customers, FSC certified papers & paperboards. Environmentally conscious customers are already beginning to show keenness to source such 'green' products which in turn will further increase the competitiveness of the business.

During the year, the Tribeni and Bollaram units also obtained the FSC Chain of Custody Certification ensuring that all four paper manufacturing units of your Company now have this certification.

Your Company has made significant investments in contemporary technologies including environment-friendly Elemental Chlorine-Free (ECF) and Ozone bleaching for pulp thereby improving the environmental standards of its manufacturing operations. Such investments are expected to provide customers with sophisticated products, way ahead of legislation, thereby creating new benchmarks in environmental stewardship. The Industry would welcome policies that lay down environmental benchmarks in tune with other industries such as automotives etc. and suitably reward those who achieve or exceed such parameters.

Your Company continues to focus on recycling initiatives including solid waste recycling. While all manufacturing units have already achieved near 100% solid waste recycling by its usage for making products like lime, fly ash bricks, grey boards, egg trays etc., the procurement and recycling of about 1,10,000 tonnes of waste paper during the year has further consolidated the business's overall positive solid waste recycling footprint.

Your Company continues to work on various Clean Development Mechanism (CDM) projects. Your Company's unique social forestry project is the first of its kind in India to be registered with the United Nations Framework Convention on Climate Change (UNFCCC) as a CDM project. About 3,100 hectares of social forestry plantations involving around 3,400 farmers have already been covered and the net benefits from this project will be passed on to the partnering farming communities.

During the year, the following awards of the British Safety Council were received by respective units - The 'Sword of Honour' by Tribeni and Bollaram units, the 'Globe of Honour for Environment' by Bhadrachalam and Kovai units, 5 Star rating for Safety & Health by Kovai, Tribeni and Bollaram units and 5 Star rating for Environment by Bhadrachalam and Kovai units. In addition, Bhadrachalam unit won the CII - National Award for Excellence in Energy Management and Kovai unit won the CII - National award for Excellence in Water Management. The business also won the CII – Environmental Best Practices Award 2012 for its 'WOW' initiatives.

The above have been made possible as a result of continuous focus on various safety initiatives including induction of safety stewards, strengthening systems, spreading awareness and integrating environment, health and safety (EHS) as part of the overall Total Productive Maintenance (TPM) initiative. In addition, all units have taken proactive steps to comply with the revised norms expected to be announced by the Central Pollution Control Board for water consumption and effluent discharge. With regard to energy consumption, strategies to contain usage across units continue to be pursued. Further, the business is also investing in a new high pressure fuel efficient boiler in its Tribeni unit, which will enable use of inferior grades of coal and also significantly reduce coal consumption. Your Company is also committed to increasing the share of energy consumed from non-conventional and renewable sources and towards this has commissioned 5 windmills close to Coimbatore to generate 7.5 MW of electricity for use at the Kovai unit. It is expected that energy efficiency coupled with greater use of renewable sources of energy will enable your Company to derive benefits from sale of Renewable Energy Certificates (RECs) under the Electricity Act 2003 as well as obtain benefits from newer initiatives like Perform, Achieve and Trade (PAT) under the Energy Conservation Act 2001.

The TPM initiative has now been extended to all units and apart from yielding significant financial benefits will also help institutionalise best-in-class systems, processes and work methods. The success of this initiative is attributable to the whole hearted support and participation of all employees across the business.

[During the year, the Tribeni and Bollaram units also obtained the FSC Chain of Custody Certification ensuring that all four paper manufacturing units of your Company now have this certification.]

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 Indian Rupee, adversely impacted the industry. However, your Company with its integrated operations and strategic cost management actions was able to minimise the adverse impact of these cost escalations.

The integrated nature of the business model – access to high-quality fibre from the economic vicinity of the Bhadrachalam mill, in-house pulp mill and state-of-the-art manufacturing facilities, focus on value-added paperboards and a robust forward linkage with the Education and Stationery Products business strategically positions your Company to further consolidate and enhance its leadership status in the Indian paperboard and paper industry.

Packaging and Printing

Your Company's 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 your Company's FMCG businesses by providing innovative packaging solutions and security of supplies in addition to delivering benchmarked international quality at competitive costs.

The 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. Your Company continues to be a leading supplier of value-added packaging to the Consumer Electronics and FMCG sectors.

During the year, the business continued to invest in contemporary technologies in flexibles and paperboard packaging at the Haridwar and Chennai facilities. These in-house capabilities have enabled quicker turnaround of designs, pack changes and reduced product launch timelines for your Company's FMCG businesses, thereby providing a source of competitive advantage in the market place.

Your Company undertook expansion projects at Haridwar and Chennai, during the year, to address growing opportunities in external trade and to enable manufacture of a full range of packaging solutions from both locations. The expansion programme includes the addition of a carton line for meeting the growing needs of customers based in the northern region and balancing investment in flexibles packaging for enhancing competitiveness.

The business won several awards during the year for operational excellence, innovation and creativity. These include two 'World Star Awards' from the World Packaging Organisation, three 'Asia Star Awards' from the Asian Packaging Federation and thirteen awards instituted by Indian Flexible Packaging and Carton Manufacturers Association (IFCA) for excellence in packaging solutions.

The 14.1 MW wind energy farm in Tamil Nadu, set up in 2008, continues to operate at optimum levels providing clean energy to the Chennai unit. This initiative, flowing from your Company's commitment to the 'Triple Bottom Line', is a certified project under the Clean Development Mechanism of the Kyoto Protocol. Further, this initiative is generating carbon credits and contributing to a reduction in your Company's carbon footprint.

The factories at Chennai, Haridwar and Munger continued to maintain the highest standards in Environment, Health and Safety (EHS). Also, the Munger unit won the British Safety Council's International Safety Award during the year.

Continuing investments in world class technology, best-in-class quality management systems and processes, dispersed manufacturing footprint and a diversified packaging solutions portfolio, the business is well poised to service all the requirements of your Company's FMCG businesses and to rapidly grow its external trade.

> ITC 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.

D. AGRI BUSINESS

Cigarette Leaf Tobacco

While the end of 2010 marked a significant shift in the global supply-demand scenario triggered by declining sales of major global cigarette manufacturers and excess leaf production in major origins, 2011 witnessed a further continuation of this declining trend of global cigarette production, impacted by the downturn in the global economy. The downward correction in leaf tobacco demand led to world supplies moving to a surplus situation and a rapid build up of uncommitted stocks. Consequently, farm and export prices of Indian flue-cured crop witnessed significant declines. In line with subdued trends across the globe, Indian unmanufactured leaf exports degrew by about 20% in volume terms since 2009.

The position for Indian flue-cured virginia tobaccos gets further vitiated by the decrease in domestic demand due to high differential taxes on the end use products, namely, cigarettes vis-á-vis other types of tobacco. This gets further aggravated by the large scale import of cigarettes, both legal and contraband, into India which do not use domestic flue-cured virginia tobaccos.

In the short term, supply side corrections are anticipated in key origins after a period of consecutive increases in global flue-cured leaf production driven by muted demand and manufacturers seeking to lower their inventory durations. In the medium term, demand is expected to pick up gradually with the anticipated revival of the global economy coupled with growing consumption in Asia, Middle East, parts of Europe and Africa. It is also estimated that the consumption of other forms of tobacco like Roll-Your-Own (RYO), Snus and Hubble Bubble will grow at a faster rate, albeit on a smaller base.

Despite these adverse conditions, your Company 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. Your Company continues to focus on superior quality and varietal offerings to customers in the burley segment through collaborative and customised programmes. The business 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 your Company's Cigarettes business.

Achieving enhanced productivity continues to be a focus area of research and crop development initiatives of the business. Substantial progress has been made in strengthening the pipeline of new hybrid combinations for deployment in growth zones. Significant milestones were achieved in the development of a new curing regime for tobacco and further experimental trials are underway to create a unique product portfolio.

Your Company's pioneering R&D efforts on varietal improvements in leaf tobacco were further fortified with the development of various burley and oriental type tobaccos. These initiatives such as improved nursery management designed for higher efficiencies in seed use, optimised usage of crop production chemicals and other agronomic practices are helping improve the potential of newly developed varieties. These efforts are not only helping secure global demand for Indian leaf tobacco by providing enhanced value to global customers but also in improving the socio-economic status of the small/tribal farmer. Capitalising on your Company's R&D efforts on varietal improvement, the area under coverage of flue-cured virginia hybrids was substantially increased in collaboration with the Central Tobacco Research Institute and the Tobacco Board of India.

Your Company continues to focus on maintaining the highest quality and safety standards at all its units. During the year, the Chirala and Anaparti factories received the International Safety Award from the British Safety Council for ensuring 'Best Safety Management' systems and the Anaparti unit was awarded the 'National Level Excellence in Water Management Award', as 'Excellent Water Efficient Unit' by CII.

[Despite adverse conditions, triggered by declining sales of major global cigarette manufacturers and excess leaf production in major origins, your Company was able to sustain the demand for Indian tobaccos through focused strategies.]

To further enhance quality and improve supply chain efficiencies, your Company commissioned a new facility in Karnataka with a capacity of 35 million kgs per annum. This investment will not only enhance in-house processing capacity but is also expected to reduce supply chain costs given the factory's proximity to the tobacco growing regions in Karnataka. The business is also actively engaged in augmenting its warehousing capacities and reengineering its supply chain from a strategic cost management perspective.

Your Company with its unmatched R&D capability, state-of-the-art facilities, unique crop development and extension expertise, deep understanding of customer and farmer needs, is well poised to leverage emerging opportunities for Indian leaf tobacco and sustain its position as a world class leaf tobacco organisation.

Other Agri Commodities

The Indian food grain production for the year is estimated at a record high of over 250 million tonnes mainly on account of increase in production of rice and wheat. Wheat output estimates are at an all-time high of about 90 million tonnes. Rice production, at around 103 million tonnes, was higher than 96 million tonnes in the previous year. Overall oil seed production was also on the higher side at about 30 million tonnes. However, India still continues to import nearly 50% of its requirement of edible oil.

The international soya bean market reflected a slowdown in arrival of quantities with all major producers showing a dip in production. Overall global production was about 8% lower than the previous year. While Brazil, Argentina and the US all reported lower crop outputs, demand from China was on the upswing. Although the Indian crop grew in terms of volume, it suffered in terms of quality due to pre-monsoon showers in the growing areas and as such was not able to leverage the uptrend in global prices. Your Company'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.

Your Company continued to source identity preserved, special varieties of wheat through its e-Choupal network channel for its Branded Packaged Foods business. The continuous focus on minimising bridging costs of wheat for Aashirvaad atta, while seeking to capitalise on geographical and varietal arbitrage opportunities, provided a competitive advantage to your Company's Foods business. The external wheat business successfully catered to a wider range of customers, such as brand owners, private labels, food processors and millers.

In the area of potato sourcing, the business continued to support the Foods business by procuring the highest quality chip stock potatoes for your Company's Bingo! brand of potato chips. The endeavour of partnering with farmers to source locally grown potatoes (closer to manufacturing units) helped minimise logistics costs. Trials for the development of new varieties and new areas continued during the year and such extension efforts helped significantly increase potato crop this year in Gujarat.

India is the world's largest producer, consumer and exporter of spices. Export of spices from India has been growing at 23% per annum over the last 5 years. The growing concerns of food safety and product integrity have increased demand for suppliers with 'end-to-end' capabilities having complete custody of the supply chain, supported by appropriate technology, quality practices and augmented with traceability management systems to provide the required product assurance. Your Company seeks to harness this opportunity by building a business model based on customised products and services with requisite crop development, state-of-the-art infrastructure and tailor-made products and processes to garner an increasing share of the fast growing domestic and export spices market. During the past five years, the business, apart from providing support to your Company's Aashirvaad range of spices has also gained considerable market standing amongst large domestic and export customers as a supplier of assured quality with

[Your Company'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 and significantly expand business scale.]

customised processes and infrastructure and with a significantly high level of 'source credibility'.

Enhancing productivity and establishing effective linkages to markets lies at the root of revitalising agriculture. In this context, effective agricultural extension services are crucial to enabling effective absorption of technology and best practices at the farm level. Through the 'Choupal Pradarshan Khet' initiative, the agri services vertical has been focusing on improving productivity of crops (food grains, cereals, oil seeds and horticulture) while deepening relationship with the farming community. During the year, linkages with Indian Agriculture Research Institute (IARI) were strengthened through an MOU to provide transfer of new varieties of wheat seeds to farmers under Public Private Partnership (PPP). A number of farmer training programmes along with farm demonstrations were also undertaken. Demonstrations of remunerative horticulture crops which provide a higher income have also benefitted farmers across the States of Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal.

Provision of rural health services through the e-Choupal platform has also been initiated by your Company. A 'Market Based Partnership for Health' programme was started on a pilot basis in the previous year specifically focusing on improvement of maternal and child health and hygiene. In alliance with the United States Agency for International Development (USAID), village health champions were identified and given specific inputs and training for dissemination and creation of awareness among women. In alliance with partnering companies in the health space, the village health champions also market the related health and hygiene products which in turn provide them with an avenue for income. With the successful consolidation of this project in Gonda and Chandauli districts of Uttar Pradesh, your Company now seeks to replicate the same across other areas covered by the e-Choupal network.

These initiatives will progressively transform the e-Choupal network into an all-weather venture – relatively de-risked from regulatory uncertainties and market volatility – even as it continues to provide strategic sourcing support to your Company's Branded Packaged Foods business as well as to serve as an efficient model for rural development.

NOTES ON SUBSIDIARIES

The following may be read in conjunction with the Consolidated Financial Statements enclosed with the Accounts, prepared in accordance with Accounting Standard 21. In view of the general exemption granted by the Ministry of Corporate Affairs, the report and accounts of subsidiary companies are not required to be attached to your Company's Accounts. Shareholders desirous of obtaining the report and accounts of your Company's subsidiaries may obtain the same upon request. The report and accounts of the subsidiary companies will be kept for inspection at your Company's registered office and those of the subsidiary companies. Further, the report and accounts of the subsidiary companies will also be available under the 'Shareholder Value' section of your Company's website, www.itcportal.com, in a downloadable format.

ITC Global Holdings Pte. Limited, Singapore ('ITC Global'), a subsidiary of your Company, is under winding up in terms of the Order of the High Court of the Republic of Singapore dated 30th November, 2007. Consequently, your Company is not in a position to consolidate the accounts of ITC Global for the financial year ended 31st December, 2011 or to make available copy of the same for inspection by shareholders.

Surya Nepal Private Limited

The operating environment in Nepal continued to remain uncertain during the year under review. The spate of disruptions in economic activity, as a result of the disturbed industrial climate and political instability, has resulted in deceleration in economic growth and employment generation and a slowdown in investments. The GDP growth for the financial year ended mid July 2011 was at 3.5% against 4% in the previous year with Industry growing only at 1.4% compared to 3.3 % last year.

[Through the 'Choupal Pradarshan Khet' initiative, the agri services vertical has been focusing on improving productivity of crops (food grains, cereals, oil seeds and horticulture) while deepening relationship with the farming community.]

Amidst the challenging operating environment, the company maintained its growth trajectory during the year under review. In the twelve-month period ended 13th March, 2012 (30th Falgun 2068), the company recorded a 15% growth in sales with Gross Revenue (net of VAT) increasing to Nepalese Rupees (NRs.) 1426 crores from NRs. 1244 crores in the previous year. Net Profit at NRs. 286 crores increased by 21% over the previous year. The company retained its status as the single largest private sector contributor to the exchequer accounting for about 16% of excise collections and 3.5% of the total revenues of the Government of Nepal.

The company consolidated its leadership position in the cigarette market through unrelenting focus on providing consumers a wide range of product choices of superior quality. On the manufacturing front, the company continued to invest in new technology cigarette packing lines and development of human talent to reinforce its market standing. The construction of a second factory near Pokhara is in progress and will position the company well for meeting consumer demand in the longer term.

The disturbed industrial relations situation prevailing in Biratnagar Industrial belt, led to frequent disruption of operations at the garments manufacturing unit. This rendered export operations unviable and the company was constrained to close down the facility. In the domestic branded apparel industry, the supply chain and distribution infrastructure for 'John Players' and 'Springwood' brands were further strengthened during the year.

In the Safety Matches business, revenues of the company's brand 'Tir', have grown by nearly 36% during the year, evidencing its strong and growing consumer franchise.

The company continued to partner with tobacco farmers in Nepal for productivity and quality enhancement at the farm level through the induction of agricultural best practices. Such efforts are expected to result in sustainable benefits for both the farmer community and the company. The company's commitment to its role as a responsible corporate citizen was further reinforced with initiatives such as the construction of a school building for the local community proximate to the site of its second factory near Pokhara and the institution of the 'Surya Nepal Pvt. Ltd. Asha Social Entrepreneurship Awards'. At Simra, the company continued to support multiple local community development programmes including health camps and irrigation development.

The company declared a dividend of NRs. 111.50 per equity share of NRs. 100/- each for the year ended 16th July, 2011 (32nd Ashad 2068).

ITC Infotech India Limited

The global IT services industry continued to be impacted in 2011 by macroeconomic uncertainties, particularly in Europe, which adversely impacted technology spends. Under these challenging circumstances, the company's consolidated Total Revenue grew by over 30% to ₹ 830 crores, which is well above the industry average and Net Profit grew by over 170% to ₹ 50 crores.

This robust performance is an outcome of the successful strategies adopted by the company in (i) domain-led differentiation across identified industry verticals, (ii) geographic expansion to leverage emerging growth opportunities aligned to capabilities and (iii) sharp focus on delivery excellence, designed to demonstrate continuous value addition to clients while enhancing service productivity.

For the year under review:

(a) ITC Infotech India Limited registered a Total Revenue of ₹ 566.23 crores (previous year ₹ 426.42 crores) and a Net Profit of ₹ 28.69 crores (previous year ₹ 7.46 crores);

(b) ITC Infotech Limited, UK, (I2B) a wholly owned subsidiary of the company, registered a Total Revenue of GBP 24.35 million (previous year GBP 22.22 million) and a Net Profit of GBP 2.13 million (previous year GBP 1.03 million);

(c) ITC Infotech (USA), Inc., (I2A) a wholly owned subsidiary of the company, together with its wholly owned subsidiary Pyxis Solution LLC, registered Total Revenues of US$ 49.85 million (previous year US$ 38.43 million) and a Net Profit of US$ 0.3 million (previous year US$ 0.01 million).

With a view to securing the future, apart from expanding the company's existing in-house domain solution capabilities, specific development programmes have been implemented to embrace disruptive technologies such as cloud computing, social media and mobile computing. Further, as in the past, there was a selective expansion of market presence in high potential geographies to leverage market opportunities and also to serve as a measure of risk mitigation in the event of economic challenges in other markets. Continuing the trend, during the year, branches were set up in Hong Kong, France, Germany and South Korea.

In addition, an important milestone in the evolution of the company's delivery capability has been the commissioning of a new Development Centre at Pune during the year.

While the quality of delivery continues to delight global customers, the company has also been contributing in a meaningful manner towards enhancing the competitiveness of your Company's other businesses. The implementation of 'Club ITC' - a pan-ITC loyalty programme for your Company - on Siebel technology, is believed to be the first of its kind in the world.

The company launched its first software product in the Indian market during the year. Named 'OptSustain', this assists customers in managing and reporting corporate sustainability performance. This is a notable addition to the portfolio of intellectual property.

An externally administered customer satisfaction survey indicates that customers have awarded the company high scores, which are ranked amongst the top few in the industry. While the scores validate the world class quality of service, retaining such scores for the second year stands testimony to the commitment to continuously raising the levels of service to meet growing market expectations.

The overall service delivery capability of the company continues to earn global recognition. The company was featured for the sixth consecutive year in the 2011 Global Services 100 survey, conducted by Global Services and Neo Advisory. Leading analyst firms such as Gartner and Forrester Research continue to highlight the company's capabilities in industry and technology reports.

On the talent management front, the company has implemented and continuously refines sharply focused initiatives encompassing recruitment, training, engagement and retention. The broad spectrum of services, coupled with growing client engagements across the world, has created workplace challenges necessary to motivate employees, offer attractive career growth opportunities and minimise attrition.

While uncertain economic conditions continue to persist, particularly in developed markets which account for about 80% of IT services spends, with a portfolio of differentiated solutions, strong customer relationships, expanding market presence and excellence in delivery, the company is confident of sustaining its robust growth.

Russell Credit Limited

During the year, the company registered a Total Revenue of ₹ 40.58 crores and a Net Profit of ₹ 31.43 crores.

The company, during the year under review, sold its entire holding in Ordinary Shares of Technico Pty Limited, Australia and in Equity Shares of Wimco Limited to your Company. Consequent to the sale, both these companies became direct subsidiaries of your Company.

As stated in the Report of the Directors of the previous years, a petition was filed by an individual in the High Court at Calcutta, seeking an injunction against the company's Counter Offer to the shareholders of VST Industries Limited (VST), made in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997, as a competitive bid, pursuant to a Public Offer made by an Acquirer, which closed on 13th June, 2001.

The High Court at Calcutta did not grant an injunction. However, transaction in the shares of VST pursuant to the Counter Offer by the company and the other Acquirer is subject to the final Order of that Court, which is awaited.

Similar petitions filed by an individual and two shareholders, in the High Court of Delhi and High Court of Judicature of Andhra Pradesh at Hyderabad, had earlier been dismissed by the respective High Courts.

Wimco Limited

The company achieved a Net Revenue of ₹ 170 crores during the year and posted a net loss for the year of ₹ 45.99 crores against ₹ 59.65 crores loss in the previous year, primarily as a result of one-time separation costs and steep increases in input costs. During the year the company has raised ₹ 59.56 crores through Rights issue of shares.

Margins in the Safety Matches business continued to remain under pressure mainly due to escalation in prices of raw materials like wood, splints, paperboard and key chemicals. The business initiated several cost management measures to rationalise costs and improve margins in this highly competitive category.

Availability of critical raw materials like wood at competitive prices is crucial for the success of the Safety Matches business. The Agro Forestry business of the company is taking steps towards this end by supplying high quality poplar sapling to farmers in Northern India. Apart from creating a long term sustainable supply of a critical raw material, the company's initiative of creating sustainable and meaningful linkages across the farmer community is helping to create employment and livelihood opportunities while improving the green cover in the region.

The recent Union Budget 2012 accentuated the already disadvantaged position of the mechanised Safety Matches industry by further increasing the differential in excise duties between the mechanised and non-mechanised sectors. This has forced the company to evaluate alternatives to arrive at a viable business model. In continuation of last year's action to enable better leveraging of the underlying asset base, a voluntary separation scheme was effected at the Kolkata factory during the year.

The Engineering business revenues grew by 19% during the year driven mainly by improved value capture through continuous product development in packaging machinery. The business plans to leverage new and improved product design to offer superior packaging solutions to its customers.

The initiatives taken by the company during the year to restructure its operations are expected to yield positive results in the years to come.

Srinivasa Resorts Limited

During the financial year ended 31st March, 2012, the company recorded a Total Revenue of ₹ 57.66 crores (previous year ₹ 56.04 crores) and a Profit Before Tax of ₹ 11.89 crores (previous year ₹ 12.85 crores). Net Profit for the year stood at ₹ 9.40 crores (previous year ₹ 9.26 crores).

The challenging environment in the State of Andhra Pradesh is adversely impacting the financial performance of the company's hotel ITC Kakatiya, Hyderabad. The hotel continued its focus on cost containment to maintain profitability in a year of intense market competition and high inflation.

During the year, ITC Kakatiya obtained the prestigious Leadership in Energy and Environment Design Platinum certification from the United States Green Building Council (USGBC).

The hotel received the 'Times Food Guide' awards for 'Kebabs & Kurries' and 'Dakshin' – with both being rated as the best restaurants in their respective categories for the third time in a row. In addition, the 'Marco Polo' bar received the award for best outlet in its category.

The Board of Directors of the company has recommended a dividend of ₹ 2/- per equity share of ₹ 10/- each for the year ended 31st March, 2012.

Fortune Park Hotels Limited

During the financial year ended 31st March, 2012, the company recorded a Total Revenue of ₹ 20.78 crores (previous year ₹ 18.01 crores) and earned a Net Profit of ₹ 4.96 crores (previous year ₹ 4.12 crores).

The company which caters to the mid market to upscale segment continued its expansion by forging new alliances, taking the total number of hotels in its fold to 67 with an aggregate room inventory of over 5,000. The 'Fortune' brand now has 40 operating hotels and another 4 hotels are slated to be commissioned in the next financial year. The remaining 23 hotel projects are under various stages of development. The brand remains a frontrunner in its operating segment and is well positioned to sustain its leadership position in the industry.

The company is well known for providing quality products and services which have helped position 'Fortune' as the premier 'value' brand in the Indian hospitality sector. The 'My Fortune' brand, representing a 'stylish lifestyle with efficient personalised service', is the latest addition to the bouquet of brands offered by Fortune Hotels.

During the year, the company was awarded the Hospitality India Award for the 'Best First Class Hotel Chain, 2011' and Satte award for 'Leading Mid - Market chain, 2012'. Fortune Select Exotica, Navi Mumbai was awarded the 'World Luxury Hotel Award' for the year 2010 and 2011.

The Board of Directors of the company has recommended a dividend of ₹ 10/- per equity share of ₹ 10/- each for the year ended 31st March, 2012.

Bay Islands Hotels Limited

During the financial year ended 31st March, 2012, the company recorded a Total Revenue of ₹ 1.37 crores (previous year ₹ 1.12 crores) and a Net Profit of ₹ 0.92 crores (previous year ₹ 0.76 crores).

The Board of Directors of the company has recommended a dividend of ₹ 65/- per equity share of ₹ 100/- each for the year ended 31st March, 2012.

Landbase India Limited

The company owns and operates the Classic Golf Resort, a Jack Nicklaus Signature Course, near Gurgaon. As reported in the previous years, golf based resorts present attractive long term prospects in view of their growing popularity all over the world. The work towards creating a destination luxury resort hotel at the Classic Golf Resort is now underway and the project is progressing as per schedule.

During the year, the company issued and allotted to your Company, 23,00,000 Redeemable Preference Shares of ₹ 100/- each for cash at par, aggregating ₹ 23 crores. The proceeds from the Preference Share issue are being utilised by the company for the construction of the destination luxury resort.

Technico Pty Limited

The company continued to focus on upgrading the TECHNITUBER® Technology and consequent commercialisation and field multiplication through its wholly owned subsidiaries in different geographies. The company is also engaged in the marketing of TECHNITUBER® seeds to global customers from the production facilities of its subsidiaries in India, China and Canada.

During the year under review, your Company acquired from its wholly owned subsidiary, Russell Credit Limited, the entire shareholding of the company. The company's leadership in the production of early generation seed potatoes and strength in agronomy continue to be leveraged by your Company not only for sourcing chip stock for the 'Bingo!' brand of your Company's Branded Packaged Foods business but also for servicing the seed potato requirements of the farmer base of your Company's Other Agri Commodities business.

For the year under review:

a) Technico Pty Limited, Australia registered a turnover of Australian Dollar (A$) 1.13 million (previous year A$ 1.58 million) and a Net Profit of A$ 0.11 million (previous year A$ 0.10 million). The lower turnover was due to reduced orders by a large customer as well as the strengthening of the Australian Dollar against the US Dollar and Euro which are the company's invoicing currencies. The company's property at Paddy's River, Australia, held for sale for some years, was disposed off during the year and the sale proceeds along with the available cash balance were utilised to repay all outstanding loans of the company.

b) Technico Agri Sciences Limited, India registered a Net Revenue of ₹ 48.20 crores (previous year ₹ 47.65 crores) and a Net Profit of ₹ 7.83 crores (previous year ₹ 7.02 crores). During the year under review, production of potato in India, estimated at 37.5 million tonnes, recorded an all-time high leading to surplus stocks and low prices. As a result, the demand for seed potato and its prices were also depressed. Consequently, the company experienced a muted growth in turnover. However, the company leveraged its market standing, product quality, on-field performance and strong trade and customer relationship, to drive a price premium for its seed potatoes and deliver 11.5% growth in profits over the previous year. During the year, the company also repaid its outstanding loan from Russell Credit Limited in accordance with agreed terms.

c) Technico Asia Holdings Pty Limited, Australia, Technico Technologies Inc., Canada and Technico Horticultural (Kunming) Co. Limited, China

   – There were no significant events to report with respect to the above companies.

King Maker Marketing Inc.

King Maker Marketing Inc. (KMM) is a wholly owned subsidiary of your Company registered in the State of New Jersey, USA. It is engaged in the distribution of your Company's tobacco products in the US market.

During the financial year ended 31st March, 2012, the company recorded Net Sales of US$ 26.95 million (previous year US$ 35.55 million) and earned Net Income of US$ 0.48 million (previous year US$ 0.52 million).

During the year under review, KMM continued to face a challenging operating environment, post the Federal Excise Tax increases of the previous year, which resulted in a decline of cigarette sales volumes and revenues. The year also saw the major multinational companies solidify their foray into the discount segment in which the company operates, with tighter loyalty programmes, as consumers pursued value. Growth of Pipe tobaccos as a substitute for 'Roll Your Own Tobacco', cigarette manufacturing machines at retail, presence of flavoured little cigars akin to cigarettes, discount cigarettes manufactured in Native American reservations sans State taxes, and illicit trade all challenged the company's ability to drive volume upturns. Consequently, KMM's pricing power was stagnant. Improved cost metrics nevertheless led to enhanced profitability.

Government regulations in the tobacco sector continue to take shape. We believe that the industry will consolidate further as US Food and Drug Administration regulations evolve, including in the Other Tobacco Product (OTP) categories like Pipe Tobaccos and Cigars. The company will continue to attune its strategies based on emerging opportunities in the market.

ITC Global Holdings Pte. Limited

The Judicial Managers had been conducting the affairs of ITC Global Holdings Pte. Limited ('Global') since 8th November, 1996 under the authority of the High Court of Singapore. Pursuant to the application of the Judicial

Managers, the Singapore Court on 30th November, 2007 ordered the winding up of Global, appointed a Liquidator and discharged the Judicial Managers.

As stated in the previous years' Reports, the Judicial Managers of Global had filed a Writ against your Company in November 2002 before the Singapore High Court claiming approximately US$ 18.10 million. Based on legal advice, your Company filed an appropriate application for setting aside the said Writ. On 2nd March, 2006 the Assistant Registrar of the Singapore High Court set aside the service of Writ of Summons on your Company and some individuals. Subsequently in November 2006, your Company received a set of papers purportedly sent by Global including what appeared to be a copy of the earlier Writ of Summons. Your Company filed a fresh Motion in the Singapore High Court praying for setting aside the said Writ of Summons, which was upheld by the Assistant Registrar of the Singapore Court on 13th August, 2007. Global filed an Appeal against this Order before the High Court of Singapore, which on 30th January, 2009, set aside the order giving leave to Global to serve the Writ out of Singapore against your Company and also dismissed the said appeal. Thereafter on 14th December, 2009, your Company received a binder purportedly sent by Global including what appeared to be a copy of the same old Writ of Summons. Based on legal advice, your Company again filed a Motion in the Singapore High Court praying for setting aside the said Writ of Summons. On 18th November, 2010, the Assistant Registrar of the Singapore High Court passed an order dismissing your Company's motion to set aside the Writ of Summons. Your Company filed an appeal against the Assistant Registrar's decision which appeal was dismissed by the Singapore High Court. Pursuant to legal advice, your Company has since filed its defence in the trial proceedings.

BFIL Finance Limited

The company continues to focus its efforts on recoveries through negotiated settlements including property settlements and pursuit of legal cases against various defaulters. The company has no external liabilities outside the ITC group. The company will examine options for further business opportunities at the appropriate time.

Gold Flake Corporation Limited, Wills Corporation Limited, Greenacre Holdings Limited & MRR Trading and Investment Company Limited

There were no major events to report with respect to the above companies.

NOTES ON JOINT VENTURES

ITC Filtrona Limited

The Gross Revenue of ITC Filtrona Limited for the year ended 31st December, 2011 was at ₹ 181 crores (₹ 139 crores in 2010). Pre-tax profits for the year were at ₹ 15.6 crores (₹ 12.1 crores in 2010). The year saw an overall improvement in sales volume along with a better product mix. The company has been continually engaging in upgradation of its filter making technology which has enabled the company maintain its leadership position and technology edge over competition and cater to growth both in product mix and volumes.

In order to strike a balance between the need to sustain investments and growth in the future and the expectation of shareholders for growing income, the Directors of the company have recommended a dividend of ₹ 9.00 per ordinary share of ₹ 10.00 each for the year ended 31st December, 2011.

The company strives to be the quality benchmark in cigarette filters, offer superior filter solutions to its customers and be the most preferred supplier to its customers. With excellent product and market development support from its joint venture partners, the company is well positioned for the future.

Maharaja Heritage Resorts Limited

Maharaja Heritage Resorts Limited, a joint venture of your Company with Jodhana Heritage Resorts Private Limited, currently operates 40 heritage properties and is in the process of adding 9 more properties across 14 States in India. The company's 'WelcomHeritage' portfolio has been rationalised and now offers 'Legend', 'WelcomHeritage Hotels' and 'Nature Resorts' brands, thereby providing uniquely differentiated propositions to guests in the cultural, heritage and adventure tourism segments respectively.

The company has 9 properties under the 'Legend' brand categorised as up-market and known for providing superior service delivery and brand standards.
The company also has 10 properties under the 'Nature Resorts' brand and 21 properties under the 'WelcomHeritage Hotels' brand.

Espirit Hotels Private Limited

In July 2010, your Company had entered into a joint venture for developing a luxury hotel complex at Begumpet, Hyderabad. Under the terms of the Joint Venture Agreement, your Company acquired 26% equity stake in the joint venture company, Espirit Hotels Private Ltd. (EHPL) and will, inter-alia, provide hotel operating services to EHPL under an Operating Services Agreement upon commissioning of the hotel.

The company is in the process of finalising the design and product configuration of the proposed development. Preparatory activity at the site is underway with a view to commencing excavation work shortly.

Logix Developers Private Limited

During the year, your Company entered into a joint venture for developing a luxury hotel-cum-service apartment complex at Sector 105 in NOIDA. Under the terms of the Joint Venture Agreement, your Company acquired 26% equity stake in the joint venture company, Logix Developers Private Ltd. (LDPL) and will, inter-alia, provide hotel operating services to LDPL under an Operating Services Agreement, upon commissioning of the hotel.

RISK MANAGEMENT

As a diversified enterprise, your Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance Policy. These role definitions, inter-alia, are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- The Corporate Risk Management Cell works with the businesses to establish and monitor the specific profiles including both strategic risks and operational risks. The process includes the prioritisation of risks, selection of appropriate mitigation strategies and periodic reviews of the progress on the management of risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to proactively monitor and manage the inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit function at the Corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance and Review Committee closely monitors the internal control environment within your Company and ensures that Internal Audit recommendations are effectively implemented.
- At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting operating management in the formulation of control procedures for new areas of operations.
- A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. Businesses are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with your Company's businesses. The senior management of your Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

AUDIT AND SYSTEMS

Your Company believes that internal control is a necessary concomitant of the principle of governance that freedom of management should be exercised within a framework of appropriate checks and balances. Your Company remains committed to ensuring an effective internal control environment that provides assurance on the efficiency of operations and security of assets.

Well established and robust internal audit processes, both at business and corporate levels, continuously monitor the adequacy and effectiveness of the internal control environment across your Company and the status of compliance with operating systems, internal policies and regulatory requirements. In the networked IT environment of your Company, validation of IT security continues to receive focused attention of the internal audit team which includes IT specialists.

The Internal Audit function consisting of professionally qualified accountants, engineers and IT specialists reviews the quality of planning and execution of all ongoing projects involving significant expenditure to ensure that project management controls are adequate to yield 'value for money'.

Your Company's Internal Audit function is certified as complying with ISO 9001:2008 quality standards in its processes.

The Audit Committee of your Board met ten times during the year. It reviewed, inter-alia, the adequacy and effectiveness of the internal control environment and monitored implementation of internal audit recommendations including those relating to strengthening of your Company's risk management policies and systems. It also engaged in overseeing financial disclosures.

HUMAN RESOURCE DEVELOPMENT

Your Company's human resource management systems and processes are designed to enhance employee engagement, organisational capability and vitality so as to ensure that each of the businesses is world class, is positioned for competitive superiority and capable of achieving your Company's ambitious plans for growth. A key component of your Company's human resource strategy is the unique strategy of organisation that ensures that each business is enabled to focus on its own product market while at the same time, leverages the synergies of a multi-business conglomerate. This unique strategy of organisation also focuses on developing and nurturing distributed leadership and ensures that each of your Company's businesses is managed by a team of competent, passionate and inspiring leaders, capable of building a future-ready organisation through continuous learning, innovation and world class execution.

Your Company is recognised and acknowledged for its world class human resource practices and enjoys strong equity in the talent market that makes it an 'employer of choice' anchored in its ethos - 'Building winning businesses, Building business leaders, Creating value for India.' The human resource philosophy, strategy and processes of your Company have been designed to attract and retain quality talent and nurture workplace challenges that keep employees highly engaged, motivated and committed to innovation and customer delight. This talent has, through strong alignment with your Company's vision, successfully built and sustained your Company's standing as one of India's most valuable corporations.

Your Company fosters a culture that rewards performance, continuous learning, collaboration and capability development across the organisation, to be future-ready and meet head-on the challenges posed by ever-changing market realities. Your Company's unflagging commitment to investing in talent development ensures performance and achievement of the highest order.

Your Company's unswerving belief in the mutuality of interests of key stakeholders, binds all employees to a shared vision and purpose, thus providing it with the vital force to win in the market place. During the year under review, your Company successfully concluded long term agreements at several of its manufacturing units and hotel properties, strengthening the collaborative spirit across all sections of employees. This has resulted in significant enhancement in quality and productivity, at the core of which is an abiding commitment to continuous investment in contemporary management practices and manufacturing systems.

Your Company's aspiration to sustain and enhance its position as one of India's most valuable corporations committed to making a significant contribution beyond the market is anchored in the quality and dynamism of its human resource. Their unflinching commitment is the driving force behind your Company's purpose of creating enlarged societal value. The Directors of your Company deeply appreciate the spirit of its dedicated team of over 25,000 employees.

SUSTAINABILITY – CONTRIBUTION TO THE 'TRIPLE BOTTOM LINE'

Corporate Social Responsibility (CSR)

Economic progress and long term sustainability of business is today challenged by two major global threats. On the one hand are the societal challenges arising out of widespread hunger and poverty with severe inequity in distribution of wealth. On the other is the alarming environmental degradation and impact of global warming and climate change. These global threats, mirrored in India in perhaps larger dimensions, can severely constrain human development and economic progress. To address the challenges emerging from these threats, your Company continues to pursue a 'Triple Bottom Line' approach that subserves national priorities by creating larger societal value encompassing the creation of economic, environmental and social capital.

It is your Company's policy:

– To pursue a corporate strategy that enables realisation of the twin goals of shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner.

– To align and integrate Social Investments / CSR programmes with the business value chains of your Company and make them outcome oriented. To support creation of on and off-farm sustainable livelihood sources thereby empowering stakeholder communities to conserve and manage their resources.

– To implement Social Investments / CSR programmes primarily in the economic vicinity of your Company's operations with a view to ensuring the long term sustainability of such interventions.

– To contribute to sustainable development in areas of strategic interest through initiatives designed in a manner that addresses the challenges faced by the Indian society especially in rural India.

– To collaborate with communities and institutions to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through agricultural research and knowledge sharing, superior farm and agri-extension practices, soil and moisture conservation and watershed management, conservation and development of forest resources, empowering women economically, supplementing primary education and participating in rural capacity building programmes and such other initiatives.

– To align your Company's operations with the national objective of inclusive growth and employment generation by leveraging your Company's diversified portfolio, manufacturing bases, supply chains and distribution channels, to infuse an appropriate mix of capital and technology to further social business initiatives such as e-Choupal, animal husbandry, agarbatti rolling etc. and support organisations / institutions engaged in building linkages with local, regional and urban communities and markets.

– To sustain and continuously improve standards of Environment, Health and Safety through the collective endeavour of your Company and its employees at all levels towards attaining world class standards and support other programmes and initiatives, internal or external, for the prevention of illness and combating of diseases as may be considered appropriate from time to time.

– To encourage the development of human capital of the Nation by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields.

In pursuance of these polices, your Company has crafted innovative business models that create larger and enduring value by not only generating new sources of competitive advantage for its businesses, but also in the process augmenting natural capital and sustainable livelihoods for the nation.

Your Company published its 8th consecutive Sustainability Report during the year that detailed the progress made across all dimensions of the 'Triple Bottom Line' for the year 2010-11. The report which is independently assured by Ernst & Young, is in accordance with the G3 Guidelines of the Global Reporting Initiative (GRI) and is validated by GRI at the highest 'A+' level. The 9th Sustainability Report covering the sustainability performance during the year 2011-12 is in the process of preparation.

Your Company is today acknowledged as a global exemplar in sustainable business practices. This is manifest in its distinction of being the only company in the world of comparable dimensions, to be carbon positive, water positive and solid waste recycling positive. These milestones, which are a result of significant efforts in building natural and social capital, are positive dimensions contributing to the missions of the National Action Plan on Climate Change.

Environment, Health & Safety

Your Company has proactively pursued a low carbon growth strategy that addresses climate change mitigation and adaptation through several innovative and pioneering initiatives. These include continuous efforts towards energy conservation and efficiency, increasing use of renewable energy in its operations, establishing green buildings, extensive integrated watershed development programmes, promotion of sustainable agricultural practices and carbon sequestration through large-scale forestry initiatives.

Your Company continues its participation in market-based mechanisms for mitigating the impact of climate change under the Clean Development Mechanism (CDM) developed by United Nations Framework Convention on Climate Change (UNFCCC). Several CDM projects registered with the UNFCCC are already earning carbon credits while more projects are at various stages of registration. Your Company is also uniquely positioned to participate in other India specific schemes such as Perform, Achieve and Trade (PAT) and Renewable Energy Certificates (RECs) promoted by Government of India.

Given its abiding commitment to reduce dependence on fossil fuel based energy, your Company has progressively made significant investments in renewable sources of energy. In addition to the 43.6 MW wind power projects and a 90 Tonnes Per Hour biomass fired boiler already in operation for over a year, your Company has installed additional 13.8 MW wind energy generators in Maharashtra and Tamil Nadu. These investments along with improved utilisation of the biomass fired boiler have led to 38.5% of your Company's total energy requirements being met from renewable sources.

Recognising that water will be an increasingly serious area of concern, your Company has made significant investments in water conservation and harvesting initiatives to enhance its positive water footprint. These include adopting best available technologies and benchmarked practices to achieve zero effluent discharges, providing treated wastewater for irrigation as an alternative for farmers in water stressed areas and enhancing rainwater harvesting both within units and across watershed catchment areas. All these initiatives have resulted in the creation of rainwater harvesting potential that is over two times the net water consumption of your Company's operations. The Watershed Management programme of your Company now covers nearly 90,000 hectares of water stressed area.

Your Company led the green building movement in India and takes justifiable pride that all its premium luxury hotels are now LEED (Leadership in Energy and Environment Design) Platinum certified making it the 'greenest luxury hotel chain' in the world. The ITC Green Centre in Gurgaon which was earlier declared the largest LEED Platinum rated office space in the world in 2004, was during the recent re-certification, identified as the world's highest rated green building with Platinum certification by the US Green Building Council. The ITC Gardenia, certified LEED Platinum in 2010, is also the world's largest hotel rated in this category. Your Company has been spearheading the progressive implementation of validated green/sustainability standards for existing hotels and factories. As a further manifestation of these values, during the year under review, your Company's factories at Saharanpur and Bengaluru have also received the LEED Platinum rating from the Indian Green Building Council.

Your Company's 'WOW – Wealth Out of Waste' – programme continues to create significant awareness amongst the public on the benefits of the 'Reduce-Reuse-Recycle' paradigm. This initiative, which also contributes to the protection of environment, improvement in civic amenities, public health and hygiene, has received rich accolades from the Government, NGOs, commercial institutions and the public at large. Your Company benefits from the generation of sustainable raw material sources at competitive prices, whilst conserving scarce environmental resources and generating considerable livelihood opportunities.

All units of your Company are mandated to achieve total recycling of waste generated by their operations. All the units have made significant progress in achieving this target, enabling your Company to recycle over 99.9% of waste generated by its operations during the year. The Paperboards and Specialty Papers business, which accounts for nearly 91% of the total waste generated in your Company, has recycled 99.9% of the total waste generated by its operations. This business has also recycled an additional 1,15,414 tonnes of externally sourced post-consumer waste paper, thereby creating yet another positive environmental footprint.

Your Company continued with its commitment towards ensuring a safe and healthy workplace for all employees, guests and visitors, by maintaining the highest levels of safety and occupational health standards. All units of your Company have best-in-class infrastructure,

> Significant investments in renewable sources of energy along with improved utilisation of the biomass fired boiler have led to 38.5% of your Company's total energy requirements being met from renewable sources.

competent resources and state-of-art fire safety measures, which are regularly checked and monitored through rigorous internal audits. With the objective of sustaining the improving trend in accident statistics, your Company has embarked on an ambitious Behavioural Safety Culture programme to further embed Safety as a key value, across all levels of employees. It is expected that this significant investment by your Company will create long term benefits. The progress and commitment made by your Company in this vital area to protect its valued human resources have been reaffirmed by numerous national and international safety awards and certifications.

The ‘CII – ITC Centre of Excellence for Sustainable Development’, set up by your Company jointly with the apex national chamber Confederation of Indian Industry (CII) in 2006, continues its endeavours to promote sustainable business practices amongst corporates across the country. During the year, the Centre trained and raised awareness of over 2,000 business managers on various sustainability issues. It has expanded its gamut of activities to meet the core objectives of creating awareness, promoting thought leadership and building capacity amongst Indian enterprises in their quest for sustainable growth and business solutions. The 6th Sustainability Summit: ‘Sustainability Solutions, 2011’, attracted over 350 participants representing experts from industry, government and civil society from India and several countries across the world and over 25 exhibitors participated in the first-ever Sustainability Exhibition. The ‘CII – ITC Sustainability Awards’, instituted to recognise excellence in sustainability performance, have honoured a large number of leading Indian companies and provided encouragement to many others. It is heartening that the number of aspirants for the Award is steadily increasing year on year.

The Centre is today playing a major role in engaging with policy makers to create an environment that encourages the adoption of sustainable business practices. The Centre is a consulting partner in several policy interventions such as Green Guidelines for Public Procurement, Low Carbon Expert Group of the Planning Commission, National Innovation Council, Ministry of Corporate Affairs on CSR Policy, National Awards for Prevention of Pollution, Rajiv Gandhi Environment Awards for Clean Technology and Technology and Finance Committee under the Montreal Protocol. It is also represented on the Board of the Central Pollution Control Board and other bodies. During the year, the Centre introduced three new service lines in the areas of Social Responsibility based on ISO 26000, Green House Gas Emissions Inventories and Verification based on ISO 14064 and business model innovation. It is the only certified trainer for sustainability assurance professionals in South-East and South Asia.

Social Investments

Your Company’s overarching aspiration to create meaningful societal value, inspired by a vision to subserve a larger national purpose and abide by the strong value of Trusteeship, is manifest in ITC's strategy to enhance the competitiveness of value chains of which it is a part and, in particular, those that encompass the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Your Company’s Social Investments Programme continues to be influenced by the needs and concerns of rural communities with whom your Company’s agri-businesses have forged a long and enduring partnership, and the communities (both rural and urban) residing in close proximity of its manufacturing units.

Consequently, (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 animal husbandry. (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 footprints of your 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.

Your Company’s pioneering initiative of wasteland development through the Social Forestry Programme currently covers 24,196 hectares in 1,321 villages, impacting nearly 30,000 poor households. This is an integral part of the Social & Farm Forestry initiative that covers a total of over 1,25,000 hectares today. This initiative is aligned to its pulpwood supply chain to create a sustainable source of raw material for your 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 your Company's Soil and Moisture Conservation programme, designed to assist farmers in identified moisture-stressed districts, increased by an additional 24,992 hectares. 442 water-bodies were created during the year. The total area covered under the watershed programme cumulatively stands at 89,491 hectares. Your Company 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 learning.

The Sustainable Livelihoods initiative of your 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 lakhs artificial inseminations during the year thus taking the total to 8.07 lakhs artificial inseminations performed till date. Taking the next step in the development of a viable livestock economy, Dairy Development in Munger was a major focus area this year.

The Women's Empowerment Programme covered over 16,000 women through 1,380 self-help groups (SHG) with total savings of ₹ 285 lakhs. Cumulatively, nearly 40,000 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 Centres 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 your Company's partnerships with some globally renowned NGOs like BAIF, Dhan, FES, MYRADA, Pratham, SEWA, SRIJAN, DSC and WOTR amongst others. These partnerships, which bring together the best-in-class management practices of your Company and the development experience and mobilisation skills of NGOs, will continue to provide innovative grassroots solutions to some of India's most challenging problems of development in the years to come.

Societal Capability Development

In line with its core value of Trusteeship, ITC supports various initiatives that build capability of India's rich human resources to empower the nation's fast growing working-age population. It also helps preserve India's rich cultural heritage enhancing the spirit embodied in its credo of "Let's Put India First."

To cater to the need for professionally trained human resources in the fast growing hospitality industry, your Company contributed to the setting up of the Welcomgroup Graduate School of Hotel Administration (WGSHA) together with the Dr. TMA Pai Foundation in 1987. WGSHA's training and development activities are recognised by the International Hotel Association, Paris. The college has been ranked amongst the top universities in the sector over the years. Graduates of the college are today part of several leading hotel chains of the world. WGSHA's mission is to mould young men and women into competent and responsible professionals with the potential to emerge as future leaders in the Hospitality industry. As part of its efforts to remain contemporary, WGSHA faculty members are sent to ITC Hotels to understand the 'Best Practices' employed at the hotels. A significant number of WGSHA students are sent for 6-months' internship to various ITC Hotels. The college started with an annual intake of 30 students which has increased to 100 students over the years.

The ITC Sangeet Research Academy (ITC SRA) is a true embodiment of sustained corporate commitment to a priceless national heritage. It is a unique institution recognised for being the finest repository of Hindustani Classical Music. With a commitment that has remained consistent for over 35 years, ITC SRA is the world's first and only professionally managed modern Gurukul, blending modern day research methods with the purity of the age old Guru-Shishya tradition. ITC SRA has a mission of preservation and propagation of Hindustani Classical Music. With a galaxy of 9 pre-eminent Gurus and 50 Scholars today, from 20, three years ago, the Academy is presently engaged in carrying the message of Hindustani Classical Music across our country from the metros to rural India. Recent forays into neighbouring Bangladesh have brought home another dimension of the shared sub-continental heritage.

Your Company also supports a number of initiatives for vocational training within the catchment areas of its operations that have proven to be effective in empowering youth with requisite skills to increase their employability in the market. Employment opportunities have also been created for differently-abled people suited to their capabilities.

R&D, QUALITY AND PRODUCT DEVELOPMENT

Your Company continues to invest in a comprehensive Research & Development (R&D) programme to develop a unique source of sustainable competitive advantage and build future readiness by leveraging contemporary advances in several relevant areas of science and technology and blending the same with classical concepts of product development.

Your Company's R&D team has set about addressing the challenging task of creating a culture of science-led, product innovation in your Company by appropriately identifying the required set of core competencies in areas of science such as, Plant Breeding and Genetics, Agronomy, Microbiology, Cell Biology, Genomics, Proteomics, Silviculture and several disciplines of Chemistry. Presently, your Company's R&D team is staffed with world class scientists and is continuing to identify top talent for creating Centres of Excellence in its chosen areas. The R&D centre is equipped with state-of-the-art equipment for carrying out research and securing proprietary technologies for your Company's businesses.

The Agrisciences R&D team has continued its efforts in evaluating and introducing several germ plasm lines of tobacco and eucalyptus to increase the genetic and trait diversities in these crops, which in turn will strengthen the research programmes for developing new varieties with higher yields, better quality and other relevant traits, for your Company's businesses. Several research collaborations have been initiated with globally recognised Centres of Excellence to fast track its journey towards 'proof of concepts'. These collaborations include: University of Agricultural Science, Bengaluru; CSIRO, Australia and CSIR, South Africa and cover both tobacco and eucalyptus and are structured in a manner to ensure that your Company gains fundamental insights into several technical aspects of plant breeding and genetics of both species. This will accelerate your Company's R&D efforts in creating future generations of these crops with greater genetic and trait diversity, which the crops currently lack.

Your Company's Biosciences R&D team continued to pursue strategies to leverage the potential of convergence of agricultural science, food science and the scientific dimensions of its personal care products portfolio. During the year under review, the R&D team continued to progress several long term research platforms, which over time, will form the basis for launching new and competitively superior products.

Your Company's R&D strategy is anchored on a clear vision and road map and is supported by a well-crafted Intellectual Property strategy. With scale, speed, science and sustainability considerations, your Company's R&D is poised to deliver long term competitive advantage and play a leading role in creating significant business impact.

Pursuing your Company's relentless commitment to quality, each business is mandated to continuously innovate on processes and systems to deliver superior competitive capabilities. During the year, your Company's Hotels business extended its 'Lean' and 'Six Sigma' programmes to cover more business processes. This will further enhance capability to create superior customer value through a service excellence framework. The Paperboards, Paper & Packaging business has implemented the 'Total Productive Maintenance' (TPM) programmes in all units, resulting in substantial cost savings and productivity improvements.

All manufacturing units of your Company have ISO quality certification. Almost all contract manufacturing units in the Foods business and hotels have stringent food safety and quality systems certified by an accredited 'third party' in accordance with 'Hazard Analysis Critical Control Points' (HACCP) methodology. Additionally, the quality of all FMCG products of your Company is regularly monitored through 'Product Quality Ratings Systems' (PQRS).

EXCISE

As mentioned in the previous year's Report of the Directors, a demand for ₹ 27.58 crores made by Central Excise Department, Bengaluru, in respect of a period prior to March 1983, was set aside by the Commissioner (Appeals), Bengaluru, by his Order dated 22nd November, 1999, which order was confirmed by the CEGAT, Chennai vide its order dated 18th December, 2003. The Department has filed an appeal before Supreme Court, which is pending.

With respect to the Munger factory, proceedings for finalisation of assessments for the period prior to March 1983 resulted in the Deputy Commissioner's Orders dated 29th August, 2002 and 8th October, 2002 demanding ₹ 13.09 crores and ₹ 1.73 crores for clearances of cigarettes and smoking mixtures respectively. These were confirmed by the Commissioner (Appeals), Patna vide his orders dated 22nd December, 2004, against which your Company has preferred appeals before CESTAT, Kolkata, which are pending. Your Company has made pre-deposits of ₹ 2 crores and ₹ 0.55 crores against the aforesaid demands at the stage when its appeals were pending before Commissioner (Appeals), Patna.

Although your Company, in a spirit of settlement, paid the differential Excise Duty that arose out of an Order of the Director General dated 10th April, 1986, as early as in March, 1987, and although the Excise Department's aforesaid Demands had either been quashed or stayed, the Collectorates in Meerut, Patna and Bengaluru, during the year 1995, filed criminal complaints in the Special Court for Economic Offences at Kanpur, Patna and Bengaluru, charging your Company and some of its Directors and employees who were employed with your Company during the period 1975 to 1983 with offences under the Central Excises & Salt Act, 1944, purportedly on the basis of the Order of the Director General dated 10th April, 1986. Your Directors are advised that no prosecution would lie on the basis of the aforesaid Order of the Director General dated 10th April, 1986. As earlier reported, the criminal case in respect of the Bengaluru factory was quashed by the Court. In the proceedings relating to Saharanpur and Munger factories, the individuals concerned have been discharged.

In all the above instances, your Directors are of the view that your Company has a strong case and the Demands and the Complaints are not sustainable.

Since your Company is contesting the above cases and contending that the Show Cause, the Demand Notices and the Complaints are not sustainable, it does not accept any liability in this behalf. Your attention is drawn to the Note 28 (v) in the Notes to the Financial Statements and Note 28 (iv) in the Notes to the Consolidated Financial Statements.

LUXURY TAX

As mentioned in earlier years, the Hon'ble Supreme Court declared the various State luxury tax levies on cigarettes and other goods as unconstitutional. The Court further directed that if any party, after obtaining a stay order from the Court, had collected any amount towards luxury tax from its customers / consumers, such amounts should be paid to the respective State governments. Since your Company had not charged or collected any amounts towards luxury tax during the relevant period, there is no liability on your Company in this regard. However, the State of Andhra Pradesh has filed a contempt petition in the Supreme Court claiming a sum of about ₹ 323.25 crores towards luxury tax, and a further sum of about ₹ 261.97 crores towards interest, on the allegation that your Company had charged and collected luxury tax from its customers, but in view of a stay order passed by the Court on 1st April, 1999, did not pay the tax to the government. The State's contention is baseless, contrary to facts and is also contrary to the assessment orders passed by the State luxury tax authorities consistently holding that your Company, right from 1st March, 1997, did not charge or collect any amount towards luxury tax from its customers. Accordingly, the State's petition is being contested.

RECOVERY OF DUES FROM THE CHITALIAS AND PROCEEDINGS INITIATED BY THE ENFORCEMENT DIRECTORATE

You are aware that your Company had secured from the District Court of New Jersey, USA, a decree for US$ 12.19 million together with interest and costs against Suresh and Devang Chitalia of USA and their companies, and that the Chitalias had filed Bankruptcy Petitions before the Bankruptcy Court, Orlando, Florida, which are yet to be determined.

As explained in the previous reports of the Directors, though your Company has written off the export dues in foreign exchange from the Chitalias with the approval of the Reserve Bank of India, your Company continues with its recovery efforts in the Indian suit against the Chitalia associates. The suit is in progress.

In the proceedings initiated by the Enforcement Directorate, in respect of some of the show cause memoranda issued by the Directorate, after hearing arguments on behalf of your Company, the appropriate authority has passed orders in favour of your Company, and dropped those memoranda.

Meanwhile, some of the prosecutions launched by the Enforcement Directorate have been quashed by the Calcutta High Court while others are pending.

TREASURY OPERATIONS

During the year, your Company's treasury operations continued to remain focused on deployment of temporary surplus liquidity and managing the foreign exchange exposures within a well-defined risk management framework.

The year under review was characterised by rising interest rates and tight liquidity conditions in the monetary system. Against the backdrop of high inflation and the consequent policy rate increases by the Central Bank, interest rates hardened across maturities. In this environment your Company, by appropriately managing portfolio durations, continued to improve its treasury performance.

All investment decisions in deployment of temporary surplus liquidity continued to be guided by the tenets of Safety, Liquidity and Return. The portfolio mix during the year was constantly rebalanced in line with changing interest rate scenario which helped enhance yields. Investments were preferred in shorter duration assets like Debt Mutual Funds and Bank Fixed Deposits. Your Company's risk management processes ensured that all deployments were made with proper evaluation of underlying risk while remaining focused on capturing market opportunities.

In the foreign exchange market, the Indian Rupee depreciated significantly during second half of the year and was witness to periods of very high volatility. In order to manage volatility, the Reserve Bank of India not only had to intervene in the market but also enforce additional regulations restraining active management of exposures by companies. In a scenario of high volatility and stricter regulations, your Company adopted an appropriate forex management strategy, which included use of foreign exchange forward contracts and plain vanilla options, to protect business margins and reduce risks / costs.

As in earlier years, commensurate with the large size of the temporary surplus liquidity under management, treasury operations continue to be supported by appropriate control mechanisms, including an independent check of 100% of transactions, by your Company's Internal Audit department.

TAXATION

As mentioned in the Report of the Directors of earlier years, your Company had obtained Stay Orders from the Hon'ble Calcutta High Court in respect of the Income Tax notices for re-opening the past assessments for the period 1st July, 1983 to 30th June, 1986. This status remains unchanged.

As stated in the Report of the Directors of earlier years, in respect of similar Income Tax notices for re-opening the past assessments for the period 1st April, 1990 to 31st March, 1993, the Hon'ble Calcutta High Court had admitted the Writ Petitions and ordered that no final assessment orders be passed without the leave of the Court. This status also remains unchanged.

PUBLIC DEPOSITS

Your Company's Public Deposit Scheme closed in the year 2000. As at 31st March, 2012, there were no deposits due for repayment except in respect of 2 deposit holders totalling ₹ 20,000 which have been withheld on the directives received from government agencies.

There was no failure to make repayments of Fixed Deposits on maturity and the interest due thereon in terms of the conditions of your Company's erstwhile Schemes.

INVESTOR SERVICE CENTRE

The Investor Service Centre ('ISC') of your Company maintains its position as an exemplar in investor servicing. The level 5 rating, the highest rating level, accorded by Messrs. Det Norske Veritas, for the third year in a row, stands testimony to the excellence achieved by ISC in its service standards, systems and processes. ISC, accredited with ISO 9001:2008 certification, has a committed team of professionals supported by contemporary infrastructure.

The 'Investor Relations' section in your Company's corporate website serves as a user friendly online reference for investors in respect of share related matters.

DIRECTORS

Mr. Serajul Haq Khan was appointed as Non-Executive Director of your Company with effect from 27th July, 2007 and his present term will expire on 26th July, 2012. The Board of Directors of your Company (the 'Board') at its meeting held on 25th May, 2012 recommended for the approval of the Members the re-appointment of Mr. Khan as Non-Executive Director of your Company, liable to retire by rotation, with effect from 27th July, 2012.

Notice has been received from a Member of your Company under Section 257 of the Companies Act, 1956 for the re-appointment of Mr. Khan, who has filed his consent to act as Director of your Company, if appointed.

Appropriate resolution seeking your approval to his re-appointment is appearing in the Notice convening the 101st Annual General Meeting (AGM) of your Company.

In accordance with the provisions of Article 91 of the Articles of Association of your Company, Mr. Anthony Ruys, Mr. Dinesh Kumar Mehrotra, Mr. Sunil Behari Mathur, Mr. Pillappakkam Bahukutumbi Ramanujam and Mr. Anil Baijal will retire by rotation at the ensuing AGM of your Company and being eligible, offer themselves for re-election. The Board has recommended their re-election.

AUDITORS

Statutory Auditors

Your Company's Auditors, Messrs. Deloitte Haskins & Sells, retire at the ensuing AGM and, being eligible, offer themselves for re-appointment. Since not less than 25% of the Subscribed Share Capital of your Company is held collectively by Public Financial Institutions, the re-appointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

Cost Auditors

Your Company had appointed Mr. P. Raju Iyer, Cost Accountant, Chennai, as Cost Auditor, with the approval of the Central Government, for audit of cost records maintained by the Paperboards and Specialty Papers business of your Company for the financial year ended 31st March, 2011. The Cost Audit Report was filed by the Cost Auditor on 28th September, 2011 within the due date of 30th September, 2011.

In respect of the financial year ended 31st March, 2012, your Company, with the approval of the Central Government, has appointed (i) Mr. P. Raju Iyer, Cost Accountant, Chennai, as Cost Auditor for audit of cost records maintained by the Paperboards and Specialty Papers business and (ii) Messrs. Shome & Banerjee, Cost Accountants, Kolkata, for cost records in respect of 'Paper' products other than the cost records maintained by the Paperboards and Specialty Papers business. The due date for filing the Cost Audit Reports is 30th September, 2012.

EMPLOYEE STOCK OPTION SCHEME

Under your Company's Employee Stock Option Schemes, 8,02,80,020 Ordinary Shares of ₹ 1/- each, were issued and allotted during the year upon exercise of 80,28,002 Options; such shares rank pari passu with the existing Ordinary Shares of your Company. Consequently, the Issued and Subscribed Share Capital of your Company as at 31st March, 2012 stands increased to ₹ 781,84,24,300/- divided into 781,84,24,300 Ordinary Shares of ₹ 1/- each.

Details of the Options granted up to 31st March, 2012 under the various Employee Stock Option Schemes, including the ITC Employee Stock Option Scheme – 2011 which became effective from 26th August, 2011, and other disclosures as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the 'SEBI Guidelines') are set out in the Annexure to this Report.

Your Company's Auditors, Messrs. Deloitte Haskins & Sells, have certified that your Company's Employee Stock Option Schemes have been implemented in accordance with the SEBI Guidelines and the resolutions passed by the Members in this regard.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having:

a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures if any;

b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;

c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

d) prepared the Annual Accounts on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 - Consolidated Financial Statements, ITC Group Accounts form part of this Report & Accounts. These Group Accounts also incorporate the Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standards) Rules, 2006. These Group accounts have been prepared on the basis of audited financial statements received from Subsidiary, Associate and Joint Venture Companies, as approved by their respective Boards.

OTHER INFORMATION

The total number of employees as on 31st March, 2012 stood at 25,165.

The certificate of the Auditors, Messrs. Deloitte Haskins & Sells confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is annexed.

Particulars as required under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of Energy and Technology Absorption are also provided in the Annexure to this Report.

There were 72 employees, who were employed throughout the year and were in receipt of remuneration aggregating ₹ 60 lakhs or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 5 lakhs per month or more during the financial year ended 31st March, 2012. The information required under Section 217(2A) of the Companies Act, 1956 and the Rules thereunder, in respect of the aforesaid employees, is provided in the Annexure forming part of this Report.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘will’ and other similar expressions as they relate to the Company and/or its businesses are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

CONCLUSION

Your Company’s Board and employees are inspired by the Vision of sustaining your Company’s position as one of India’s most admired and valuable companies through world class performance, creating enduring value for all stakeholders, including the shareholders and the Indian society. Each business within the portfolio is continuously engaged in upgrading strategic capability to effectively address the challenge of growth in an increasingly competitive market scenario. Effective management of diversity enhances your Company’s adaptive capability and provides the intrinsic ability to effectively manage business risk. The vision of enlarging your Company’s contribution to the Indian economy is manifest in the creation of unique business models that foster international competitiveness of not only its businesses but also of the entire value chain of which they are a part.

Inspired by this Vision, driven by Values and powered by internal Vitality, your Directors and employees look forward to the future with confidence and stand committed to creating an even brighter future for all stakeholders.

25th May, 2012	On behalf of the Board	
Virginia House		
37 J L Nehru Road		
Kolkata 700071	Y. C. DEVESHWAR	*Chairman*
India	P. V. DHOBALE	*Director*

Annexure to the Report of the Directors

Statement as at 31st March, 2012, pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of Options granted under the Company's Employee Stock Option Schemes.

Sl. No.		ITC Employee Stock Option Scheme		ITC Employee Stock Option Scheme – 2006		ITC Employee Stock Option Scheme – 2010		Total	
		During 2011-12 (i)	Cumulative (ii)	During 2011-12 (iii)	Cumulative (iv)	During 2011-12 (v)	Cumulative (vi)	During 2011-12 (i)+(iii)+(v)	Cumulative (ii)+(iv)+(vi)
(A)	(i) Number of Options granted :	11,00,988	1,09,91,558	6,79,412	2,08,02,953	41,75,525	41,75,525	59,55,925	3,59,70,036
	(ii) Number of Bonus Options allocated* :	–	27,75,263	–	1,74,50,295	–	–	–	2,02,25,558
	(iii) Total number of Options granted / allocated :	11,00,988	1,37,66,821	6,79,412	3,82,53,248	41,75,525	41,75,525	59,55,925	5,61,95,594

* *Bonus Options were allocated in 2005-06 and 2010-11 in the same ratio as Bonus Shares issued (i.e. in the ratio of 1 Bonus Share for every 2 Ordinary Shares & in the ratio of 1 Bonus Share for every 1 Ordinary Share, respectively) in accordance with the ITC Employee Stock Option Schemes read with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.*

(B) Pricing Formula :

The Pricing Formula, as approved by the Shareholders of the Company, is such price which is no lower than the closing price of the Company's Share on the National Stock Exchange of India Limited ('the NSE') on the date of grant, or the average price of the Company's Share in the six months preceding the date of grant based on the daily closing price on the NSE, or the 'Market Price' as defined from time to time under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as determined by the Compensation Committee.

The Options were granted at the 'Market Price' as defined under the aforesaid Guidelines.

In the financial year 2011-12, Options were granted at ₹ 2023.50 per Option.

Sl. No.		ITC Employee Stock Option Scheme	ITC Employee Stock Option Scheme – 2006	ITC Employee Stock Option Scheme – 2010	Total
(C)	Total number of Options vested :	1,16,93,812	2,65,62,933	–	3,82,56,745
(D)	Total number of Options exercised (Each Option represents 10 Ordinary Shares of ₹ 1/- each) :	1,11,69,757	1,41,06,658	–	2,52,76,415
(E)	Total number of Ordinary Shares of ₹ 1/- each arising as a result of exercise of Options :	11,16,97,570	14,10,66,580	–	25,27,64,150
(F)	Total number of Options lapsed :	14,96,076	21,75,551	46,360	37,17,987
(G)	Variation of terms of Options :	Nil			
(H)	Money realised by exercise of Options :	₹ 1247.48 crores	₹ 1388.30 crores	–	₹ 2635.78 crores
(I)	Total number of Options in force :	11,00,988	2,19,71,039	41,29,165	2,72,01,192

(J)	Details of Options granted to (i) Senior managerial personnel :	As provided below -

Sl. No.	Name	No. of Options granted during the financial year	Sl. No.	Name	No. of Options granted during the financial year
1.	Y. C. Deveshwar	2,70,000	27.	S. Kumar	21,280
2.	N. Anand	1,35,000	28.	S. Ganesh Kumar	21,280
3.	P. V. Dhobale	1,35,000	29.	U. Lall	23,000
4.	K. N. Grant	1,35,000	30.	H. Malik	30,600
5.	A. Baijal	10,000	31.	A. K. Mukerji	30,600
6.	S. H. Khan	10,000	32.	A. Nayak	56,250
7.	S. B. Mathur	10,000	33.	A. R. Noronha	30,600
8.	H. G. Powell	10,000	34.	R. Parasuram	23,000
9.	P. B. Ramanujam	10,000	35.	A. Pathak	23,000
10.	A. Ruys	10,000	36.	K. T. Prasad	16,000
11.	K. Vaidyanath	10,000	37.	S. Puri	40,000
12.	S. M. Ahmad	23,000	38.	R. Rai	30,600
13.	N. Arif	32,000	39.	V. L. Rajesh	30,600
14.	P. Banerjea	15,400	40.	V. M. Rajasekharan	21,280
15.	S. Basu	30,600	41.	A. Rajput	40,000
16.	M. S. Bhatnagar	23,000	42.	T. V. Ramaswamy	40,000
17.	A. Chand	23,000	43.	S. Rangrass	30,600
18.	S. Chandrasekhar	23,000	44.	S. Janardhana Reddy	23,000
19.	L. C. Chandrasekharan	32,000	45.	A. Seth	21,280
20.	B. B. Chatterjee	40,000	46.	R. Senguttuvan	30,600
21.	C. Dar	40,000	47.	S. K. Singh	30,600
22.	C. S. Das	30,600	48.	S. Sivakumar	56,250
23.	D. Haksar	30,600	49.	R. Sridhar	30,600
24.	M. Ganesan	21,280	50.	B. Sumant	30,600
25.	S. Guha	16,000	51.	K. S. Suresh	40,000
26.	S. Kaul	30,600	52.	R. Tandon	40,000

	(ii) Any other employee who received a grant in any one year of Options amounting to 5% or more of the Options granted during that year. :	None
	(iii) Identified employees who were granted Options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. :	None
(K)	Diluted Earnings Per Share pursuant to issue of Ordinary Shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'. :	₹ 7.84

(L)	(i) Method of calculation of employee compensation cost.	:	The employee compensation cost has been calculated using the intrinsic value method of accounting for Options issued under the Company's Employee Stock Option Schemes. The employee compensation cost as per the intrinsic value method for the financial year 2011-12 is Nil.
	(ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options.	:	₹ 308.33 crores
	(iii) The impact of this difference on profits and on Earnings Per Share of the Company.	:	The effect on the profits and earnings per share, had the fair value method been adopted, is presented below: **Profit After Tax** — **₹ in Crores** As reported — 6,162.37 *Add:* Intrinsic Value Compensation Cost — Nil *Less:* Fair Value Compensation Cost (Black Scholes model) — 308.33 **Adjusted Profit** — 5,854.04 **Earnings Per Share** — **Basic (₹)** — **Diluted (₹)** As reported — 7.93 — 7.84 As adjusted — 7.53 — 7.44
(M)	Weighted average exercise prices and weighted average fair values of Options granted for Options whose exercise price either equals or exceeds or is less than the market price of the stock.	:	Weighted average exercise price per Option : ₹ 2,023.50 Weighted average fair value per Option : ₹ 529.57
(N)	A description of the method and significant assumptions used during the year to estimate the fair values of Options.	:	The fair value of each Option is estimated using the Black Scholes Option Pricing model after applying the following key assumptions on a weighted average basis: (i) Risk-free interest rate — 8.18% (ii) Expected life — 3.2 years (iii) Expected volatility — 30.04% (iv) Expected dividends — 1.76% (v) The price of the underlying shares in market at the time of Option grant — ₹ 1,968.50 *(One Option = 10 Ordinary Shares)*

On behalf of the Board

Y. C. DEVESHWAR *Chairman*

Kolkata, 25th May, 2012 P. V. DHOBALE *Director*

ITC Limited

Annexure to the Report of the Directors
For the Financial Year Ended 31st March, 2012

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors

Name	Age	Designation/ Nature of Duties	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experi-ence (Years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
Employed throughout the year and in receipt of remuneration aggregating ₹ 60,00,000/- or more per annum.								
Ahmad S M	58	Executive V. P. - Marketing (ITD)	78,88,099	36,84,202	M.A.	35	06.03.1980	ANZ Grindlays Bank Plc., Mgmt. Trainee
Anand Nakul	55	Executive Director	1,52,99,159	63,48,360	B.A. (Hons.)	32	01.12.1979	@
Arif Nazeeb	50	V.P. - Corporate Communications	63,37,831	31,46,155	B.A.(Hons.), M.A.	26	01.09.2006	Indian Chamber of Commerce, Secretary General
Basu S	60	Head of Internal Audit	69,29,540	34,60,327	A.C.A., F.C.A. (Eng. & Wales)	42	02.01.1978	Whinney Murray & Co., London, Audit Asst.
Bhatnagar M S	60	V.P. - Growth & Development (HD)	63,63,796	29,90,532	B.Sc., M.B.A.	37	01.01.1975	@
Chand A	47	Divisional Chief Executive (LRBD)	66,72,871	33,64,277	B.A., M.B.A.	25	01.06.1988	Godfrey Philips (I) Ltd., Mktg. Exec.
Chandrasekhar S	59	Services on Loan to Subsidiary Co.	67,35,397	32,92,097	B.Sc., F.C.A.	34	01.01.1978	@
Chandrasekharan L C (Dr.)	57	Chief Scientist - Research & Technology Innovation (Corp. R & D)	89,59,734	58,32,769	Ph.D.	30	01.10.2005	G.E. India, Director, Mfg. Engg.
Chatterjee B B	59	Executive V.P. & Company Secretary	84,26,188	48,59,058	B.Com. (Hons.), F.C.A., F.C.S., LL.B.	34	16.05.1983	Wacsgen, Deputy Mgr.
Dar C	56	Divisional Chief Executive (FD)	96,43,405	45,48,104	B.Tech. (Hons.), P.G.D.M.	33	01.05.1981	Tata Eng. & Loco. Co., Shift Supvr.
Das C S	56	SBU Chief Executive (ESPB)	63,49,452	31,51,401	B. Tech. (Hons.), M.B.A.	32	15.04.1980	Larsen & Toubro Ltd., Trainee
Deveshwar Y C	65	Executive Chairman	11,27,14,096	5,65,30,166	B.Tech. (Mech.)	43	11.02.1994	Air India Ltd., Chairman & M.D.
Dhobale P V	56	Executive Director	1,45,22,372	63,69,894	B.Tech. (Chem.)	35	01.07.1977	#
Ganesan M	49	Executive V.P. - Finance, Procurement & IT (FD)	60,96,156	30,29,989	B.Com., A.C.A., A.C.S.	26	01.03.1986	Nil
Grant K N	54	Executive Director	1,98,90,821	93,91,883	B.A. (Hons.), M.B.A.	33	02.06.1980	DCM Ltd., Mgmt. Trainee
Gullakota Sanjay	39	Manager - Supply Chain (ITD)	65,25,784	13,64,700	B.Com.	18	01.03.1998	MRF Ltd., Sales Supervisor
Gupta P	55	Head of Corporate Taxation	60,21,975	36,50,145	B.Com. (Hons.), A.C.A., D.M.A.(I.C.A.)	32	15.02.1989	Hindustan Lever Ltd., Group Audit Manager
Haksar Dipak	54	Chief Operating Officer (HD)	66,22,820	32,92,083	B.Com. (Hons.)	34	01.09.1977	@
Janardhana Reddy S	63	Executive V.P. - Corporate Affairs	72,30,797	37,04,523	B.Sc. (Ag.)	39	27.12.1972	Nil
Kaul Sandeep	45	SBU Chief Executive (PCPB)	62,78,297	31,07,948	B.E., P.G.D.M.	22	01.06.1990	Nil
Lall U	61	Services on Loan to Tobacco Institute of India	74,39,703	36,62,583	B.A. (Hons.)	40	03.01.1972	PARCO, Officer on Spl. Duty
Malik Hemant	45	Head of TM & D (ITD)	68,43,545	33,80,749	B.A., M.B.A.	23	01.06.1989	Nil
Mukerji Arup K	53	Corporate Financial Controller	74,87,122	35,78,579	B.Com. (Hons.), A.C.A.	30	01.11.1982	Gupta Chowdhury & Ghose, Jr. Officer
Nayak Anand	60	Executive V.P. - Corporate Human Resources	1,26,42,909	67,47,025	B.Sc., P.G.D.I.R.	39	14.05.1973	Nil
Noronha A R	58	Executive V.P. - Technical & Projects & EHS (HD)	64,67,589	32,71,071	B.E. (Elec.)	34	01.05.1978	@
Parasuram R	53	Executive V.P. - Finance & MIS (ITD)	63,14,368	34,35,480	B.Com. (Hons.), A.C.A.	30	15.09.1982	Nil
Pathak Arun	52	Executive V.P. - Finance (HD)	75,15,012	33,73,945	B.Com. (Hons.), F.C.A.	29	20.06.1983	Nil
Puri Sanjiv	49	Divisional Chief Executive (ITD)	1,00,71,397	43,79,719	B.Tech.	27	20.01.1986	TELCO Ltd., Trainee
Rai R K	49	Chief Operating Officer (ABD)	64,63,376	35,29,477	B.A. (Mktg.), P.G.D. in Export & Imports	29	16.08.1990	Britannia Industries Ltd., Commercial Officer
Rajesh V L	44	Executive V.P. - Marketing (FD)	62,90,716	31,78,935	B.Sc., M.B.A.	22	01.06.1990	Nil
Rajput A K	56	Senior V.P. - Corporate Affairs	93,10,429	44,90,657	B.Com., M.B.A.	36	10.04.1976	Nil
Ramaswamy T V	60	Group Head - R & D, Projects, EHS	1,05,13,459	48,77,047	B.E., M.M.S.	38	01.07.1974	Nil
Rangrass S	51	Divisional Chief Executive (ABD - ILTD)	73,21,903	35,37,658	B.Tech.	30	01.07.1982	Nil
Seth Anil	54	Executive V.P. - Finance & MIS (PSPD)	65,86,554	30,40,276	B.A. (Hons.), A.C.A., P.G.D.B.M.	29	01.11.1982	Nil
Singh S K	55	Divisional Chief Executive (PSPD)	70,70,162	35,20,757	B.Tech. (Chem.)	35	21.06.1977	#
Sivakumar S	51	Divisional Chief Executive (ABD)	1,17,81,986	63,53,385	B.Sc., P.G. Dip. In Rural Mgmt.	29	18.09.1989	Gujarat Co-op Oil Seeds Growers' Fed. Ltd., Mgr. Mktg.
Sridhar R	53	Executive V.P. - HR (ITD)	64,81,908	32,03,828	B.Sc., P.G. Dip. in P.M. & I.R.	30	01.06.1982	Nil
Sumant B	48	Services on Loan to Subsidiary Co.	67,59,277	33,06,869	B.E.	26	20.01.1986	Nil
Suresh K S	51	General Counsel	95,27,441	45,47,838	B.A., B.L., P.G.D.P.M., I.R. & L.W.	29	01.09.1990	Chambers of Sri C.S. Venkata Subramaniam, Advocate
Tandon R	58	Chief Financial Officer	1,06,48,720	49,21,375	B.Sc., F.C.A.	34	01.01.1987	Triveni Handlooms Ltd., Finance Mgr. & Secy.
Venkateswaran Krishnan (Dr.)	52	Chief Scientist - Product Development (PCPB)	61,89,835	37,69,905	B.Sc., M.Sc., Ph.D.	27	05.05.2005	Hindustan Lever Ltd., Head - Skin, Cleansing & Care
Wanchoo Siddarth	51	General Manager - Marketing (ITD)	60,64,590	28,89,105	B.Com. (Hons.)	31	19.10.1981	Nil

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors

Name	Age	Designation/ Nature of Duties	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experi-ence (Years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
Employed for a part of the year and in receipt of remuneration aggregating ₹ 5,00,000/- or more per month.								
Agnihotri Chinmay	27	Assistant Manager - Technical (FD)	1,14,812	1,14,080	B.Tech.	4	07.06.2007	Nil
Awasthi Gaurav	35	Executive - Technical (ABD-ILTD)	82,391	78,417	B. Tech.	4	26.12.2007	Nil
Bhandari R	50	V. P. - North & General Manager, ITC Maurya (HD)	11,27,010	7,57,693	B.Com. (Hons.), Dip. in Hotel Mgmt.	26	01.04.2002	@
Bhattacharya Prateek	26	Sales Executive - ITC Kakatiya (HD)	90,219	84,887	B.Sc. In Hospitality Mgmt.	3	01.07.2008	Nil
Charraudeau Phillippe Herve	55	V.P. & General Manager - ITC Grand Chola (HD)	1,19,57,528	58,08,650	B.E.P.C., (Rehaul Rebout), C.A.P.	30	09.05.2011	Movenpick Hotels & Resorts, Saudi Arabia
Dhalewadikar S V (Dr.)	58	Chief Scientist (ITD)	19,69,155	14,64,939	B.Sc., M.Sc., Ph.D.	29	03.03.2003	Hindustan Lever Ltd., Development Mgr.
Dayal Bhagawat	29	Assistant Manager - Process Excellence (PCPB)	1,44,754	1,37,614	B. Tech.	5	18.06.2010	Videocon Ind. Ltd., Sr. Engineer
Ghosh Archisman	27	Assistant Manager - Quality & Training (ITD)	2,09,507	2,00,991	B. Tech.	4	07.06.2007	Nil
Ghose Devjit	28	Assistant Manager - Supply Chain Operations (ITD)	2,22,929	2,12,510	B.Tech.	4	07.06.2007	Nil
Ghosh Reshmi	28	Assistant Manager - Supply Chain Operations (ITD)	2,14,554	2,03,152	B.Tech.	3	10.06.2008	Nil
Goel Abhinav	28	Assistant Manager - Secondary (ITD)	2,38,069	2,25,702	B. Tech., Cert. From Geneva	6	08.06.2005	Nil
Haridas Mahipati	29	Area Executive (ITD)	71,613	71,511	M.B.A.	7	09.10.2007	Banashankar Electricals, Sales Exec.
Kapur Anurag	35	Category Manager (LRBD)	2,18,329	2,09,098	B.Sc., P.G. Dip. NIFT	11	13.06.2005	NSK Textiles Ltd., Merchandiser
Kumar G Arun	32	Assistant Manager - Finance (ABD)	1,66,798	1,61,028	B.Com., I.C.W.A.	9	21.11.2005	Shivashakthi Bioplants Ltd., Asst. Mgr.
Kumar V Vinay	25	Officer - Special Projects (PSPD)	67,957	60,137	B. Tech.	3	02.06.2008	Nil
Kumar Satish K	31	Assistant Manager - Finance (ABD)	1,15,502	1,10,672	B.Com., I.C.W.A.	6	23.06.2008	Reliance Retail Ltd., Asst. Mgr.
Madadi Rajeev Reddy	26	Assistant Manager - Technical (FD)	1,20,370	1,19,979	B.Tech.	4	07.06.2007	Nil
Mathur Rakesh	60	Services on Loan to JV Co.	27,80,528	16,83,137	B.A. (Eco), Dip in H.M.C.T., M.B.A.	37	16.06.2004	@
Misra Rajendra	44	Associate General Counsel	7,11,699	6,18,763	LL.B.	19	18.08.1997	Dunlop India Ltd., Mgr. Legal
Mohan Bhavana	26	Sales Executive - ITC Chola (HD)	2,33,832	2,15,752	B.H.M.	3	01.07.2008	Nil
Muzumdar Chaitali P	29	Front Office Executive - ITC Maratha (HD)	1,25,207	1,20,466	B. H. M.	5	04.07.2005	Nil
Nagpal Manshul	29	Assistant Manager - Marketing (ITD)	1,97,233	1,89,936	B. Tech., P.G.D.M.	4	07.06.2007	Nil
Nair P M	60	Associate Technologist - Making (ITD)	7,54,340	7,22,492	I.T.I., National Apprentice Training	38	02.11.1974	Udupa Industries, Bench Fitter
Ramaraju Rahul	26	Assistant Manager - Technical (FD)	1,05,639	1,05,444	B. Tech.	4	07.06.2007	Nil
Rastogi Nipun	26	Assistant Manager - Secondary (ITD)	1,73,725	1,68,131	B. Tech.	4	07.06.2007	Nil
Sainath K	45	Assistant Manager - Finance (FD)	1,66,300	1,64,892	B.Tech.	12	24.03.2003	Ernst & Young, Consultant
Shetty Nagaraj Ganapati	30	Assistant Officer (PSPD)	57,694	50,582	B.Sc., M. Sc.	6	09.02.2009	The West Coast Paper Mills Ltd., Shift Incharge
Sridhara Akshaya H	26	Junior Research Associate (FD)	25,592	25,529	M.Sc., B. Tech.	3	07.04.2010	ABC Trading Co. Ltd., Exec. R&D
Tipre Raghuraj	44	Commodity Trader (ABD)	2,85,682	2,71,350	M.Sc., B. Tech., Dip in Int. Trade	17	07.02.2002	Nagarjuna & REIL, Asst. Mgr.
Vatsal Dhruv	25	Assistant Manager - Soaps (PCPB)	1,95,664	1,86,398	B. Tech.	3	10.06.2008	Nil

Abbreviations denote :

ITD	:	India Tobacco Division
PSPD	:	Paperboards & Specialty Papers Division
LRBD	:	Lifestyle Retailing Business Division
ABD	:	Agri Business Division
ABD - ILTD	:	Agri Business, Leaf Tobacco
FD	:	Foods Division
HD	:	Hotels Division
ESPB	:	Education & Stationery Products Business
PCPB	:	Personal Care Products Business

@ Previously employed with ITC Hotels Ltd. which was merged with the Company on March 23, 2005

\# Previously employed with ITC Bhadrachalam Paperboards Ltd. which was merged with the Company on March 13, 2002

Notes :

1. Remuneration includes salary, performance bonus, allowances & other benefits / applicable perquisites except contribution to the approved Group Pension under the defined benefit scheme and Gratuity Funds and provisions for leave encashment which are actuarially determined on an overall Company basis. The term ‘remuneration’ has the meaning assigned to it in Section 198 of the Companies Act, 1956.
2. Net remuneration comprises cash income less : a) income tax & education cess deducted at source.
   b) manager’s own contribution to Provident Fund.
3. All appointments are/were contractual in accordance with terms and conditions as per Company rules.
4. None of the above employees is a relative of any Director of the Company .

On behalf of the Board

Y. C. DEVESHWAR *Chairman*

Kolkata, 25th May, 2012 P. V. DHOBALE *Director*

Annexure to the Report of the Directors

CONSERVATION OF ENERGY

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

a) Energy conservation measures taken:

All business units continued their efforts to improve energy usage efficiency and increase contribution from renewable sources of energy. Various key performance indicators like specific energy (energy consumed per unit of production), specific energy cost and renewable energy contribution were continuously tracked to monitor progress in line with the organisation's overall carbon strategy. Innovative ways and new technology were constantly explored to bring about better alignment with the Government of India's National Action Plan on Climate Change. Some of the measures adopted across your Company were:

I. Obtaining the LEED (Leadership in Energy and Environment Design) Platinum rating for Saharanpur and Bengaluru factories and ITC Rajputana Hotel at Jaipur, as part of a holistic approach towards sustainability. This has helped achieve significant reduction in energy consumption.

II. Installation of new renewable energy sources like wind turbine generators and harnessing of solar energy using thermal and photovoltaic systems.

III. Optimisation in energy consumption by replacing air-cooled chillers with higher efficiency water-cooled chillers, installing high efficiency burners in existing boilers and improving waste heat recovery.

IV. Improvement in energy usage efficiency of lighting systems by installation of automated lighting controls and sensors, changing over to higher efficiency lighting solutions such as Light Emitting Diodes and increased daylight harvesting.

V. Appropriate fuel switching measures to alternative fuels across different business units.

VI. Retrofitting measures and replacement of motors, pumps, boilers, air compressors, cooling towers, harmonic filters and transformers by high efficiency systems across different business units.

VII. Improved air handling and dust extraction systems.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

I. Renewable energy sources such as wind turbines and micro hydel projects.

II. Process improvements across different factories and installation of more energy efficient technology.

III. Solar pre-heating arrangement for boiler feed water and furnace oil at different factories.

IV. Replacement of pumps, motors, compressors, blowers etc. with higher efficiency sets.

V. Installation of harmonic filters and capacitor sets to improve power factor of electrical system.

c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Energy conservation measures have resulted in savings on energy costs for your Company which helped to partially offset the impact of higher fuel costs and poorer quality of coal. Continued focus on energy conservation has resulted in reduction of specific energy consumption per unit of production. The specific steam consumption for Paperboards & Specialty Papers business has reduced by more than 8% and specific power consumption by 1% which are significant considering that this business accounts for most of your Company's energy consumption. Across all businesses the direct reduction in electrical consumption exceeds 2 Gigawatt Hours (GwH) which has reduced costs as well as your Company's carbon emissions.

ITC Limited

d) **Total energy consumption and energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto:**

A) POWER AND FUEL CONSUMPTION

Relating to Paperboards & Paper

	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
1. Electricity		
a) Purchased Units (KwH in Lakhs)	**340**	230
Total Amount (₹ in Lakhs)	**2259**	1714
Rate/Unit (₹)	**6.65**	7.47
b) Own Generation		
i) Through Diesel Generator		
Units (KwH in Lakhs)	**5**	6
Units/Litre of Diesel Oil	**3.35**	3.03
Cost/Unit (₹)	**12.56**	12.60
ii a) Through Steam Turbine/ Generator-Coal fired Boilers		
Units (KwH in Lakhs)	**3796**	4115
Units/Kg. of Coal	**1.48**	1.45
Cost/Unit (₹)	**3.28**	2.76
b) Through Steam Turbine/ Generator-Soda Recovery Boilers		
Units (KwH in Lakhs)	**2419**	2188
Units/Kg. of Black Liquor Solids	**0.43**	0.42
Cost/Unit (₹)	Nil - Internally generated #	

since it is a by-product and no significant value is attributable to it.

	For the Year ended 31st March, 2012			For the Year ended 31st March, 2011		
	Process	**Power**	**Total**	Process	Power	Total
2. Coal						
B/C/D/E/F Grades Coal						
Quantity (MT)	**364802**	**256091**	**620893**	398260	284708	682968
Total Cost (₹ in Lakhs)			15002			13809
Average Rate (₹ per MT)			2416			2022
3. Furnace Oil						
Quantity (KL)			**8240**			11947
Total Amount (₹ in Lakhs)			**3340**			3548
Average Rate (₹ per KL)			**40537**			29696
4. Others/Internal Generation						
De Oiled Bran, Saw Dust etc.						
Quantity (MT)			**148397**			118118
Total (₹ in Lakhs)			**2794**			2402
Rate/Unit (₹)			**1883**			2034
Black Liquor Solids						
Quantity (MT)			**569024**			519243
Total (₹ in Lakhs)	Nil - Internally generated #					
Rate/Unit (₹)						
# since it is a by-product and no significant value is attributable to it						
LP Gas						
Quantity (MT)			**1228**			1100
Total (₹ in Lakhs)			**684**			516
Rate/Unit (₹)			**55722**			46880

B) CONSUMPTION PER UNIT OF PRODUCTION

	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
Products (Paper in MT)	**622880**	602099
Electricity (KwH)	**1026**	1036
Coal C/F Grade (MT)	**0.64**	0.71
Black Liquor Solids (MT)	**0.91**	0.86
Furnace Oil (Litre)	**16**	30
Others - De Oiled Rice Bran/ Saw Dust/Raw Lignite/ LP Gas etc.(MT)	**0.18**	0.10

TECHNOLOGY ABSORPTION

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

Research & Development

1. **Specific areas in which R&D was carried out by your Company:**

   I. Product development and process improvement for packaged foods viz., biscuits – split cream products; snack foods – Tangles.

   II. Development of new product technologies and product development in the areas of soaps, shampoos and skin care.

   III. Development of eco-friendly paper, food grade paper, premium printing papers and coated papers and paperboards with superior packaging characteristics with better print aesthetics.

   IV. Development of site specific and disease resistant clones of eucalyptus, casuarina and subabul trees.

2. **Benefits derived as a result of the above R&D:**

   I. Improved consumer benefits and development of products with unique value propositions.

   II. Cost reduction, import substitution, safer environment and strategic resource management.

III. High survival and growth of clonal plantations of eucalyptus, casuarina and subabul resulting in increased productivity of wood biomass and higher returns to farmers.

3. Future Plan of Action:

I. Product development with nutritional and health benefits in the packaged foods and personal care segments.

II. Reduction in specific fuel consumption and reduction in carbon footprint.

III. Continuing research on improvement of pulp yield of eucalyptus, casuarina, subabul and other pulp wood trees.

IV. Enhanced packaging through increased use of eco-friendly materials.

	For the year ended 31st March, 2012
4. Expenditure on R&D :	**(₹ in Lakhs)**
i) Capital	1312.55
ii) Recurring	8784.01
iii) **Total**	**10096.56**
iv) Total R&D Expenditure as a % of	
– Gross Turnover	0.29%
– Net Turnover	0.41%

Technology Absorption, Adoption and Innovation

I. Establishment of wind energy farms in Tamil Nadu, Rajasthan and Maharashtra for efficiency and productivity across businesses.

II. Operating state-of-the-art printing and conversion equipment for packaging.

III. Development of IT enabled security system for Hotels.

IV. Induction of contemporary technology and continuous improvement projects across businesses towards reducing process variability, cycle time and wastage while enhancing manufacturing productivity.

Benefits Derived

I. Reduction in carbon foot print through fuel conservation / switch and reduction in emissions.

II. Secured environment for hotel guests.

III. Improved productivity and process control.

IV. World-class quality and differentiated products.

On behalf of the Board

Kolkata — Y. C. DEVESHWAR *Chairman*
25th May, 2012 — P. V. DHOBALE *Director*