

# Report of the Board of Directors

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## Management Discussion and Analysis

For the Financial Year Ended 31st March, 2016

### SOCIO-ECONOMIC ENVIRONMENT

The global economy remained lacklustre in 2015 with growth slowing down to just 3.1% compared to 3.4% in 2014 (as per latest IMF estimates). This marks the slowest pace of expansion since the global financial crisis in 2009 and the fourth successive year that the global economy has grown at a rate lower than its long-term average of 3.6% p.a. The Emerging Market & Developing Economies witnessed further deceleration in growth from 4.6% in 2014 to 4.0% in 2015 with the Chinese economy slowing down from 7.3% in 2014 to 6.9% in 2015 and other major constituent economies like Brazil and Russia witnessing contraction.

The Advanced Economies, on the other hand, recorded a marginal uptick in growth - from 1.8% in 2014 to 1.9% in 2015. The US economy posted a muted growth of 2.4% for the second year in a row due to weak exports and decline in investments. The pace of economic activity improved in the Euro Area which grew by 1.6% during the year compared to 0.9% in 2014, aided by strengthening domestic demand and supportive financial conditions.

Recovery in global economic activity is expected to remain subdued over the near / medium term with only a modest cyclical uptick to 3.2% in 2016 and 3.5% in 2017 as per IMF estimates. Such sub-par growth outlook is largely attributable to the structural '3D Challenge' facing the global economy - high levels of Debt, weakening Demographic trends with rising age dependency ratios even in emerging economies (excluding India and Africa) and persistent Deflationary pressures. The Emerging Market & Developing Economies are likely to witness another year of muted growth at 4.0% before improving to 4.6% in 2017, aided by Brazil and Russia coming out of deep recession. Growth in China is projected to slow down further to

6.5% in 2016 and 6.2% in 2017, reflecting the ongoing rebalancing of the economy towards a more sustainable and broad-based consumption and services led growth. The outlook for the Advanced Economies point to the absence of any material pick-up in economic activity over the next two years, with GDP growth projected at 1.9% in 2016 (in line with 2015) and 2.0% in 2017.

Within Advanced Economies, growth in the United States is projected to remain subdued around the 2.5% mark over the next two years due to strengthening of the dollar, weak manufacturing activity and decline in energy investments due to lower oil prices. The modest recovery in the Euro Area is likely to continue in 2016-17, with low energy prices, moderate fiscal expansion and supportive financial conditions outweighing weakening external demand.

Despite prospects of modest improvement in certain sections of the world economy, global recovery remains fragile. Tightening of financial conditions in the United States and Japan, net capital outflows from Emerging Markets, geopolitical tensions and stagnation in Advanced Economies, continued slowdown in growth rates in China and its consequent adverse impact on commodity exporting countries represent some of the key downside risks to global economic recovery.

The Indian economy witnessed another challenging year growing by 7.5% in real terms during the first nine months of 2015-16 representing a marginal improvement over 2014-15 (7.2%). However, there was a marked decline in Nominal GDP growth which stood at 8.1% for the period April 2015 to December 2015 compared to 11.4% for the corresponding period in the previous year.

Looking beyond the GDP numbers, a wide range of economic indicators suggest tepid performance across consumption, private investments and exports which have contracted significantly against the backdrop of a

Despite prospects of modest improvement in certain sections of the world economy, global recovery remains fragile. The Indian economy witnessed another challenging year growing by 7.5% in real terms during the first nine months of 2015-16 representing a marginal improvement over 2014-15 (7.2%).

soft global demand environment. While growth in Private Final Consumption Expenditure (PFCE) is estimated at 7.6% for 2015-16 (compared to 6.2% in 2014-15), lower rural demand on the back of two consecutive years of sub-par monsoons, muted sales of tractors and two wheelers, and a marked deceleration in corporate sales growth point to a persistent weakness in Private Consumption. The performance of the Industry sector also remained subdued as reflected by the Index of Industrial Production (IIP) which grew by just 2.6% during the period April 2015 to February 2016. It was a challenging year for the capital markets as well, with the Sensex declining by 9% during the year (after rising 25% in 2014-15), reflecting the sluggish business environment, slower than expected progress on the reforms agenda and muted growth in corporate earnings.

On the positive side, Inflation remained well within the comfort zone aided by low global crude oil and commodity prices. While Wholesale Price Index (WPI) for 2015-16 has remained in the negative zone for 16 consecutive months, Core CPI inflation also eased to 4.6% in 2015-16 as compared to 5.5% in 2014-15.

The subdued inflation levels provided the much needed space for monetary accommodation, with the RBI reducing policy rates by a cumulative 75 basis points during the year. There was significant improvement on the 'twin deficit' front as well. Fiscal Deficit was contained within target at 3.9% of GDP in 2015-16 aided by buoyant indirect tax collections, decline in oil subsidies and compression in Government expenditure. Despite a significant decline in exports, the Current Account Deficit stood at a comfortable level of 1.4% of GDP, primarily due to a lower import bill on account of the steep fall in crude oil prices and lower gold imports.

As per median estimates, based on the Survey of Professional Forecasters conducted by RBI, the Indian economy is likely to grow by 7.7% in 2016-17. The pace of growth is unlikely to witness significant acceleration in the short term in view of a weak global economic environment and muted growth in private investments given the relatively low levels of capacity utilisation and stretched corporate balance sheets. The proposed

implementation of the recommendations of the 7th Pay Commission, 'One Rank One Pension' (OROP) scheme, low inflation and expectations of normal monsoons in the ensuing year represent some of the key factors that are likely to positively influence Private Consumption going forward.

While India remains a bright spot among emerging markets and continues to be one of the fastest growing major economies in the world, the rate of economic growth in recent years has remained 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 below the poverty line, it is imperative that the economy reverts to a high growth trajectory sooner than later. Stagnation in the manufacturing sector needs to be reversed at the earliest towards the creation of sustainable livelihoods and absorption of the increasing working age population of the country. In this context, the Government's 'Make in India' initiative to turn India into a global manufacturing hub coupled with focus on skill development are steps in the right direction. The successful implementation of structural initiatives identified by the Government towards improving the ease of doing business in the country by enhancing transparency, speeding up the approvals process, resolving policy issues by working in tandem with the States and fostering greater levels of value addition within the country would be critical to boost the performance of the Indian economy and realise its true potential. Boosting agricultural productivity and value addition to international standards while simultaneously improving market linkages remain critical for the growth of the Agricultural sector. In this context, it is pertinent to note that anywhere between 5% and 40% of food is wasted along the chain in India, depending on the inherent perishability of the crop and the season. India processes only 2% of its agri-based products compared to 40% in developing countries such as Malaysia and Thailand. A big thrust on India's Food Processing sector can lead to significant job creation, enhance rural incomes and help manage food inflation. Similarly, supportive policies in the area of agro-forestry

The '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.

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would go a long way in creating sustainable livelihoods while simultaneously augmenting the nation's environmental capital.

For a country like India which has a disproportionately low share of global natural resources relative to its large population, where millions continue to live in abject poverty, and a young demographic profile which entails 12 million people entering the job market every year, the focus both at the national and corporate level should be on fashioning strategies that foster sustainable, equitable and inclusive growth. Policies and regulations must be aligned towards encouraging businesses to adopt a low-carbon growth path and support the creation of sustainable livelihoods and societal capital.

Differentiated and preferential incentives, in the form of fiscal or financial benefits to companies that adopt sustainable business practices would act as a force multiplier towards achieving this critical national goal. 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 your Company's sustainability vision and its growth path into the future.

Your Company is a global exemplar in 'Triple Bottom Line' performance and is 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 14 years), 'carbon positive' (for 11 years), and 'solid waste recycling positive' (for 9 years).

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

### FINANCIAL PERFORMANCE

The business landscape in your Company's operating segments was rendered extremely challenging during the year in the wake of unprecedented pressure on the

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

Despite the challenging business environment as aforesaid, Gross Revenue for the year grew by 3.2% to ₹ 51582.45 crores. Net Revenue at ₹ 36475.27 crores grew by 1.1% primarily driven by a 7.7% growth in the non-cigarette FMCG segment and 6.2% growth in the Cigarettes segment. Excluding exports of agri-commodities, Gross Revenue and Net Revenue for the year grew by 6.4% and 5.5% respectively. Profit Before Tax registered a growth of 6.9% to ₹ 14958.39 crores while Net Profit at ₹ 9844.71 crores increased by 2.5%. Earnings Per Share for the year stood at ₹ 12.26 (previous year ₹ 12.05). Cash flows from Operations aggregated ₹ 14079.07 crores compared to ₹ 13534.65 crores in the previous year.

Your Directors are pleased to recommend a Special Dividend of ₹ 2.00 per share in addition to the Ordinary Dividend of ₹ 6.50 per share (previous year ₹ 6.25 per share) for the year ended 31st March, 2016. Total cash outflow in this regard will be ₹ 8232.60 crores including Dividend Distribution Tax of ₹ 1392.48 crores.

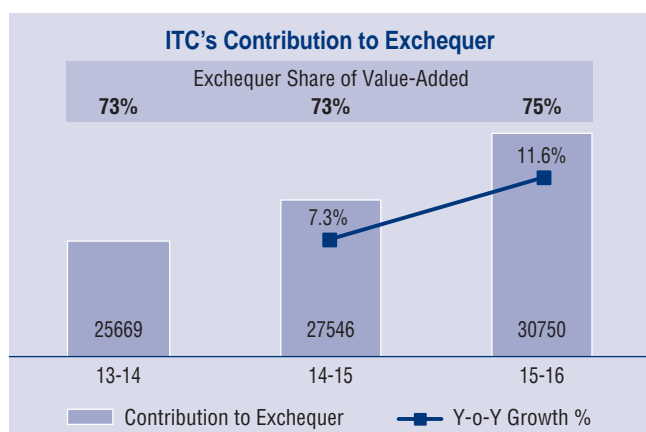
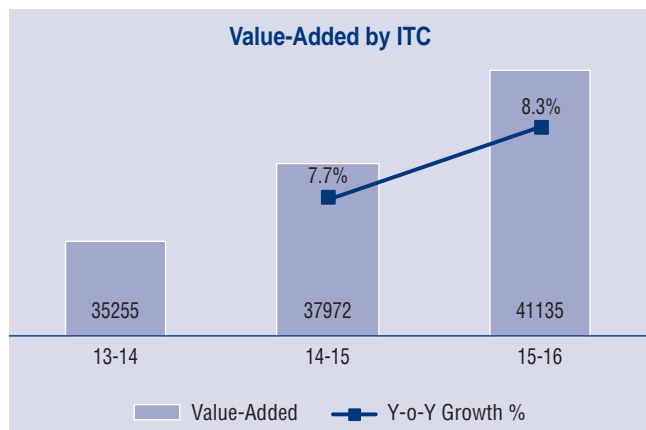
Your Directors also recommend issuance of 1 Bonus Share of ₹ 1/- each, for every 2 existing Ordinary Shares of ₹ 1/- each held by Members on the record date.

Your Directors further recommend a transfer to General Reserve of ₹ 990.00 crores (previous year ₹ 970.00 crores). Consequently, the Surplus in Statement of Profit and Loss as at 31st March, 2016 would stand at ₹ 9440.48 crores (previous year ₹ 8767.35 crores).

The Company's business landscape was rendered extremely challenging by unprecedented pressure on the legal cigarette industry; sluggish demand and price deflationary conditions in FMCG; excess room inventory in the Hotels industry; higher crop output and steeper currency depreciation in competing origins impacting agri exports and weak demand in the Paperboards, Paper & Packaging segment.

## VALUE-ADDED AND CONTRIBUTION TO EXCHEQUER

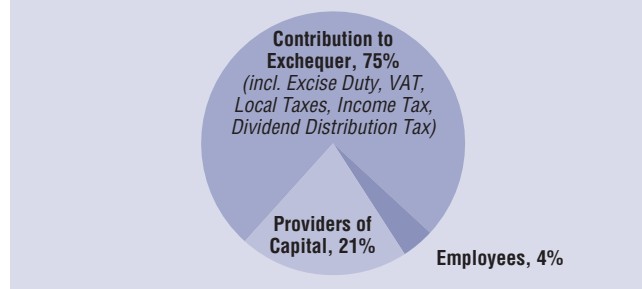
(₹ in Crores)



While profit growth moderated during the year especially in comparison with your Company's own track record, it is pertinent to note that Value-Added by your Company, i.e. the value created by the economic activities of your Company and its employees, grew by 8.3% over last year to ₹ 41135 crores. Your Company's Contribution to Exchequer during the year stood at ₹ 30750 crores representing a growth of 11.6% over last year.

It is pertinent to note that the incremental Value-Added during the year by your Company accrued entirely to the Exchequer. Consequently, the share of Contribution to Exchequer in total Value-Added by your Company increased further - from 73% in 2014-15 to 75% in 2015-16.

### Share of Value-Added – 2015-16



Including the share of dividends paid and retained earnings attributable to government owned institutions, your Company's contribution to the Central and State Governments represents 81% of its Value-Added during the year.

Your Company remains amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer.

### 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. Foreign exchange earnings of the ITC Group over the last ten years aggregated nearly US\$ 6.8 billion, of which agri exports constituted 57%. Earnings from agri exports, which effectively link small farmers with international markets, are an indicator of your Company's contribution to the rural economy.

During the financial year 2015-16, your Company and its subsidiaries earned ₹ 4367 crores in foreign exchange. The direct foreign exchange earned by your Company amounted to ₹ 3644 crores, mainly on account of exports of agri-commodities. Your Company's expenditure in foreign currency amounted to ₹ 1672 crores, comprising purchase of raw materials, spares and other expenses of ₹ 1461 crores and import of capital goods at ₹ 211 crores. Details of foreign exchange earnings and outgo are provided in Note 31 to the Financial Statements.

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### PROFITS, DIVIDENDS AND SURPLUS

(₹ in Crores)

PROFITS	2016	2015
a) Profit Before Tax	14958.39	13997.52
b) Tax Expense		
– Current Tax	4896.06	4020.99
– Deferred Tax	217.62	368.80
c) Profit for the year	9844.71	9607.73
SURPLUS IN STATEMENT OF PROFIT AND LOSS		
a) At the beginning of the year	8767.35	6139.09
b) Less: Loss for the period from 1st April, 2013 to 31st March, 2014 adjusted pursuant to the Scheme of Arrangement [Refer Note 31 (x)]	–	8.01
c) Add: Unrecognised Net Deferred Tax assets as on 1st April, 2013 adjusted pursuant to the Scheme of Arrangement [Refer Note 31 (x)]	–	45.84
d) Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on Tangible Fixed Assets (Net of Deferred Tax ₹ Nil; 2015: ₹ 24.88 crores) [Refer Note 31 (xi)]	–	48.32
e) Add : Profit for the year	9844.71	9607.73
f) Less:		
– Transfer to General Reserve	990.00	970.00
– Proposed Dividend		
• Ordinary Dividend of ₹ 6.50 (2015 - ₹ 6.25) per share	5230.68	5009.70
• Special Dividend of ₹ 2.00 (2015 - ₹ Nil) per share	1609.44	–
– Income Tax on Proposed Dividend		
• Current Year	1392.48	1019.86
• Earlier year's provision no longer required	(51.02)	(30.58)
g) At the end of the year	9440.48	8767.35

### BUSINESS SEGMENTS

#### A. FAST MOVING CONSUMER GOODS

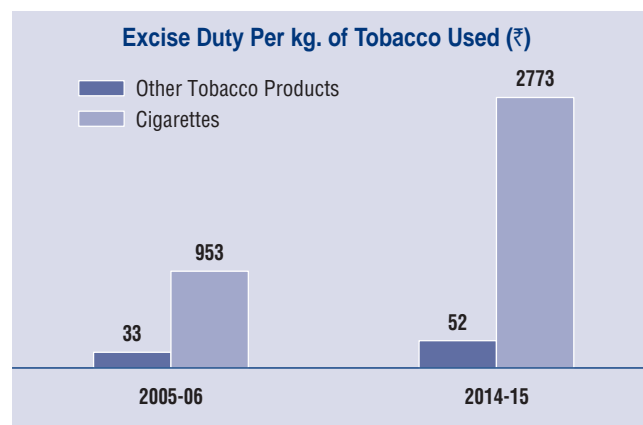
##### FMCG - Cigarettes

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

Over the last 4 years, the incidence of Excise Duty and VAT on cigarettes, at a per unit level, has gone up

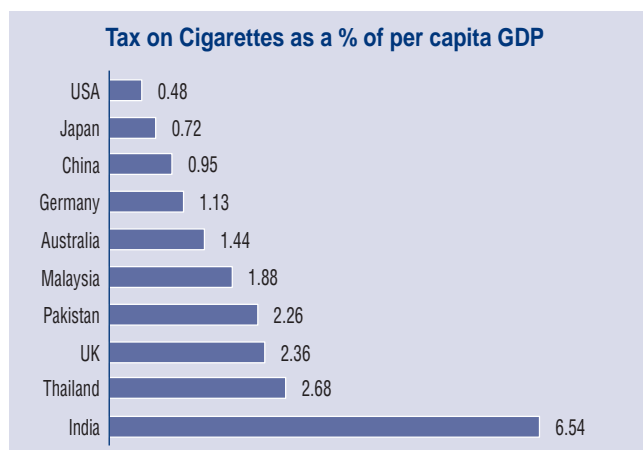
cumulatively by 118% and 142% respectively thereby exerting severe pressure on legal industry volumes even as illegal trade grows unabated.

It is pertinent to note that steep increases in Excise Duty on cigarettes in recent years have resulted in widening the differential in Excise Duty rates (on a per kg. of tobacco basis) between cigarettes and other tobacco products from 29 times in 2005-06 to over 53 times currently as given in the chart below:



Source: Tobacco Institute of India

An analysis of the WHO Report on Tobacco Taxation, 2015<sup>1</sup> reveals that at 6.5% of per capita GDP, cigarette taxes in India are amongst the highest in the world. In fact, cigarette taxes in India are 14 times higher than USA, 9 times higher than Japan, 7 times higher than China, 5 times higher than Australia and 3 times higher than Malaysia and Pakistan as is evident from the chart given below:



Source: WHO Report on Global Tobacco Taxation, 2015

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

High incidence of taxation and a discriminatory regulatory regime on cigarettes in India have over the years led to a significant shift in tobacco consumption to lightly taxed or tax-evaded tobacco products like bidi, khaini, chewing tobacco, gutkha and illegal cigarettes which presently constitute over 89% of total tobacco consumption in the country. Thus, the share of legal cigarettes in overall tobacco consumption has progressively declined from 21% in 1981-82 to 11% in 2014-15 even as overall tobacco consumption has increased in India. About 68% of India's tobacco industry is in the unorganised sector with little or no regulatory oversight. Besides adversely impacting the performance of the legal cigarette industry, this has led to sub-optimisation of the revenue potential from the tobacco sector.

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

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

proactive initiatives have resulted in significant increase in seizure of smuggled cigarettes.

The unprecedented fall in legal cigarette volumes and the consequent reduction in the utilisation of Indian Flue Cured Virginia tobacco in cigarette manufacture is having a devastating impact on tobacco farmers in the country. The sharp decline in domestic demand coupled with the unabated growth in illegal cigarette trade have led to a significant drop in tobacco prices, especially in Andhra Pradesh, causing deep distress to the livelihoods of thousands of tobacco farmers. A stable, fair and equitable cigarette taxation policy would be imperative to provide a strong domestic demand base to the Indian tobacco farmer, insulating him from the volatilities typically associated with international markets while helping realise the full export potential of Indian leaf tobacco. This assumes critical significance especially in view of the fact that there are no economically viable alternative crops for farmers in the tobacco growing regions of the country.

Your Company continues to engage on an ongoing basis with policy-makers at both the Centre and the State levels for moderation in tax rates on cigarettes to maximise the revenue potential from the tobacco sector and contain the growth of illegal trade. Such a policy would also bolster the tobacco control and health objectives of the Government which have hitherto been seriously compromised since non-cigarette tobacco products from the unorganised sector and illegal cigarettes are manufactured using inferior tobaccos and other ingredients of questionable quality and hygiene without any regulatory oversight. In addition, to combat the menace of growing illegal trade, your Company continues to make representations to policy-makers recommending compulsory licensing of all cigarette manufacturing units irrespective of size, increase in customs duty on imported cigarettes to WTO bound rate levels with suitable safeguards built-in to prevent undervaluation, ban on manufacture of tobacco and tobacco products in EOU

High incidence of taxation and a discriminatory regulatory regime on cigarettes in India have over the years led to a significant shift in tobacco consumption to lightly taxed and illegal cigarettes which presently constitute over 89% of total tobacco consumption in the country.

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and SEZ units, ban on cigarettes from personal baggage allowance and duty-free trade and exclusion of tobacco and tobacco products from preferential treatment under Free Trade Agreements that India is party to.

Over and above a punitive and discriminatory taxation regime, the legal Cigarette industry continues to be subjected to increasingly stringent regulations. A Government notification, originally proposed to be effective from 1st April, 2015, increased the size of graphic health warnings (GHW) from 40% of the surface area on one side of the cigarette package to 85% of the surface area of both sides of the package, and substituted the previous pictures with even more gruesome and repulsive ones. The implementation of the new GHW was subsequently kept in abeyance by the Central Government pending the recommendations of the Parliamentary Committee on Subordinate Legislation (PCOSL) which was tasked with the responsibility of examining the issue of introduction of larger GHW in India. The decision to defer the notification till completion of PCOSL's review was reiterated by the Government in the Parliament<sup>2</sup>. Nevertheless, whilst the PCOSL was engaged in the matter, on 24th September, 2015, the Central Government notified that the new GHW would come in to effect from 1st April, 2016. On 15th March, 2016, the PCOSL in its Final Report recommended that the size of the GHW should be kept at 50% on both sides of the cigarette package as opposed to 85% proposed by the Government.

The implementation of any change in health warnings on cigarette packages is an elaborate process for manufacturers, entailing months of preparation involving substantial cost and effort. Since the matter of new GHW was under the Parliamentary Committee's consideration, and the Government had itself held out that it would await the Committee's report, the industry was led to believe that the Government would re-notify new health warnings after considering the Committee's recommendations. Further, the question of the legality

<sup>2</sup> Reply to Lok Sabha Unstarred Question No.851 on 24th July, 2015.

of the new warnings was and continues to be pending before the Court. In this situation, your Company, as any prudent person would, did not commit to wasting substantial resources in creating the large number of cylinders and other tools necessary for a changeover of the warnings. As a result, your Company was not in readiness to print the new GHW and was compelled to cease manufacture of cigarettes with effect from 1st April, 2016 pending clarity on the matter.

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

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

The Tobacco industry in India supports the livelihood of over 45 million people including vulnerable sections of the society like farmers, farm labour, rural poor, women, tribals etc. and contributes around ₹ 30000 crores to the national exchequer apart from generating valuable foreign exchange earnings of around ₹ 6000 crores.

A Government notification has increased the size of graphic health warnings (GHW) from 40% of the surface area on one side of the cigarette package to 85% of the surface area of both sides of the package. The proposed GHW is excessively large, extremely gruesome and unreasonable.

The proposed GHW is excessively large, extremely gruesome and unreasonable. There is no evidence to suggest that cigarette smoking would cause the diseases depicted in the pictures or that large GHW will lead to reduction in consumption. In fact this inadequacy of evidence prompted the courts in USA to hold that the US FDA's proposal for introduction of similar GHW in that country as unconstitutional. Further, over 100 countries representing 60% of the signatories to the Framework Convention on Tobacco Control have not adopted GHW<sup>3</sup>. It is pertinent to note that other major tobacco producing countries have taken a considered view on the matter and have not adopted over-sized and excessive graphic health warnings, thus striking a balance between the interests of the consumer and of their farmers. It may also be noted that the global average size for GHW is only about 30% coverage of the principal display area. Moreover, the top three cigarette consuming countries - USA, China and Japan - which together account for 51% of global cigarette consumption have only text based warnings and have not adopted pictorial / graphic health warnings.

The new GHW will commoditise the market where price will be the sole or prime driver of consumer choice thus eroding the value of your Company's distinctive trademarks and pack designs that have been developed and nurtured through substantial investments over the years. Moreover, the new GHW will encourage the flow of illegal trade of brands owned by international companies into the country since such brands are manufactured in many jurisdictions which do not mandate the printing of graphic health warnings on cigarette packages as applicable in India. The legal cigarette industry in India will be hard pressed to counter the menace of illegal cigarettes as they will be perceived by the consumer to be safer in the absence of the statutorily mandated health warnings. Coupled with the fact that illegal cigarettes are available at a fraction of the price of legal cigarettes, the new GHW will provide further fillip to the growth of illegal cigarettes in the country.

<sup>3</sup> Canadian Cancer Society – Cigarette Package Health Warnings, International Status Report, Fourth Edition, September 2014.

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

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

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

Your Company's research and development initiatives continue to focus on strengthening existing product signatures, creating differentiated offers and developing innovative future-ready products. In this context, it is extremely gratifying to report that during the year your Company was granted four international patents in respect of cigarettes - covering both product and packaging.

Electronic Vaping Devices (EVD) are gaining increasing traction with consumers seeking alternative sources of nicotine. In line with this trend, your Company continues to engage in this category through its brand

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'EON' which was launched in Hyderabad and Kolkata in the previous year. During the year, your Company extended the brand to target markets and also augmented its product portfolio with the launch of a rechargeable variant - 'EON Charge' - in Bengaluru and Delhi.

Being a nascent category, regulations with respect to EVD continue to evolve globally. European Union has proposed to regulate EVDs under its Tobacco Products Directive, 2014 subject to certain conditions. In the US, the Food and Drug Administration has recently issued deeming regulations that empower it to administer EVDs as Tobacco Products subject to fulfilment of certain conditions. In both EU and US, manufacturers also have the option of applying for medicine / drug licence for EVDs. In India, your Company continues to engage with the Government to evolve appropriate regulations for this novel category.

In the Nicotine Gum category, the presence of your Company's brand, 'Kwiknic', was expanded with the introduction of the product in the chemists channel during the year. The Business also launched a new variant - 'Kwiknic Neo' - in select markets which has received encouraging response from consumers.

During the year, your Company's Bengaluru, Kolkata and Saharanpur cigarette factories were awarded and recognised as 'Future Ready Factory - Platinum Rating: FMCG Sector, Mega Large Business' under the aegis of the Indian Manufacturing Excellence Awards (IMEA) by Frost & Sullivan, a global consulting firm. This highly acclaimed award acknowledges Indian manufacturing capability and its global competitiveness. Concurrently, your Company's cigarette supply-chain was also conferred the IMEA award for 'Supply Chain Leadership' in recognition of consistent achievement of higher levels of recognition (Platinum / Gold) on the Global Supply Chain Excellence model of IMEA. This award acknowledges the strong leadership commitment, excellence in manufacturing plants and at key supply

chain partners and building of reliable and responsive supply chains. Your Company was the only Indian company to be honoured with this distinction during the year under review.

The Business continues to receive industry recognition and accolades for its commitment to and excellence in sustainability. The Bengaluru factory received the 'Overall Leader Award' and the Ranjangaon factory received the 'Leader Award' under the aegis of Green Manufacturing Excellence Awards (GMEA) by Frost & Sullivan. The Bengaluru and Ranjangaon factories also received the 'Excellent Energy Efficiency Unit' award under the Confederation of Indian Industry's National Awards for Excellence in Energy Management. The Munger factory received the first prize in FICCI Water Awards.

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

### FMCG - Others

The FMCG industry faced another challenging year with demand conditions remaining sluggish for the third year in succession. The slowdown in the broader economy – as reflected by the marked deceleration in Nominal GDP growth, the absence of any material pick-up in consumption expenditure and headwinds in rural demand due to the second successive year of sub-par monsoons - was manifest in your Company's operating segments in the FMCG space. The year also witnessed price deflationary conditions with industry

Your Company remains confident of sustaining its leadership position in the legal cigarette industry by leveraging its superior strategies, comprehensive product portfolio and world-class execution capabilities.

players passing on the benefit of decline in input prices to consumers with a view to bolstering sales volumes. While it is anticipated that the FMCG industry will take a few more quarters for demand revival, the green shoots of economic recovery, expectations of normal monsoons, low inflation, proposed implementation of the recommendations of the 7th Pay Commission and the 'One Rank One Pension' scheme augur well for the industry. The structural drivers of long-term growth such as increasing affluence and consumer awareness, a young and expanding workforce and increasing urbanisation amongst others, remain firmly in place and the FMCG industry is poised for rapid growth in the ensuing years.

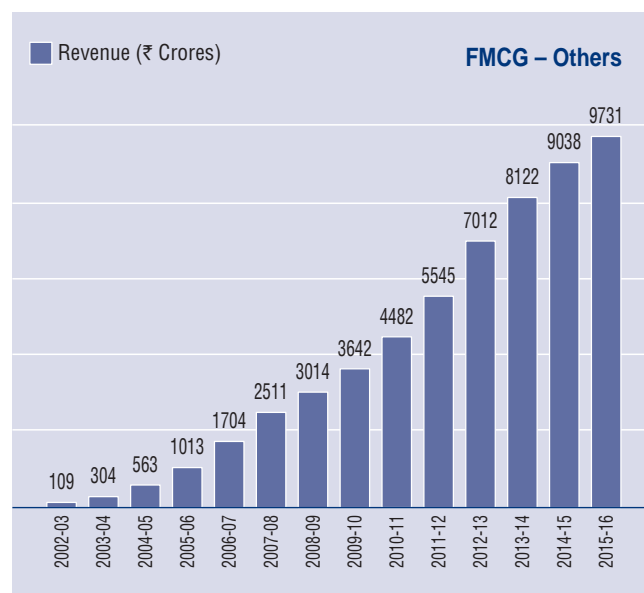
Your Company's FMCG-Others Businesses clocked Segment Revenue of ₹ 9731.17 crores during the year, representing a growth of 7.7% over the previous year. While revenue growth during the year was relatively subdued, it is pertinent to note that apart from the factors as aforesaid, your Company had to contend with regulatory issues surrounding the Noodles industry (largely pertaining to products of the lead competitor) and synchronisation of trade pipeline in the later part of the year ahead of the ensuing season in the Notebooks category. Against the backdrop of such a challenging operating environment, your Company sustained its position as one of the fastest growing FMCG businesses in the country. Segment Results for the year improved to ₹ 71 crores from ₹ 34 crores in 2014-15, after absorbing the gestation costs of new categories viz., Juices, Gums and Dairy and significant brand investments towards communicating the superior value proposition offered by YIPPe! noodles, besides a host of new launches in existing categories.

Your Company continued to make investments during the year towards enhancing brand salience and consumer connect while simultaneously focusing on implementing strategic cost management measures across the value chain and adopting a judicious pricing approach.

Several initiatives were also implemented during the year towards leveraging the rapidly growing e-commerce channel for enhanced reach of your Company's products and harnessing digital and social media platforms for deeper consumer engagement.

During the year, 3 Company-owned units (including 1 through a joint venture company viz., North East Nutrients Private Limited) were commissioned to cater to the requirements of the Branded Packaged Foods Businesses. Significant progress was also made during the year in constructing several state-of-the-art owned integrated consumer goods manufacturing and logistics facilities across regions in line with long-term demand forecasts. Currently, over 20 projects are underway and in various stages of development - from land acquisition /site development to construction of buildings and other infrastructure.

The FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Education and Stationery Products, Lifestyle Retailing, Incense Sticks (Agarbattis) and Safety Matches have grown at an impressive pace over the past several years.



The FMCG industry faced another challenging year with demand conditions remaining sluggish for the third year in succession. The slowdown in the broader economy was manifest in your Company's operating segments in the FMCG space.

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Your Company's vibrant portfolio of brands viz., 'Aashirvaad', 'Sunfeast Dark Fantasy', 'Sunfeast Yumfills', 'Sunfeast Delishus', 'Sunfeast Mom's Magic', 'Sunfeast Bounce', 'Bingo! Tedhe Medhe', 'Bingo! Mad Angles', 'Yumitos', 'YiPPee!', 'Candyman', 'mint-o', 'GumOn', 'Kitchens of India', 'Aashirvaad Svasti' in the Branded Packaged Foods space; 'Classmate' and 'Paperkraft' in Education and Stationery products market; 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel', 'Superia' and 'Engage' in the Personal Care products segment; 'Wills Lifestyle' and 'John Players' in the Lifestyle Retailing Business; 'Mangaldeep' in Agarbattis, 'Aim' in Matches, amongst others continue to garner consumer franchise and enhance market standing. These brands, which represent an annual consumer spend of over ₹ 12000 crores in aggregate, have been built organically by your Company over a relatively short period of time - a feat unparalleled in the Indian FMCG industry. In terms of annual consumer spend, Aashirvaad and Sunfeast are today over ₹ 3000 crores and ₹ 2500 crores respectively while Classmate and Bingo! are over ₹ 1000 crores each. These world-class Indian brands support the competitiveness of domestic value chains of which they are a part, ensuring creation and retention of value within the country.

In line with the corporate strategy of creating multiple drivers of growth, your Company seeks to rapidly scale up the FMCG Businesses leveraging its institutional strengths viz. deep consumer insight, proven brand building capability, a deep and wide distribution network, strong rural linkages and agri-commodity sourcing expertise, packaging know-how and cuisine knowledge. In addition, your Company continues to make significant investments in Research & Development to develop and launch disruptive and breakthrough products in the market place.

Highlights of progress in each category are set out below.

### Branded Packaged Foods

Demand conditions in the Branded Packaged Foods industry remained sluggish during the year with

consumers curbing discretionary spending, headwinds in rural demand, heightened competitive intensity against the backdrop of decline in commodity prices and regulatory issues surrounding the Noodles industry which also had an adverse rub-off effect on other categories such as Snack Foods. Despite such a challenging operating environment, your Company sustained its position as one of the fastest growing branded packaged foods businesses in the country leveraging a robust portfolio of brands and a range of differentiated products customised to regional tastes and preferences along with enhanced product visibility and availability in key markets.

While the prices of major input commodities declined during the year, the high intensity of consumer promos and trade schemes resorted to by industry players in a bid to garner volumes in a depressed market contained margin expansion. Besides, your Company's Branded Packaged Foods Businesses continued to make significant investments towards brand building and supporting the launch of new variants apart from absorbing the gestation costs of new categories viz. Dairy, Juices and Gums. During the year, the Branded Packaged Foods Businesses remained focused on driving profitability enhancement through product mix enrichment, value engineering, dynamic sourcing based on close monitoring of market trends, structural interventions in manufacturing technology and supply chain optimisation.

Your Company's relentless focus on delivering superior quality products to consumers remains a key source of competitive advantage. In this context, the Branded Packaged Foods Businesses continue to leverage your Company's agri-commodity sourcing expertise to procure high quality raw materials thereby ensuring the highest level of quality and safety of its consumer products. In addition, each of your Company's branded packaged food products is manufactured in state-of-the-art, world-class facilities complying with strict quality and

Despite a challenging operating environment, ITC sustained its position as one of the fastest growing branded packaged foods businesses in the country leveraging a robust portfolio of brands and a range of differentiated products.

hygiene norms. Extensive tests are conducted at the NABL-accredited facilities of ITC Life Sciences & Technology Centre as well as at external laboratories that are FSSAI-approved and NABL-accredited.

Your Company's Branded Packaged Foods Businesses continue to invest in the areas of consumer insight discovery, state-of-the-art R&D, product development and differentiated technology platforms to effectively address the diverse tastes and preferences of consumers across the country. Investments continue to be made towards augmenting the manufacturing and sourcing footprint across categories with a view to improving market responsiveness and reducing the cost of servicing proximal markets. During the year, 2 company-owned manufacturing facilities were commissioned at Dhulagarh (West Bengal) for Finger Snacks and at Munger (Bihar) for Dairy. In addition, the Business also commissioned a biscuits manufacturing unit at Mangaldoi (Assam) through a joint venture company viz., North East Nutrients Private Limited. Significant progress was also made during the year towards setting up integrated manufacturing facilities at Uluberia and Panchla (West Bengal), Kapurthala (Punjab) and Ambernath (Maharashtra). These facilities are expected to become operational in the ensuing year.

— In the Staples, Snacks and Meals Business, your Company posted a robust performance during the year, growing well ahead of the industry. In the Staples category, 'Aashirvaad' atta consolidated its leadership position across markets aided by robust performance of the value-added portfolio comprising the 'Multigrains', 'Select' and 'Superior MP' variants. Brand salience was strengthened further on the back of impactful communication and marketing investments. In the branded Spices category, Aashirvaad Spices grew at an impressive pace during the year leveraging the sourcing expertise of your Company's Agri Business. The Business recently launched a

range of blended spices in select markets under the 'ITC Master Chef' brand. Plans are on the anvil to roll out these products to select markets in the ensuing year. Your Company also recorded impressive gains in market standing in the Savoury Snacks, Noodles & Pasta categories. Since its launch in 2010, 'YiPPee!' noodles has attained many noteworthy milestones. Within a relatively short period of time, YiPPee! has become the 6th most penetrated food brand in the country. During the year, the Noodles category was impacted by regulatory issues largely pertaining to a competitor's product. However, consumer franchise of YiPPee! noodles grew significantly on the back of a focused and integrated 360 degree communication campaign reassuring consumers on the quality and safety of YiPPee! noodles.

The 'Bingo!' range of finger snacks registered significant growth driven by the 'Tedhe Medhe' and 'Mad Angles' sub-brands. In the potato chips category, 'Yumitos Original Style' grew at a robust pace on the strength of region-specific interventions.

— In the Confections Business, your Company increased the scale of operations and improved market standing. The 'Sunfeast Mom's Magic' range of premium cookies, launched in the previous year in two variants - 'Rich Butter' and 'Cashew & Almond' - grew rapidly on the back of a superior value proposition and sustained investments in brand building. Market standing of the 'Sunfeast Bounce' range of cream biscuits improved further during the year thereby sustaining its position as the largest selling cream brand in the country and helped consolidate your Company's leadership in the overall creams segment. The Business augmented its product portfolio during the year with the launch of several

ITC has forayed into the fast-growing Dairy category with the launch of 'Aashirvaad Svasti' – Pure Cow Ghee in select markets, manufactured at the Company's state-of-the-art facility in Munger (Bihar).

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new variants including 'Sunfeast Delishus Gourmet cookies - Chocolate Chip made with Ghana Cocoa', 'Sunfeast Farmlite Oats with Chocolate' and 'Sunfeast Marie Light Rich Taste' with a differentiated taste and flavour profile. These variants have been well received by the markets.

In the Confectionery category, the Business continued to leverage the 'Candyman' and 'mint-o' brands and focused on premiumising its product portfolio by enhancing the share of variants priced at 'Re. 1 & above' in the sales mix. During the year, 'Candyman Choco Double Eclairs' emerged as the fastest growing brand in the Eclair segment. The Business also scaled up the 'GumOn' brand which was launched last year, clocking robust growth in launch markets. The Gums portfolio was strengthened during the year with the introduction of a strawberry variant.

- In the Dairy and Beverages Business, the 'B Natural' range of juices garnered impressive consumer traction in a relatively short span of time since its launch. The brand, which is currently available in 8 exciting variants, is well poised to grow rapidly in the ensuing season. Your Company seeks to leverage its agri-sourcing expertise and deep distribution reach and rapidly scale up the B Natural brand in the years ahead.

During the year, the Business forayed into the fast-growing Dairy category with the launch of 'Aashirvaad Svasti' - Pure Cow Ghee in select markets. Manufactured at your Company's state-of-the-art facility in Munger (Bihar), Aashirvaad Svasti ghee delivers impeccable taste and consistent quality. Further, the special 'SloCook' process of manufacturing the product enhances its natural aroma, giving it a distinct flavour profile and a rich granular texture.

Your Company is well positioned to establish itself as the 'most trusted provider of food products in the Indian market' with continued focus on product quality and innovation, deep engagement with consumers and operational excellence across the value chain. Your Company will continue to make investments towards establishing a distributed manufacturing footprint, structural interventions towards reducing operating costs and focus on supply chain optimisation to support the rapid and profitable growth of the Branded Packaged Foods Businesses.

### Personal Care Products

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

The Business launched several differentiated product offerings during the year in the Soaps, Shower Gel, Skin Care and Deodorant categories under the 'Fiama Di Wills', 'Vivel', 'Engage' and 'Superia' brands, besides establishing presence in the Health & Hygiene category leveraging the recently acquired 'Savlon' and 'Shower to Shower' brands. These include 'Fiama Di Wills Double Moisturiser Bathing Bar', 'Vivel Neem', 'Superia Silk Cherry' bar soaps and a regimen of skin care products such as 'Makeup Cleanser', 'Clarifying Skin Toner' and 'Night Cream' under the 'Vivel Cell Renew' brand. The Engage range of deodorants gained further momentum during the year and strengthened its No.2 position in this fast-growing category in a relatively

The Personal Care Products Business launched several differentiated product offerings during the year including 'Fiama Di Wills Double Moisturiser Bathing Bar', 'Vivel Neem', 'Superia Silk Cherry' bar soaps and a regimen of skin care products such as 'Makeup Cleanser', 'Clarifying Skin Toner' and 'Night Cream' under the 'Vivel Cell Renew' brand.

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

The 'Savlon' and 'Shower to Shower' trademarks were fully integrated with the existing operations of the Business during the year. Your Company also entered the fast-growing Hand Wash category with the introduction of 'Savlon Hand Wash' in three variants which continue to gain encouraging consumer traction. Plans are on the anvil to introduce several new and innovative products under the 'Savlon' brand towards fulfilling consumer needs in the Health & Hygiene category. The Business also introduced a new variant under the Shower to Shower brand to address the 'cooling talc' segment.

Your Company's brands, namely Essenza Di Wills, Fiama Di Wills, Vivel, Superia, Engage, Savlon and Shower to Shower continue to gain salience with target consumers and win industry recognition. In a relatively short period of time, Vivel has broken into the 'Top 100 Most Trusted Brands' in India across categories in a survey conducted by Economic Times Brand Equity & Nielsen. Additionally, Vivel was conferred the 'Most Preferred Consumer Brand' award in the North-East. Vivel Cell Renew Micellar Makeup Cleanser was adjudged the best budget beauty cleanser by Harper's Bazaar, India. The genesis of the innovative Fiama Di Wills Gel Bar featured in 'Storm the Norm', a first-of-its-kind collection of contemporary stories of truly inspiring businesses and brands from India that either wrote or rewrote the norms of their respective industries and brought in unprecedented change and vibrancy.

With per capita consumption at relatively low levels when compared to other emerging economies, the Indian Personal Care industry is poised for rapid growth driven by increasing urbanisation, rising disposable incomes and increasing consumer preference for enhanced personal grooming. Your Company is well positioned to seize the emerging opportunities in this rapidly evolving industry and continues to invest in creation of vibrant

brands, innovative consumer-centric products and a robust supply chain to emerge as a significant player in this space.

### Education and Stationery Products

During the year, your Company consolidated its leadership position in the Indian Education and Stationery Products industry by leveraging a portfolio of world-class products and through sustained investment in brand building. The later part of the year saw synchronisation of the trade pipeline ahead of the 2016 season in view of the subdued demand conditions and tight liquidity position in the market. This resulted in muted growth in revenue during the year.

In the Notebooks category, the Business enriched its product portfolio with the launch of several differentiated offerings under the 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi' brands. Several products in innovative formats were launched during the year including Paperkraft notebooks with unique covers, a new range of Classmate 'Octane' pens while the art stationery product portfolio was expanded with the introduction of oil pastels and plastic crayons. The Classmate portfolio of notebooks was enriched with refreshing designs, finishes and binding styles. The Business continues to focus on innovation and new product development with a dedicated product development cell working in tandem with your Company's Life Sciences & Technology Centre.

The Business sustained its focus on enhancing brand salience through various consumer engagement interventions such as Classmate Spellbee contest and Classmate Handwriting Olympiad besides targeted campaigns encompassing digital and conventional mass media.

In the area of supply chain, the Business rolled out the manufacturing excellence model across vendor locations to achieve superior quality and enhance operational efficiency. The Business also implemented various

The Education and Stationery Business enriched its product portfolio with the launch of several differentiated offerings under the 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi' brands.

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initiatives during the year towards optimising working capital tie-up. These include further alignment of manufacturing operations with seasonality in demand, building greater flexibility in manufacturing capacity at vendor locations and strengthening systems & processes in the area of demand planning and production. The thrust on expanding distribution continued through a multi-pronged approach of channel proliferation, market penetration and increase in outlet coverage.

The Classmate notebook is a manifestation of the environmental capital built by your Company in its paper business. While the notebook cover is made from recycled board sourced from your Company's Forest Stewardship Council (FSC) certified Kovai mill, the paper used in the notebooks leverages your Company's world-class fibre line at Bhadrachalam which is India's first ozone treated elemental chlorine free facility.

The Indian Education and Stationery Products industry is poised for exponential growth driven by growing literacy, enhanced scale of government & public-private initiatives in the education sector and a favourable demographic profile of the country's population. Your Company, with its collaborative linkages with small & medium enterprises and a strong product portfolio of notebooks & writing instruments, is well poised to strengthen its leadership position in the Indian stationery market.

### Lifestyle Retailing Business

The branded apparel industry witnessed unprecedented pressure during the year in the wake of consumers cutting back on discretionary spends and heavy discounting by industry players including the online channel. This, inter alia, led to slower retail offtake of products in the market. Besides, the entry of several foreign brands backed by high decibel advertising spends resulted in heightened competitive intensity in the industry. Despite these challenging conditions, your Company's Lifestyle Retailing Business clocked healthy growth in revenue led by the 'John Players' brand.

During the year, 'Wills Lifestyle' enhanced its market standing and strong consumer bonding in the highly competitive premium segment. Positioned at the upper end of the market, the brand continues to fulfil lifestyle aspirations offering elegant designs in high quality premium fabrics and styles. The premium imagery of the 'Wills Classic' range of formal wear was sharpened during the year with the introduction of a finely crafted range of offerings under the 'Luxuria' and 'Regalia' collection and natural-fibre products such as linens under the 'Ecostyle' collection. The 'Wills Sport' and 'Wills Clublife' range attracted newer and younger franchise leveraging high-fashion imagery and a bolder design language. The Women's collection was also strengthened by offering a range of exclusive premium designer wear, stylised formals in a variety of trendy silhouettes. The Business also crafted a range of premium wardrobe essentials across categories to enhance sell-through, appropriately supported by robust replenishment infrastructure and processes.

During the year, sales of Wills Lifestyle products to 'Club ITC' members increased significantly, demonstrating the salience of the brand amongst the most discerning premium customers. The Business plans to increasingly leverage the programme in the ensuing years to enhance consumer engagement and loyalty. The Wills Lifestyle brand continued to receive industry recognition, including the 'Superbrand' certification.

The retail footprint of the Wills Lifestyle brand spans over 100 exclusive stores in 50 cities and 350 outlets in leading departmental stores and multi-brand outlets. 6 exclusive boutiques across ITC Hotels continue to build the brand's connect with high-end business and leisure travellers. Several innovative technology-enabled consumer engagement initiatives were successfully piloted in select stores during the year. These initiatives will be progressively rolled out across the country in the year ahead.

John Players enhanced its market standing by driving fashion imagery anchored on bold and edgy fashion. John Players has emerged as a leading brand in its operating segment, driven by powerful brand imagery and distinct product categories like knitted denims.

In the 'Youth fashion' segment, John Players enhanced its market standing by driving fashion imagery anchored on bold and edgy fashion. John Players has emerged as a leading brand in its operating segment, driven by powerful brand imagery and distinct product categories like knitted denims, T-shirts and jackets. During the year, John Players featured amongst the top 5 'Most Exciting Brands' in the Apparel category in Brand Equity's survey published by The Economic Times. The brand continues to expand its strong pan-India presence with over 400 flagship stores and 1200 outlets in leading departmental stores and multi-brand outlets. 'John Players Jeans', continued to grow at a rapid pace, recruiting new and younger franchise enabled by effective consumer engagement programmes across multiple channels, conventional and digital media.

The Wills Lifestyle and John Players brands continue to be aggressively driven across all digital platforms to enhance their reach and engagement with their audiences, working closely with identified fashion influencers that sharply drive brand advocacy. During the year, the Business actively scaled up brand presence in the e-commerce channel and witnessed a steady increase in sales.

The Business embarked on new processes for creating more relevant designs, closer to the season, based on consumer and trade feedback, leading to the launch of several successful sub-collections. During the year, the Business augmented access to dedicated manufacturing capacity and implemented several initiatives towards improving retail and manufacturing productivity. During the year, the Business also modernised its IT landscape with the implementation of a new ERP and Point of Sale (POS) system, towards facilitating quicker analytics based decision making and improved controls.

Your Company's brands straddle strategic segments and are well positioned to address the growth opportunities in the Indian lifestyle retailing arena driven by increasing affluence, favourable demographics and

rising aspirations. Towards this end, the Business will continue to focus on enhancing the market standing and equity of its brands and make sustained investments with a view to driving brand engagement and advocacy amongst the target audience. Enhancing product vitality, effective market representation and improving supply chain responsiveness will remain some of the key focus areas going forward.

#### **Incense Sticks (Agarbattis) and Safety Matches**

The Agarbatti category sustained its high growth trajectory anchored on a diverse range of high quality products, growing franchise for the 'Mangaldeep' brand and enhanced distribution reach.

Mangaldeep continues to be the fastest growing agarbatti brand in the country aided by a well-crafted portfolio of offerings born out of deep consumer insight and increasing brand salience. During the year, your Company also fortified its leadership position in the 'Dhoop' segment which has a relatively high salience in the northern markets. Investments were made during the year to enhance quality, availability and improving supply chain responsiveness.

Although bamboo and charcoal are available in India, the Agarbatti industry continues to import raw battis primarily from Vietnam as imports are allowed into the country at a low rate of customs duty. This is resulting in loss of livelihood creation opportunities for women and tribals in rural areas, particularly in the North-East. In this context, it is pertinent to note that your Company has implemented several measures including facilitating the mechanisation of agarbatti manufacturing at vendor locations and backward integration by vendors into raw batti manufacturing using indigenous inputs towards enhancing the competitiveness of the domestic industry vis-à-vis imports. Suitable changes in policy need to be implemented towards encouraging indigenous raw batti manufacturing thereby facilitating the creation of sustainable livelihood opportunities for the weakest sections of society.

**Mangaldeep continues to be the fastest growing agarbatti brand in the country aided by a well-crafted portfolio of offerings born out of deep consumer insight and increasing brand salience.**



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In the Safety Matches category, your Company sustained its market leadership leveraging a robust portfolio of offerings across market segments. 'Aim' continues to be the largest selling brand in the industry. During the year, the Business implemented several initiatives towards reducing cost and improving realisations including value engineering, supply chain optimisation and development of alternative sources of supply. However, volumes remained impacted due to the proliferation of cheap and low quality products.

Technology induction in manufacturing is crucial for the long-term sustainability of the Safety Matches Industry. A uniform taxation framework that provides a level playing field to all manufacturers is necessary to trigger the required investments for modernising this industry. Introduction of GST is expected to create a supportive environment and enhance the competitiveness of the industry.

### Trade Marketing & Distribution Organisation

During the year, the Trade Marketing & Distribution (TM&D) organisation was repositioned as a separate vertical to bring in sharper focus on its role as a strategic partner of your Company's FMCG businesses.

Based on customer and channel insights developed over the years, the TM&D vertical has crafted a differentiated and comprehensive market & outlet coverage strategy to address the opportunities in the FMCG industry.

During the year, your Company continued to strengthen its formidable distribution highway comprising a large and diverse product portfolio, multiple brands, covering over 1 lakh markets and directly servicing over 2 million retail outlets across various trade channels. Your Company sustained its clear leadership position in the convenience channel while consolidating its market standing as the benchmark supplier in premium grocery outlets. Your Company also strengthened its position in the Modern Trade channel during the year through

extensive deployment of in-store merchandisers, consumer contact programmes along with a relentless pursuit of operational excellence across the distribution value chain. The scale and diversity of your Company's distribution network continues to be a critical lever to enhance market presence, provide valuable consumer/trade insight and facilitate seamless execution of new product/category launches. Technology enablement in the form of customised mobility solutions, data analytics comprising insightful visualisation tools and predictive attributes are being leveraged increasingly towards enabling quick and accurate data capture, informed decision making in real time, and scientific designing of targeted trade promotion schemes.

Your Company continues to invest in supply chain optimisation initiatives and capability building programmes of trade partners and their sales force. Significant progress was made during the year in enhancing your Company's supply chain and logistics management capabilities. Lean inventory model, which was rolled out during the year, resulted in significant improvement in stock availability, freshness levels and reduction in working capital tie-up in the trade channel. Plans are afoot to enhance the coverage of this initiative in the ensuing year.

An efficient and highly responsive distribution network with best-in-class systems and processes is a source of sustainable competitive advantage for your Company's FMCG segment. The TM&D vertical continues to invest in augmenting the depth and width of your Company's distribution network while adopting a differentiated approach comprising customised service packs to address the unique needs of your Company's diverse FMCG product portfolio, market segments and trade channels. It is envisaged that, over time, the TM&D vertical will also offer its services to external customers by leveraging its expertise in this field and the logistics infrastructure being created by your Company.

Your Company continued to strengthen its formidable distribution highway comprising a large and diverse product portfolio, multiple brands, covering over 1 lakh markets and directly servicing over 2 million retail outlets across various trade channels.

## B. HOTELS

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

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

Your Company's Hotels Business continues to be rated amongst the fastest growing hospitality chains in India, with over 100 properties across the country under 4 distinct brands - 'ITC Hotels' in the Luxury segment, 'WelcomHotel' in the upper-upscale segment, 'Fortune Hotels' in the upscale & mid-market space and 'WelcomHeritage' in the leisure & heritage segment. During the year, the Business renewed its licensing and franchising agreements with Starwood Hotels & Resorts for 'The Luxury Collection' and 'Sheraton' brands. Apart from the 12 existing properties under the ITC Group, the association as aforesaid will be extended to another 3 hotels that are under construction.

The Business continues to focus on strengthening brand equity through its unique and path-breaking 'Responsible Luxury' initiatives, culinary excellence and personalisation of guest services. 'Club ITC', your Company's pan-ITC consumer loyalty programme with a current membership base of around 3 lakh premium

consumers, continues to gain franchise amongst the premium clientele of ITC Hotels and Wills Lifestyle. The 'Club ITC Culinaire' dining loyalty programme is also gaining popularity.

Your Company's Hotels Business continues to receive accolades for its world-class properties and service excellence. In yet another international recognition in its debut year, the ITC Grand Bharat, Gurgaon has been ranked No. 4 among the 'Top 100 Hotels & Resorts of the World' and No.1 among the 'Top 25 Resorts in Asia' on the coveted Conde Nast Traveler U.S. Readers' Choice Awards. The luxury retreat is the only hotel from India to feature in the 'Top 50 of the world's best'. The hotel also received the Outlook Traveller Award for the 'Indian Hotel Debut of the year'. ITC Maurya was adjudged the 'Best Business Hotel' in India at the Lonely Planet Awards. ITC Hotels was recognised as the 'Most Respected Company' in the hospitality segment in a survey conducted by Business World. ITC Hotels was also adjudged the 'Best Hotel Group' at Travel + Leisure, India & South Asia Awards 2015.

The Food & Beverage segment continues to be a major strength of your Company with some of the most iconic brands in the country. Your Company's prestigious brand 'Bukhara' once again featured in the 'S.Pellegrino Asia's Best 50' list. 'Dum Pukht', 'Royal Vega', 'Kebabs & Kurries', 'Pan Asian', 'Tian' and 'Ottimo' continued to win accolades at the 'Times Food Awards'. Your Company's internationally-acclaimed spa brand, 'Kaya Kalp', won several accolades at the Asia Spa Awards with ITC Grand Bharat being awarded the 'Best New Spa (Resort)' and ITC Mughal awarded the 'Most Luxurious Spa (Resort)'. CNN Travel rated the ITC Grand Bharat - Classic Golf Resort among the best 11 city golf clubs in the world.

In line with your Company's commitment to the 'Triple Bottom Line', the Hotels Business strives continuously to reduce water and energy consumption and enhance the usage of renewable energy sources.

ITC's Hotels Business continues to be rated amongst the fastest growing hospitality chains in India, with over 100 properties across the country under 4 distinct brands. ITC Grand Bharat, Gurgaon has been ranked No. 4 among the 'Top 100 Hotels & Resorts of the World' and No.1 among the 'Top 25 Resorts in Asia'.

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Nearly 60% of the total energy requirements of the Business are presently met through renewable energy sources. The bespoke 'SunyaAqua' water programme, which was extended to all ITC Hotels during the previous year, has been well received by guests. During the year, the Business extended several 'Responsible Luxury' themed culinary initiatives and promotions under the 'Kitchens of India' banner. These interventions stand testimony to the 'Responsible Luxury' positioning of your Company's Hotels Business and reinforce ITC Hotels' position as the 'greenest luxury hotel chain' in the world.

In view of the positive long-term outlook for the Indian Hotel industry, your Company remains committed to its investment-led growth strategy. Steady progress is being made on construction of new hotels at Kolkata, Hyderabad and Ahmedabad. All requisite clearances for your Company's first overseas project at Colombo have been received from the Sri Lankan authorities by WelcomHotels Lanka (Private) Limited, a wholly-owned subsidiary of your Company. While excavation work is in its final stage at the Colombo project site, allied works including piling are progressing as per schedule.

The 'Fortune' brand which caters to the 'mid-market to upscale' segment, strengthened its leadership position and expanded its presence with the addition of 2 new hotels during the year. The number of operational hotels under the Fortune brand presently stands at 48 across 34 cities. Buoyed by the success of the upscale 'My Fortune' brand in Chennai and Bengaluru, the Business plans to extend the same to 7 more cities. While the My Fortune, Coimbatore project is nearing completion, construction of 2 more properties at Guntur and Bhubaneswar is expected to commence shortly. The 'WelcomHeritage' brand remains the country's most successful and largest chain of heritage hotels with 35 operational hotels.

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

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

Your Company's Hotels Business, with its world-class properties, globally benchmarked levels of service excellence and customer centricity, is well positioned to sustain its leadership status in the Industry and to emerge as the largest hotel chain in the country over the next few years.

### C. PAPERBOARDS, PAPER AND PACKAGING

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

#### Paperboards & Specialty Papers

Global demand for Paper & Paperboard in 2015 remained at appx. 400 million MT for the third year in a row. During the period 2010 to 2015, global Paperboard demand has grown at 1% CAGR primarily driven by Asian and Middle East markets. Over the next 5 years, growth is expected to slow down further to 0.6%-0.8% CAGR mainly due to deceleration of the Chinese economy. The Newsprint and Writing & Printing categories are expected to witness decline in demand going forward primarily on account of increasing adoption of digital media and

The Hotels Business, with its world-class properties, globally benchmarked levels of service excellence and customer centricity, is well positioned to emerge as the largest hotel chain in the country over the next few years.

proliferation of smartphones usage. The overall pricing scenario is expected to remain weak in view of muted demand conditions and surplus capacity in China consequent to declining economic growth rate and significant capacity additions since 2012.

While India sustained its position as one of the fastest growing Paper and Paperboards markets in the world, overall industry demand during the year remained adversely impacted due to slowdown in the FMCG industry. Pricing power of the domestic paper industry was also impacted with additional capacity going on stream during the year. Over the next 5 years, overall demand is expected to grow at 6% CAGR with Paperboard (46% of the market) and Writing & Printing paper (31% of the market) estimated to grow at 6% CAGR and 4% CAGR respectively.

- Within Paperboards, demand for Value-Added Paperboards (VAP) is expected to grow at 10% CAGR during this period. The faster rate of growth in VAP grades is expected to be driven by the increasing demand for branded packaged products, growth in organised retail, increasing awareness on food safety and hygienic packaging and the use of packaging as a key differentiator especially in the FMCG sector. Food, Pharmaceuticals, Garments and Beverages are expected to be the major end-use segments driving demand growth.
- In the Writing & Printing (W&P) paper segment, demand for cut-size paper is expected to grow the fastest at 10% CAGR driven by traditional segments like offices, schools / colleges and the new and fast-growing segments such as online retail. With continued Government focus on the education sector, the demand for W&P paper in notebooks and publications segment is projected to grow at a CAGR of 4% over the next 5 years.

India's position as one of the fastest growing Paperboard markets in the world coupled with anticipated acceleration

in growth rate has attracted new players into the industry and spurred investments in capacity addition. In 2015-16 alone, the Value-Added Paperboard segment witnessed capacity addition of about 3.3 lakh MT per annum, representing more than 50% of the current market size of the segment.

Over the last 3 years, imports of Paper and Paperboard have grown rapidly. Imports from ASEAN countries have nearly doubled in the last 2 years, with the implementation of zero duty on such imports with effect from 1st January, 2014. With weak global demand and anti-dumping duty imposed by USA on supplies from Indonesia & China, imports from these countries have been flooding the Indian market posing a major threat to the economic viability of domestic manufacturers - especially the smaller paper mills, some of which have closed down.

The current import policy and extant regulations governing commercial and social forestry in the country have put the Indian Paper and Paperboard industry at a disadvantage vis-à-vis imports. In order to provide a level playing field to the domestic industry and encourage farming of wood in India, there is clearly a need to review the current import duty structure and re-examine existing FTAs and the new ones under formulation. It is also recommended that commercial forestry on drylands and wastelands be opened up for the private sector in the country with appropriate environmental safeguards. A suitable mechanism that incentivises environment-friendly operations and adoption of sustainable business practices should also be put in place.

Despite heightened competitive intensity, your Company sustained its leadership position in the VAP segment during the year. This was achieved through effective key account management, focus on product & process innovation, enhanced service delivery levels leveraging strategically located 'quick service centres' and improved manufacturing efficiencies. In line with its 'Green India' approach, the Business sustained its leadership position in the sale of eco-labelled products, volumes of which doubled to more than 59,000 MT during the year.

Despite heightened competitive intensity, ITC sustained its leadership position in the Value-Added Paperboards segment during the year. The Paperboards Business also retained its leadership position in the sale of eco-labelled products, volumes of which doubled during the year.

## Report of the Board of Directors

The Business has emerged as a leading player in the W&P paper segment, leveraging strong forward linkages with your Company's Education and Stationery Products Business. In the Specialty Papers segment, your Company consolidated its leadership position in the Pharma leaflets and thin printing segments.

Your Company continues to source its wood requirements from sustainable sources. Your Company's research on clonal development has resulted in the introduction of high yielding and disease resistant clones that are adaptable to a wide variety of agro-climatic conditions. In this context, your Company's Life Sciences & Technology Centre is engaged in developing higher yielding second generation clones with enhanced pest & disease resistance attributes.

Your Company has the distinction of being the first in India to have obtained the Forest Stewardship Council - Forest Management (FSC-FM) certification which confirms compliance with the highest international benchmarks of plantation management across the dimensions of environmental responsibility, social benefit and economic viability. Till date, your Company has received FSC-FM certification for nearly 30,000 hectares of plantations involving over 28,000 farmers with another 6,000 hectares in the pipeline. During the year, nearly 31,000 tonnes of FSC-certified wood were procured from these certified plantations. All four manufacturing units of the Business have obtained the FSC Chain of Custody certification, and have ensured adherence to all required compliance norms during the year. These certifications make your Company the leading supplier of FSC-certified paper and paperboard in India.

Your Company continues to focus on recycling initiatives including solid waste recycling. All manufacturing units of the Business continue to recycle nearly 100% of the solid waste generated during operations by converting the same into lime, fly ash bricks, grey boards, egg trays etc. In addition, the Business procured and recycled about 1,24,000 tonnes of waste paper during the year, thereby enhancing your Company's overall positive solid waste recycling footprint.

During the year, the Bhadrachalam and Kovai units received the 'Excellent Energy Efficient Unit 2015' awards and 'GreenCo Platinum' certifications from Confederation of Indian Industry, Green Business Centre (CII GBC). The Kovai unit received 'Shreshtha Suraksha Puraskar' from National Safety Council of India (NSCI).

In line with your Company's objective of meeting 50% of its energy requirements from renewable sources, the Business has implemented several initiatives including investment in a green boiler, soda recovery boilers and solar & wind energy. The 7.5 MW wind energy unit in Coimbatore continues to operate at optimum levels, providing clean energy to the Kovai unit. With these initiatives, renewable sources presently account for over 50% of total energy consumed at the Bhadrachalam and Kovai units.

Your Company successfully commissioned a 46 MW wind energy project in Andhra Pradesh in July 2014, which has been generating wind power since then. Post the bifurcation of the State of Andhra Pradesh, the Business needs to wheel the power from the State of Andhra Pradesh to Telangana. However, the Business has not been granted permission for inter-state wheeling of power. Consequently, the majority of the intended benefits from this large investment have not fructified primarily due to the fact that only a minor proportion of the power generated from this wind energy project is being used in your Company's units in Andhra Pradesh and the balance energy generated is currently being sold to the State power grid at nominal rates. Your Company has submitted several representations to the concerned authorities on this issue and has also approached the Central Electricity Regulatory Commission to secure inter-state wheeling of power. Your Company remains hopeful of an expeditious resolution of the matter.

The Business continues to make structural interventions in the areas of strategic cost management and import substitution. Key areas in this context include investments in in-house pulp manufacturing capability, use of wind

All four manufacturing units of the Paperboards and Specialty Papers Business have obtained the FSC Chain of Custody certification. These certifications make ITC the leading supplier of FSC-certified paper and paperboard in India.

energy, developing alternative sources of supply for key inputs on an ongoing basis. In line with this approach, the Business made good progress during the year towards setting up a Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at the Bhadrachalam unit which will further reduce dependence on imports and reduce cost. The Business is also in the process of commissioning an energy efficient power plant at the Bhadrachalam unit that will reduce coal consumption and consequently, your Company's carbon footprint.

Your Company is confident of sustaining its leadership status in the Indian Paperboard and Paper industry leveraging multiple sources of competitive advantage comprising access to high-quality fibre from the economic vicinity of the Bhadrachalam unit, in-house pulp mill and state-of-the-art manufacturing facilities, forward linkage with the Education and Stationery Products Business and world-class product quality.

### Packaging and Printing

Your Company's Packaging and Printing Business continues to be a leading supplier of value-added packaging for the consumer goods industry. On-going investments in state-of-the-art technologies and processes have fortified its position in the cartons and flexibles packaging industry. The Business provides strategic support to your Company's FMCG Businesses by facilitating faster turnaround of new pack designs, ensuring security of supplies and delivering benchmarked international quality at competitive cost.

Sales of flexibles and cartons packaging recorded healthy growth during the year, driven by increased offtake by existing customers and robust new business development. During the year, the Business stabilised the recently commissioned in-house cylinder manufacturing plant at the Haridwar unit and blown film manufacturing capability at the Tiruvottiyur unit. These investments have augmented the capabilities of the Business and are facilitating speedier fulfilment of customer orders thereby enhancing its competitive position.

As in previous years, the Business won several awards for operational excellence, innovation and creativity. These include one 'World Star Award' from the World Packaging Organisation and two 'Asia Star Awards' from the Asian Packaging Federation for excellence in packaging solutions. The Business continues to be acknowledged as a key associate by several large FMCG companies in the country for providing superior packaging solutions.

The 14 MW wind energy farm in Tamil Nadu, set up in 2008, provides clean energy to the packaging unit at Tiruvottiyur, contributing towards reducing your Company's carbon footprint. Wind energy generation from this facility, however, continued to be affected during the year due to external infrastructural deficiencies impacting connectivity to the State power grid.

The factories at Tiruvottiyur, Haridwar and Munger continued to maintain the highest standards in Quality and Environment, Health & Safety (EHS). All the three units are certified as per the Integrated Management System, consisting of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and have also received Social Accountability Certification (SA 8000:2008). Both the Tiruvottiyur and Haridwar units received the highest 'Grade A' BRC/IOP certification (British Retail Consortium Institute of Packaging), for global standards in packaging and packaging materials - a key enabler for supplies to the packaged foods industry. During the year, the Tiruvottiyur unit received the CII 'Excellent Energy Efficient Unit' award while the Haridwar unit received the National Safety Council Award and CII North Zone Award for '5S Excellence'. The Munger Unit received the National Safety Council Award and CII Eastern Zone Award for 'Safety, Health and Environment Excellence'. The Business received ISO 31000:2009 Certification for Risk Management Framework.

The Packaging and Printing Business has established itself as a one-stop shop offering superior packaging solutions. With world-class technology across a diverse

ITC's Packaging and Printing Business continues to be a leading supplier of value-added packaging for the consumer goods industry. On-going investments in state-of-the-art technologies and processes have fortified its position in the cartons and flexibles packaging industry.

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range of packaging platforms, best-in-class quality management systems and a distributed manufacturing footprint, the Business is well positioned to rapidly grow its external business while continuing to service the requirements of your Company's FMCG Businesses.

### D. AGRI BUSINESS

#### Leaf Tobacco

The declining trend of global cigarette demand continued unabated during the year due to steep hikes in taxation and the impact of stringent regulatory measures covering cigarette marketing, packaging/ labelling and usage of additives. Against the backdrop of a decline in global cigarette production and higher global leaf tobacco output, most regions across the world witnessed build-up of uncommitted inventory levels. The domestic legal cigarette industry also remained under severe pressure due to stringent regulations and punitive taxation leading, inter alia, to lower tobacco offtake and higher levels of uncommitted inventory in the domestic market during the year.

Consequently, leaf tobacco exports from India had to contend with twin impact of soft global demand and higher uncommitted inventory. Steep currency depreciation in competing origins also weighed on the prospects of leaf tobacco exports from India, which dropped to a four-year low of 207 million Kgs.

The 2015 flue cured tobacco crop in Andhra Pradesh was severely impacted by multiple negative discontinuities coming together at the same time viz., unfavourable weather conditions, inferior crop quality, lower domestic demand and subdued export offtake. This resulted in an inordinate delay in marketing the crop, triggering a significant drop of over 25% in average farm prices, culminating in farmer unrest in the region. This in turn led to multiple reviews at the highest level, both by the Central and State Government of Andhra Pradesh, leading to the implementation of a bail-out package for

the farmers for liquidation of unsold inventory.

Your Company effectively engaged with the concerned authorities and also made suitable market interventions which facilitated liquidation of the crop thereby protecting the interests of tobacco farmers.

Despite these adverse conditions, your Company enhanced its market standing as the leading exporter of unmanufactured tobacco from India through a combination of strategies aimed at sustaining / enhancing trade with existing customers, new business development by leveraging its expertise in the areas of crop development, product integrity & sourcing, and world-class processing facilities. The Business continued to provide strategic sourcing support to your Company's Cigarette Business meeting all requirements at competitive prices while creating a sustainable production system and farmer base.

Your Company is the single largest integrated source of quality Indian tobaccos, co-creating and delivering value at every stage of the leaf tobacco value chain. During the year, 85 model villages were successfully established under 'Village Adoption Programme'. This initiative of integrated resource deployment helped in creating a sustainable and collaborative ecosystem generating a significant surplus for the farmers. The Business continues to play a leading role towards facilitating the long-term sustainability of farming through focused interventions in quality & productivity enhancement, sustainable agriculture practices and community empowerment. It is also pioneering efforts towards positioning India globally as a preferred source of leaf tobacco by leveraging its crop development expertise.

The Business continues to focus on implementing structural interventions to reduce costs, enhance profitability and improve supply chain responsiveness. In this regard, the Business implemented several initiatives during the year including utilisation of wind energy, yield improvement, logistics optimisation, which generated substantial savings. Several Lean and

Your Company is the single largest integrated source of quality Indian tobaccos, co-creating and delivering value at every stage of the leaf tobacco value chain. The Business continues to play a leading role towards facilitating the long-term sustainability of farming through focused interventions.

Six Sigma projects covering various facets of business operations - from processing, waste reduction, manpower rationalisation to data analytics - were successfully concluded resulting in improved process efficiencies and cost savings.

The Business continues to set benchmarks in leaf threshing operations through focused initiatives and innovative technological solutions. Investments continue to be made in your Company's Green Leaf Threshing plants (GLT) at Anaparti, Chirala and Mysuru towards delivering world-class quality and upgrading processing technology. In line with your Company's strategy to adopt a low-carbon growth path, all 3 units at Chirala, Anaparti and Mysuru are meeting a significant portion of their energy needs from renewable sources.

Your Company's GLTs remain committed to the highest standards of Environment, Health & Safety, and Quality and continue to win recognition in these areas. During the year, the Mysuru GLT won the 'Prashamsa Suraksha Puraskara' awarded by National Safety Council, Karnataka Chapter. The Chirala GLT received the 'Utthama Yajamanya Puraskaram' from the Labour Department, Government of Andhra Pradesh in recognition of its exemplary industrial relations practices and implementation of labour welfare measures. Quality Control Circle (QCC) teams from all the 3 GLTs presented their improvements and won awards at the Regional and the National Levels from Quality Circle Forum of India (QCFI).

With its unmatched R&D capability, state-of-the-art facilities, unique crop development & extension expertise and a deep understanding of customer and farmer needs, your Company is well positioned to sustain its position as a world-class leaf tobacco organisation. The Business will continue to extend strategic support to your Company's Cigarette Business while sustaining its leadership position as the leading exporter of quality Indian tobacco, thereby catalysing the multiplier impact of increased farmer incomes to benefit the rural economy.

### Other Agri Commodities

Food grain production in India for 2015 crop at 252 million tonnes is estimated to have declined by 12 million tonnes over the previous year. The production of major food grains, wheat and rice, declined due to unseasonal rains and drought during 2014 & 2015 which impacted both the Kharif and Rabi crops. While wheat production dropped significantly by 9.7% to 86.5 million tonnes, rice production was lower by 1.8% at 103.6 million tonnes. Oilseed production declined by 5.5% to 31.8 million tonnes mainly due to lower soya output which declined by 15.3% to 7.2 million tonnes due to inadequate rainfall.

During 2015-16, world wheat production increased by 7 million tonnes to about 732 million tonnes mainly due to higher production in Russia, Ukraine and Australia. Increased production and surplus inventory of wheat in the global markets coupled with currency depreciation in Russia, Ukraine, Australia and Canada impacted wheat exports from India, which dropped to 1 million tonnes from 3.4 million tonnes in the previous year. Additionally, the quality of wheat crop in India was adversely impacted by unseasonal rains. Consequently, the Business did not have any material opportunity for wheat exports during the year. The Business leveraged its wide geographical sourcing network to secure supplies of critical grades with benchmark quality while scaling up operations significantly towards meeting the growing requirements for Aashirvaad atta. The Business also delivered substantial savings to the system through efficient logistics management and other cost-optimisation initiatives.

Your Company's deep rural linkages and expertise in agri-commodity sourcing is a critical source of competitive advantage for the Branded Packaged Foods Businesses. Given the volatile market conditions caused by climatic variations, changes in Government policies and global demand-supply dynamics, your Company has invested significantly in building competitively superior

ITC's deep rural linkages and expertise in agri-commodity sourcing is a critical source of competitive advantage for the Branded Packaged Foods Businesses.

The Agri Business continues to focus on increasing the overall efficiency of procurement and logistics operations.



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agri-commodity sourcing expertise comprising multiple business models, wide geographical spread and customised infrastructure. These capabilities and infrastructure have created structural advantages that facilitate competitive sourcing of agri raw materials for your Company's Branded Packaged Foods Businesses. The Business continues to focus on increasing the overall efficiency of procurement and logistics operations by consistently pursuing cost optimisation initiatives and eliminating non value adding activities.

Towards scaling up wheat sourcing from areas that are in close proximity of atta manufacturing plants, the Business is collaborating with research organisations such as Indian Agricultural Research Institute, Directorate of Wheat Research, Punjab Agricultural University and Agarkhar Research Institute. As part of its wheat crop development programme, the Business has introduced location-specific new and improved seed varieties along with appropriate package of practices in over 50,000 acres across Rajasthan, Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, Maharashtra and Karnataka. With a view to supporting the future requirements of your Company, the Business continues to focus on augmenting capabilities in proprietary crop intelligence, scaling up the sourcing & delivery network and developing blends based on consumer requirements.

In the area of potato sourcing, the Business continued to source highest quality chip stock potato at competitive prices for your Company's Yumitos brand. In addition, the Business is working closely with farmers towards improving quality and yield and introducing chip stock in newer geographies proximal to manufacturing centres.

The Business also leveraged its extensive sourcing network and associated infrastructure in key growing areas coupled with well-entrenched farmer linkages to source high quality fruit pulp for your Company's 'B Natural' brand. In the processed fruits category,

the Business sustained its leadership position in 'Fairtrade' mango pulp exports from India anchored on a comprehensive portfolio of organic and certified mango products. The Business is working closely with small and marginal farmers across 5 States in building scale and sourcing options.

Your Company's Spices Business endeavours to provide food safe spices through quality differentiation across the value chain and leverage export opportunities in the US, EU and other South-East Asian countries. The Business has developed robust crop development programmes in chilli and cumin designed to 'produce the buy' on Integrated Crop Engagement practices coupled with IT driven traceability systems. The world-class processing unit in Guntur is certified to the highest level of global food safety standards under the British Retail Consortium Food certification regime while the analytical laboratory is certified to the ISO 17025 standard. The chilli sourcing and production value chain of the Business is Rainforest Alliance certified and continues to be leveraged for business growth.

Your Company believes that it is imperative to take an integrated and holistic view of the agricultural value chain towards stimulating agricultural growth in the country. This requires a joint participatory approach from all the stakeholders such as farmers, input vendors, traders, processors and government agencies. More than a decade ago, your Company conceptualised and rolled out the e-Choupal network as a platform towards empowering the farming community by dis-intermediating the value chain, making available accurate weather related information, enabling price discovery in a transparent manner and disseminating best practices relating to farming. Your Company continues to focus on providing various services in rural areas towards enhancing the competitiveness of Indian agriculture and plays a critical enabling role in integrating farmers, input vendors and government agencies besides facilitating the necessary market linkages.

Your Company believes it is imperative to take an integrated and holistic view of the agricultural value chain towards stimulating agricultural growth in the country. It, therefore, continues to focus on providing various services in rural areas to enhance the competitiveness of Indian agriculture.

The unique 'Choupal Haat' platform seeks to create awareness and improve access of the rural community to a wide range of areas - ranging from financial services and pharmaceuticals to commercial vehicles and white goods. Along with Choupal Saagars (integrated rural services hubs), this platform fosters round-the-year and large scale engagement with the rural community thereby enhancing the vitality of your Company's e-Choupal network.

The "Choupal Pradarshan Khet" initiative works with various government and private bodies to promote new seed varieties, farm technologies and practices among farmers towards improving farm productivity (food grains, oil seeds, cereals etc.) and deepening your Company's engagement with the farming community. During the year, field demonstrations of new technology (seed varieties and production practices) for improved yield and quality in soyabean, wheat, rice, summer pulses and horticultural crops were conducted in more than 5,600 villages covering around 1,58,000 acres and more than 60,000 farmers. The focus of these activities were on sustainable farm practices like moisture conservation, promotion of bio-fertilisers, zero-tillage, prophylactic pest management, etc.

The Business will continue to leverage its deep rural linkages and agri-commodity sourcing expertise towards providing your Company's Branded Packaged Foods Businesses a distinct competitive advantage. The e-Choupal platform will also be increasingly leveraged to provide rural marketing and agri services and serve as a unique delivery mechanism towards enhancing agricultural growth and productivity, and fostering sustainable rural development.

#### NOTES ON SUBSIDIARIES

The following may be read in conjunction with the Consolidated Financial Statements prepared in

accordance with Accounting Standard 21. Shareholders desirous of obtaining the report and accounts of your Company's subsidiaries may obtain the same upon request. 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](http://www.itcportal.com), in a downloadable format.

During the year, your Company's investments in its wholly-owned subsidiaries - Wills Corporation Limited (WCL) and BFIL Finance Limited (BFIL) - were acquired by Russell Credit Limited (Russell), a wholly-owned subsidiary of your Company. Subsequently, WCL and BFIL, merged with Russell. In addition, Classic Infrastructure & Development Limited, an associate company of Russell Credit Limited, merged with Greenacre Holdings Limited - another wholly-owned subsidiary of your Company.

During the year, your Company also acquired the entire equity share capital of Technico Agri Sciences Limited (TASL) from Technico Pty. Limited, Australia (Technico Australia). Prior to such acquisition, TASL was a wholly-owned subsidiary of Technico Australia, which in turn was a wholly-owned subsidiary of your Company. Consequently, TASL became a direct wholly-owned subsidiary of your Company with effect from 22nd March, 2016.

ITC Global Holdings Pte. Limited, Singapore ('Global'), a subsidiary of your Company, is in liquidation 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 Global for the financial year ended 31st December, 2015.

The Policy for determining Material Subsidiaries, adopted by your Board, in conformity with Clause 49 of the Listing Agreement with Stock Exchanges, can be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-material-subsidiaries.aspx>. Presently, the Company does not have any material subsidiary.

The e-Choupal platform will also be increasingly leveraged to provide rural marketing and agri services and serve as a unique delivery mechanism towards enhancing agricultural growth and productivity, and fostering sustainable rural development.

## Report of the Board of Directors

### Surya Nepal Private Limited

The year 2015-16 turned out to be an extremely challenging one for Nepal, with the country having to contend with several disruptions during the year. The catastrophic earthquakes in April and May 2015 affected over 8 million people and claimed more than 9000 human lives, rendered countless others homeless and severely impacted all sectors of the economy. The situation was exacerbated by the disruption of trade and commerce for nearly four months consequent to political unrest on adoption of new Constitution by the Constituent Assembly on 20th September, 2015. The cumulative impact of these upheavals caused the GDP growth to decelerate to 3% for the fiscal year ended July 2015 compared to 5.2% a year earlier. The economy is projected to slow down further to 1.5% in the current fiscal.

The country is currently engaged in a massive task of post-earthquake reconstruction activity and resumption of normalcy in everyday life. The company made significant efforts to alleviate the suffering of the people of the country by providing support towards emergency relief, rescue operations and humanitarian assistance in the immediate aftermath of the earthquakes. Additionally, the company also contributed an amount of Nepalese Rupees (NRs.) 100 million to the Prime Minister's Disaster Relief Fund.

In addition to the unfavourable business conditions prevailing in the country, the legal cigarette industry in Nepal continued to be adversely impacted by discriminatory tobacco taxation policies and stringent regulations. The operating environment for the legal cigarette industry was rendered even more challenging with the recent implementation of harsher pictorial warnings. These pictorial warnings, which are amongst the most stringent in the world, have put the legal cigarette industry at a significant disadvantage to the illegal cigarette industry. The rapid growth of illegal cigarette trade is not only adversely impacting Government revenues but also compromising the tobacco related health objectives of the Government since illegal cigarettes are of dubious quality and do not carry the mandated pictorial warnings on packs. It is pertinent to note that while the legal cigarette industry accounts for 81% of the total revenue from the tobacco sector, its share in overall tobacco consumption continues to decline and is currently estimated at only 16%.

During the year under review, the Government replaced the physical control procedures of Excise over manufacture and clearance of cigarette by self-assessment procedures prevalent in other manufacturing sectors. The company apprehends that this move will further encourage the already rapidly growing illegal manufacture and sale of cigarettes by unscrupulous players in the industry. The company continues to engage with policy-makers for reinstatement of the physical control system in the interests of Revenue, curtailing illicit trade and to ensure effective implementation of Government's health agenda.

Amidst a challenging business environment as aforestated, the company recorded Gross Revenue of NRs. 2482 crores (previous year - NRs. 2033 crores) and Profit After Tax (PAT) of NRs. 629 crores (previous year - NRs. 451 crores). The company improved its market standing in all major operating segments viz. Cigarettes, Branded Apparel, Safety Matches and the recently launched Agarbatti business.

The company continues to be one of the largest contributors to the national exchequer, accounting for about 14% of excise collections and approximately 3% of the total revenues of the Government of Nepal. The company constitutes approximately 17% of manufacturing GDP of the country, making it the largest private sector manufacturing company in Nepal.

During the year, the company's Cigarette Business consolidated its leadership position in the country by leveraging a portfolio of world-class products anchored on innovation and benchmarked quality backed by robust distribution network. Investments in best-in-class manufacturing technologies along with adoption of benchmarked practices ensured delivery of products of international quality. The new cigarette factory of the company at Seratar, near Pokhara, commenced operations during the year. The factory has been awarded Gold Rating by Indian Green Building Council, the first-of-its-kind in Nepal, further enhancing the company's position as one of the leading and responsible corporate entities in the country. As part of its sustainability initiatives, the company also invested in a 430 KW solar plant at its cigarette factory and employee housing colony at Simara.

In the Branded Apparel Business, the company's offerings under the 'John Players' and 'Springwood' brands continue to enjoy loyal consumer franchise in the premium and economy segments of the branded menswear market. In the Safety Matches Business, the company's brand 'Tir', continues to sustain its leadership position, leveraging the strong supply chain infrastructure and pan-Nepal distribution reach of the company. Mangaldeep agarbattis, which were launched in the previous year under a brand licensing agreement with your Company, grew at a rapid pace during the year, driven by brand investments to improve awareness and encourage trials, and enhanced distribution reach.

The company continues to support and invest in initiatives that enhance the social and economic capital of the nation. These initiatives are aligned with the stated priorities of the Government of Nepal and are based on identified societal needs. Accordingly, the company continues to:

- engage with the farming community to enhance productivity and improve quality at the farm level through the induction of agricultural best practices. The adoption of such practices and other inputs provided by the company has led to consistent improvement in quality of domestic grades of tobacco thereby improving marketability of the crop and enhancing farmer returns;
- provide community health services through various programmes such as periodic health camps and awareness programmes in the vicinity of the manufacturing units;
- assist farmers in cultivating high quality Poplar saplings in the vicinity of the Simara factory. Under the 'Grow Wood, Grow Food' programme that this initiative promotes, farmers are encouraged to adopt agro-forestry while simultaneously inter-cropping with traditional crops;
- support the animal husbandry extension services initiative with a view to driving yield improvement and enhancing returns of underprivileged farmers;
- focus on building local supply chain towards sourcing its agarbatti requirements from domestic small and medium enterprises, thereby providing

employment and skill building opportunities to the economically deprived sections of society, especially women.

The company declared a dividend of NRs. 238.00 per Equity Share of NRs. 100/- each for the year ended 16th July, 2015 (31st Ashad, 2072).

### ITC Infotech India Limited and its subsidiaries

The IT services industry is at an inflection point with innovative technologies, newer ways of deploying them and the increasing influence of business users in decision-making for purchase of technology and services, beginning to have an impact on the way the industry operates. The Tier 1 players are embracing the changing market trends and ramping up investments to build capabilities in newer technologies such as digital and disruptive business models for non-linear growth. The industry as a whole is also witnessing heightened consolidation activity.

In this context, ITC Infotech has embarked upon a transformational journey to become a specialised, global scale full service provider led by business and technology consulting practices. Accordingly, during the year the company aligned the organisation with the identified go-to-market industry verticals and the service lines or Lines of Business (LoB) that can be offered to these target markets.

Key initiatives implemented during the year include seeding of new LoBs such as Testing as a Service (TaaS) and Supply Chain Management (SCM), increased focus and sales deployment in the predominant markets of USA and Europe, developing a framework for digital offerings and instituting a new 'Innovation' lab to focus on R&D and innovation in areas such as Digital Supply Chain solutions, Mobility Solutions, Internet of Things, Cognitive Automation, etc.

During the year, the company's consolidated Total Revenue grew by 5.3% to ₹ 1555.18 crores, while Net Profit stood at ₹ 77.20 crores. The company's financial performance during the year reflects, inter alia, the impact of restructuring a contract with a key client, which set up its own captive centre in India. Excluding the impact of restructuring as aforesaid, the company posted healthy growth in revenue, in line with Industry,

## Report of the Board of Directors

driven by new client additions in USA and Europe and sustained growth momentum in the India, Asia-Pacific and Middle East and Africa regions.

For the year under review:

- a) ITC Infotech India Limited recorded Total Revenue of ₹ 961.32 crores (previous year ₹ 1006.02 crores) and Net Profit of ₹ 88.18 crores (previous year ₹ 122.00 crores). For the year under review, the company paid a dividend of ₹ 9.00 per Equity Share of ₹10/- each aggregating ₹ 76.68 crores (previous year ₹ 76.68 crores);
- b) ITC Infotech Limited, UK, (ITC Infotech UK), a wholly-owned subsidiary of the company, recorded Total Revenue of GBP 31.19 million (previous year GBP 28.69 million) and Net Profit of GBP 0.73 million (previous year GBP 0.68 million). For the year under review, ITC Infotech UK paid a dividend of GBP 2.20 (previous year GBP 4.25) per Ordinary Share of GBP 1/- each on 685,815 shares, amounting to GBP 1,508,793 (previous year GBP 2,914,714);
- c) ITC Infotech (USA), Inc., (ITC Infotech USA), a wholly-owned subsidiary of the company, together with its wholly-owned subsidiary Pyxis Solutions, LLC (Pyxis), recorded Total Revenue of US\$ 86.44 million (previous year US\$ 81.62 million) and Net Profit of US\$ 0.47 million (previous year US\$ 0.82 million). For the year under review, Pyxis paid a dividend of US\$ 1,000,000 (previous year ₹ Nil) to ITC Infotech USA.

Pursuant to its merger with ITC Infotech USA with effect from 1st April, 2016, Pyxis has ceased to be a subsidiary of ITC Infotech India Limited and that of ITC Limited with effect from that date.

The company's superior service delivery capability continued to earn global recognition. The company won the '2015 European Outsourcing Awards' in the category - 'Value creation in outsourcing' for engagement with a leading UK based health retailer. The company also featured as a 'Major Contender' in the 'Everest Group IT Outsourcing in Banking - Service Provider Landscape with PEAK Matrix™ Assessment 2015' and in the 'Leaders Category' in the '2016 Global Outsourcing 100' list compiled by the International Association of

Outsourcing Professionals for the tenth consecutive year. The company was profiled in the Gartner report titled 'Market Guide for Trade Promotion Management and Optimisation' and also featured prominently in the Gartner report titled 'Market Guide for Retail Execution and Monitoring Solutions for the Consumer Goods Industry'.

The outlook for the Indian IT industry remains positive with NASSCOM forecasting a growth of 10%-12% in the forthcoming year. With enhanced focus on newer technologies and driven by domain knowledge and delivery excellence, the company is poised to grow faster than the industry and improve its market standing.

### Technico Pty Limited and its subsidiaries

The company continues to focus on upgradation and commercialisation of TECHNITUBER® seed technology and customising its application across various geographies. Besides, the company is engaged in the marketing of TECHNITUBER® seeds to global customers produced at the facilities of its subsidiaries in China and Canada, and Technico Agri Sciences Limited, India (TASL). The Canadian subsidiary of the company is also engaged in field multiplication of seeds.

During the year, the company sold the entire equity holding in its wholly-owned subsidiary, TASL, to your Company.

For the year under review:

- a) Technico Pty Limited, Australia registered Turnover of Australian Dollar (A\$) 2.31 million (previous year A\$ 2.21 million) and Net Profit of A\$ 10.95 million (previous year A\$ 0.78 million). Net Profit for the year includes gain of A\$ 10.50 million on sale of investment in TASL.
- b) 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.

### Technico Agri Sciences Limited

Consequent to the acquisition of its entire share capital by ITC Limited, Technico Agri Sciences Limited (TASL) became a direct wholly-owned subsidiary of ITC Limited

with effect from 22nd March, 2016. This revised holding structure is expected to further improve operational synergies.

TASL's leadership in the production of early generation seed potatoes and strength in agronomy continues to be leveraged by your Company for sourcing chip stock for the 'Yumitos' range of potato chips and servicing the seed potato requirements of the farmer base of your Company's Agri Business.

It may be recalled that 2014-15 witnessed an upward spike in realisations due to decline in potato crop output attributable to adverse weather conditions and consequent deficit in seed availability. During the year under review, potato production increased by 23% to appx. 50 million MT aided, inter alia, by favourable weather conditions. The significant increase in the supply side led to a glut in the market leading to potato prices declining to a record low.

The company leveraged the strength of its brand, superior product quality, better on-field performance and strong trade and customer relationships to minimise the impact of sharp decline in potato prices during the year. The company registered a Total Turnover of ₹ 94.27 crores (previous year ₹ 105.08 crores) and Profits After Tax (PAT) of ₹ 15.76 crores (previous year ₹ 45.25 crores) for the financial year ended 31st March, 2016.

#### Srinivasa Resorts Limited

The company's hotel 'ITC Kakatiya' in Hyderabad remained impacted during the year due to sluggish demand conditions prevailing in the city. While room occupancy rates improved, average room rates remained under pressure.

The company recorded Total Revenue of ₹ 54.34 crores (previous year ₹ 52.75 crores) during the year ended 31st March, 2016 and Net Loss of ₹ 1.66 crores (previous year Net Loss of ₹ 0.72 crores).

During the year, ITC Kakatiya received the Times Food Guide awards for 'Dakshin' (Best South Indian Fine Dining), 'Kebabs & Kurries' (Best Indian Barbeque), and 'Marco Polo' (Best Bar). TripAdvisor, a renowned hotel review website, rated Dakshin and Kebabs & Kurries as the best restaurants in Hyderabad, ranking them No.1 and No.2 respectively.

The company made good progress during the year in developing a 100-key full service hotel in Amritsar on a land parcel assigned to the company by ITC Limited. Necessary approvals have been obtained from various authorities and excavation work has been completed. Civil and structural works are progressing as per schedule.

#### Fortune Park Hotels Limited

During the year ended 31st March, 2016, the company recorded Total Revenue of ₹ 28.91 crores (previous year ₹ 27.19 crores) and earned Net Profit of ₹ 6.23 crores (previous year ₹ 5.74 crores).

The company, which caters to the 'mid-market to upscale' segment through a chain of Fortune hotels, continues to forge new alliances and expand its footprint. Currently, the company has an aggregate inventory of nearly 6,000 rooms spread over 75 properties of which 48 are operating hotels. Of the balance 27 properties, 5 hotels are slated to be commissioned in the ensuing year and 22 hotel projects are in various stages of development.

The company plans to add 7 new hotels under the 'My Fortune' brand over the next few years, taking the aggregate number of properties under the flagship brand to 9. Of these, the My Fortune Coimbatore project is nearing completion while construction of 2 more properties at Guntur and Bhubaneswar are expected to commence shortly.

During the year, the company bagged the PATWA International Award for the 'Best First Class Full Service Business Hotel Chain in India, 2016', Today's Traveller Award 2015 for the 'Best First Class Business Hotel Chain', Safari India Award 2015 for the 'Best First Class Business Hotel Chain', Hospitality India Award 2015 for the 'Best First Class Business Hotel Chain' and 'Best Hospitality Group' at the 9th edition of the 'CNBC - Awaaz Travel Awards 2015'.

The company has established 'Fortune' as the premier 'value' brand in the Indian hospitality sector. The brand remains a frontrunner in its operating segment and is well positioned to sustain its leadership position in the industry.

The company paid a dividend of ₹ 223 per Equity Share of ₹ 10/- each for the year ended 31st March, 2016.

## Report of the Board of Directors

### WelcomHotels Lanka (Private) Limited

WelcomHotels Lanka (Private) Limited (WLPL), a wholly-owned subsidiary of your Company, was incorporated in Sri Lanka with the objective of developing and operating a mixed-use development project ('Project') including a luxury hotel on 5.86 acres of prime sea-facing land in Colombo, which was allotted by the Board of Investment of Sri Lanka on a 99-year lease to the company for this purpose.

The Project has been accorded 'Strategic Development Project' status entitling the company to various fiscal benefits in Sri Lanka. Further, the Project is also exempt from Sri Lankan foreign exchange regulations.

During the year, the company made good progress on construction of the Project. Excavation and allied works, which commenced in the previous year, are nearing completion. Piling work is progressing concurrently and is expected to be completed in a few months subsequent to which civil and structural works will be taken up. Design development work by major consultants is also expected to be completed soon.

Your Company's investment in WLPL stood at US\$ 94.0 million as at 31st March, 2016.

### Bay Islands Hotels Limited

Fortune Resort Bay Island, the company's hotel in Port Blair, with its strategic location, excellent architectural design and superior service quality, continues to offer a unique gateway to the Andamans. The company plans to undertake a comprehensive renovation and expansion programme towards enhancing the market standing of the hotel.

During the year ended 31st March, 2016, the company recorded Total Revenue of ₹ 1.66 crores (previous year ₹ 1.58 crores) and Net Profit of ₹ 1.04 crores (previous year ₹ 0.99 crores).

The company paid a dividend of ₹ 70.00 per Equity Share of ₹ 100/- each for year ended 31st March, 2016.

### Landbase India Limited

The company owns and operates the Classic Golf & Country Club, a 27-hole Jack Nicklaus Signature Golf Course. The company also owns the 'ITC Grand Bharat' - a 104-key luxury hotel which

was commissioned in November 2014 and licensed to ITC Limited.

ITC Grand Bharat received several accolades and awards establishing itself amongst the top luxury destination hotels in world. The hotel was ranked No.4 among the 'Top 100 Hotels & Resorts of the World' on the coveted Conde Nast Traveler U.S. Readers' Choice Awards.

During the year ended 31st March, 2016, the company recorded Total Revenue of ₹ 18.86 crores (previous year ₹ 17.40 crores) and Net Profit of ₹ 1.36 crores (previous year ₹ 1.07 crores). During the year, the company issued and allotted to ITC Limited, 19,70,00,000 Equity Shares of ₹ 10/- each for cash at par, aggregating ₹ 197 crores. The proceeds from the share issue were primarily utilised to repay the entire Non-Convertible Preference Share Capital of ₹ 187 crores to ITC Limited.

### 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. Its main business is to import and distribute tobacco products to licensed wholesalers and retailers throughout the United States of America. Your Company is KMM's sole supplier of tobacco products.

Against the backdrop of a 1% decline in US cigarette industry volume during the year, the company's sales volumes grew by 10% driven by competitive pricing and enhanced distribution. The company recorded Net Sales of US\$ 32.7 million (previous year US\$ 29.3 million) and earned a Net Income of US\$ 0.53 million (previous year US\$ 0.14 million) during the financial year ended 31st March, 2016. During the year, KMM paid a dividend of US\$ 1.5 million to your Company.

The cigarette industry in the USA continues to be adversely impacted by long-term decline in cigarette consumption and growing illicit trade due to tax differential between various States, mislabeled cigarette tobaccos positioned in a lower tax bracket, non-compliant imports and Native American manufacture. Increasing governmental restrictions and tobacco tax increases are further expected to impact industry growth with the threat of shift in consumer franchise to illicit, value offers.

Tobacco majors are redefining the value segment with aggressive retail pricing and restrictive loyalty programmes

that control the price and visibility of competitive offers, in order to defend market shares. The company, which operates in the value segment, is exploring avenues to mitigate such challenges in an effective manner.

### Wimco Limited

Pursuant to the demerger of its Non-Engineering Business into ITC Limited with effect from 1st April, 2013, the company's business activities are mainly focused on fabrication and assembly of machinery for the FMCG and Pharmaceutical industry.

The company's order book was impacted during the year due to the sluggish demand conditions prevailing in the FMCG and Pharmaceutical industry. Consequently, the company reported a modest growth in Net Revenue to ₹ 13.81 crores (previous year ₹ 12.90 crores) with a Net Loss of ₹ 0.21 crores (previous year Net Loss ₹ 0.48 crores).

The company is focusing on building a robust business model, widening its customer base and developing superior solutions towards addressing customer requirements.

### North East Nutrients Private Limited

Your Company holds 76% equity stake in North East Nutrients Private Limited (NENPL), a company formed with the objective of setting up a food processing facility in Mangaldoi, Assam to cater to the fast-growing biscuits market in Assam and other north-eastern States. The company commissioned a state-of-the-art facility comprising 3 biscuits manufacturing lines which commenced operations in August 2015.

In the first year of its commercial operations, the company recorded a Net Turnover of ₹ 25.33 crores (previous year ₹ Nil) and Net Loss of ₹ 11.98 crores (previous year Net Loss ₹ 0.12 crores). The performance for the year reflect gestation costs associated with the stabilisation of operations.

### Russell Credit Limited

During the year, the company registered Total Revenue of ₹ 70.47 crores (previous year ₹ 70.81 crores) and Net Profit of ₹ 45.19 crores (previous year ₹ 56.38 crores).

Temporary surplus liquidity of the company is mainly deployed in debt mutual funds and bank fixed deposits.

The company continues to explore opportunities to make strategic investments for the ITC Group.

During the year, the company acquired the entire shareholding of BFIL Finance Limited (BFIL) and Wills Corporation Limited (WCL) with a view to improving operational efficiencies. BFIL and WCL merged with the company with effect from 1st April, 2015, pursuant to the Orders of the High Courts at Bombay and Calcutta respectively.

The company paid a dividend of ₹ 0.70 per Equity Share aggregating ₹ 45.25 crores for the year ended 31st March, 2016.

### Gold Flake Corporation Limited

The company registered Total Revenue of ₹ 3.42 crores during the year under review (previous year ₹ 4.20 crores).

The company holds 50% equity stake in ITC Essentra Limited - a joint venture with Essentra group, UK.

### Wills Corporation Limited

During the year, the company was acquired by Russell Credit Limited, a wholly-owned subsidiary of your Company. Pursuant to the Order of the High Court at Calcutta, the company merged with Russell Credit Limited with effect from 1st April, 2015.

### Greenacre Holdings Limited

During the year, the company recorded Total Revenue of ₹ 4.87 crores (previous year ₹ 3.51 crores) and Net Profit of ₹ 1.71 crores (previous year ₹ 1.04 crores). The company continues to provide maintenance services for commercial office buildings.

During the year, the company acquired the entire shareholding of Classic Infrastructure & Development Limited (CIDL). Pursuant to the Order of the High Court at Calcutta, CIDL merged with the company with effect from 1st October, 2015.

### ITC Investments & Holdings Limited

The company, a Core Investment Company within the meaning of the Core Investment Companies (Reserve Bank) Directions, 2011, recorded Total Revenue of ₹ 0.07 crore during the year (previous year ₹ 0.48 crore) and Net Profit of ₹ 0.04 crore (previous year ₹ 0.33 crore).



## Report of the Board of Directors

### **BFIL Finance Limited**

During the year, the company was acquired by Russell Credit Limited, a wholly-owned subsidiary of your Company. Pursuant to the Order of the High Court at Bombay, the company merged with Russell Credit Limited with effect from 1st April, 2015.

### **MRR Trading & Investment Company Limited**

The company, a wholly-owned subsidiary of ITC Investments & Holdings Limited, holds tenancy rights in a commercial building located in Mumbai and also provides estate maintenance services. During the year, the company recorded Total Revenue of ₹ 0.07 crore (previous year ₹ 0.07 crore).

### **Pavan Poplar Limited**

The operations of the company continue to be adversely impacted pursuant to the Order of the Honourable High Court of Uttarakhand at Nainital in February 2014 dismissing the writ petition filed by the company against the Order of the District Magistrate authorising the State authorities to take possession of the land leased to the company. The appeal filed by the company against the aforesaid Order was admitted in April 2014 and the matter is pending before the Honourable High Court.

During the year, the company recorded Total Revenue of ₹ 0.07 crore (previous year ₹ 0.02 crore) and Net Loss of ₹ 0.44 crore (previous year Net Loss ₹ 0.47 crore).

### **Prag Agro Farm Limited**

The operations of the company continue to be adversely impacted pursuant to the Order of the Honourable High Court of Uttarakhand at Nainital in February 2014 dismissing the writ petition filed by the company against the Order of the District Magistrate authorising the State authorities to take possession of the land leased to the company. The appeal filed by the company against the aforesaid Order was admitted in April 2014 and the matter is pending before the Honourable High Court.

During the year, the company recorded Total Revenue of ₹ 0.07 crore (previous year ₹ 0.04 crore) and Net Loss of ₹ 0.17 crore (previous year Net Loss ₹ 0.08 crore). During the year, the company issued and allotted to ITC Limited, 90,00,000 Equity Shares of

₹ 10/- each for cash at par aggregating ₹ 9 crores. The proceeds from the share issue were utilised to repay the loan due to your Company and meet working capital requirements.

### **ITC Global Holdings Pte. Limited**

As has been stated in the previous years' reports, the Judicial Managers were 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 High Court on 30th November, 2007 ordered the winding up of Global, appointed a Liquidator and discharged the Judicial Managers.

The Judicial Managers commenced proceedings against your Company in November 2002 before the Singapore High Court claiming approximately US\$ 18.10 million. Pursuant to legal advice, your Company has filed its defence in the proceedings.

Your Company is contesting the claims contending that the same are not sustainable and your Company does not accept any liability in this regard. The proceedings are pending.

## **NOTES ON JOINT VENTURES**

### **ITC Essentra Limited**

Demand for cigarette filters was adversely impacted during the year due to severe pressure on legal cigarette volumes on account of increasing taxation and regulatory pressures. Against the backdrop of a challenging business environment, the company consolidated its leadership position through continuous focus on innovation, superior execution, consistent delivery and world-class quality. Focused efforts in developing contemporary and value-added cigarette filter solutions coupled with integrated online quality control systems have enabled the company to consolidate its position as the preferred supply chain partner for several well-known national and international brands.

In line with the provisions of the Companies Act, 2013 requiring companies to adopt a uniform financial year, the Company has changed its financial year from

January - December to April - March. Consequently, the financial statements of the company for the year under review reflect the 15-month period ended 31st March, 2016 and are not strictly comparable with the previous year ended 31st December, 2014.

During the 15-month period ended 31st March, 2016, the company recorded Gross Revenue of ₹ 403.05 crores (previous year ended 31st December, 2014 ₹ 328.60 crores) and Net Profit of ₹ 15.35 crores (previous year ended 31st December, 2014 ₹ 12.22 crores).

The company continues to focus on scaling up exports by leveraging a portfolio of high quality products. Investments continue to be made in technology and capability towards sustaining the company's position as the innovation and quality benchmark in the Indian cigarette filter industry.

The Board of Directors of the company has recommended a dividend of ₹ 9.00 per Ordinary Share of ₹ 10/- each for the period ended 31st March, 2016.

### **Maharaja Heritage Resorts Limited**

Maharaja Heritage Resorts Limited, a joint venture of your Company with Jodhana Heritage Resorts Private Limited, currently operates 35 heritage properties across 15 States in India. The company, with its WelcomHeritage brand portfolio comprising 'Legend Hotels', 'Heritage Hotels' and 'Nature Resorts', provides uniquely differentiated offerings to guests in the cultural, heritage and adventure tourism segments respectively.

During the year ended 31st March, 2016, the company recorded Total Revenue of ₹ 3.73 crores (previous year ₹ 3.80 crores) and Net Profit of ₹ 0.08 crore (previous year ₹ 0.24 crore).

The 'WelcomHeritage Hotels' brand was awarded the 'Best Heritage Hotel Chain' by Today's Traveller Awards 2015 and the 'Jury Choice Award' by Travel Trade Journal for 'innovative edge in promoting heritage experience in India'.

### **Espirit Hotels Private Limited**

Espirit Hotels Private Limited (EHPL) is a joint venture between your Company and the Ambience Group, Hyderabad for developing a luxury hotel complex at Begumpet, Hyderabad. Under the terms of the Joint

Venture Agreement, your Company acquired 26% equity stake in EHPL and will, inter alia, provide hotel operating services under an Operating Services Agreement, upon commissioning of the hotel.

The Ambience Group has expressed its desire to review the timing of further investments in EHPL, citing concerns about the viability of the project in view of the challenging economic environment and the sluggish demand conditions currently prevailing in Hyderabad.

Your Company is exploring its options in this regard.

Your Company's investment in EHPL stood at ₹ 46.51 crores as at 31st March, 2016.

### **Logix Developers Private Limited**

Logix Developers Private Limited (LDPL) is a joint venture between your Company and Logix Estates Private Limited. The purpose of the joint venture is to develop a luxury hotel-cum-service apartment complex at the company's site located at Sector 105 in NOIDA. Under the terms of the Joint Venture Agreement, your Company acquired 26% equity stake in LDPL and will, inter alia, provide hotel operating services under an Operating Services Agreement, upon commissioning of the hotel.

Your Company's total investment in LDPL stood at ₹ 41.95 crores as at 31st March, 2016 and it currently owns 27.91% of the equity capital of the company.

As reported in the previous year, Logix Estates Private Limited, the JV partner, had communicated to your Company its intention to explore alternative development plans instead of the project envisaged under the JV Agreement. Your Company reiterated its position that it was interested in developing a luxury hotel-cum-service apartment complex as envisaged under the JV Agreement and that it was not interested in progressing with any alternative project plans.

However, the JV partner refused to progress the project in line with the JV Agreement and apart from not contributing its share of the cash call made in July 2014 by the JV entity, expressed its intent to exit from the JV by selling its stake to the Company.

In view of the above developments, during the year your Company filed a petition before the Company Law Board (CLB) submitting that the affairs of the JV entity were

## Report of the Board of Directors

being conducted in a manner that was prejudicial to the interest of the Company and the JV entity, and that the actions of the JV partner has resulted in a deadlock scenario. The Company prayed for a direction that the JV partner should act in accordance with the Articles of Association of the JV entity and complete the project or for appropriate directions for the parting of ways from the JV partner.

The CLB, in its initial hearing, with a view to finding an expeditious solution, suggested that an offer be made by the JV partner in line with the terms of the Articles of Association in the context of arguments of your Company that the JV partner should make an offer to buy out the shareholding of your Company in the JV entity. Instead, the JV partner offered to sell its shareholding in the JV entity to your Company and subsequently, that both parties find a third party to sell their shareholding to, none of which were acceptable to your Company.

Your Company has recently received a notice from the legal representatives of the JV partner, intimating termination of the JV agreement and proposing to wind up the JV entity. Your Company has responded to the JV partner stating that any purported termination of the JV agreement is illegal and no winding up petition can be initiated in view of pending CLB proceedings.

The financial statements of LDPL for the year ended 31st March, 2016 are yet to be approved by its Board of Directors. In the absence of audited financial statements of LDPL, the Consolidated Financial Statements of your Company for the year ended 31st March, 2016 have been prepared based on financial statements prepared by the management of LDPL.

### NOTES ON ASSOCIATES

#### International Travel House Limited

During the financial year ended 31st March, 2016, the company recorded Total Revenue of ₹ 201.31 crores (previous year ₹ 183.48 crores) and Net Profit of ₹ 12.89 crores (previous year ₹ 18.38 crores).

The Company offers a full range of travel services including air ticketing, car rentals, inbound and outbound tourism, domestic holidays, conferences, events and exhibition management and foreign exchange services to travellers.

The Board of Directors of the company has recommended a dividend of ₹ 4.25 per Equity Share of ₹ 10/- each for the year ended 31st March, 2016.

#### Gujarat Hotels Limited

During the financial year ended 31st March, 2016, the company recorded Total Revenue of ₹ 4.08 crores (previous year ₹ 4.31 crores) and Net Profit of ₹ 2.45 crores (previous year ₹ 2.73 crores).

The company's hotel, 'WelcomHotel Vadodara' at Vadodara is operated by ITC Limited under an Operating License Agreement.

The Board of Directors of the company has recommended a dividend of ₹ 3.50 per Equity Share of ₹ 10/- each for the year ended 31st March, 2016.

#### ATC Limited (an associate of Gold Flake Corporation Limited)

The company is a contract manufacturer of cigarettes. During the year, the company recorded Total Revenue of ₹ 22.85 crores (previous year ₹ 23.16 crores) and Net Profit of ₹ 0.96 crore (previous year ₹ 0.91 crore).

The company continued to maintain high levels of operational responsiveness, benchmark quality and cost efficiency during the year. The company was conferred 'Quality Systems Excellence Award - Certificate of Appreciation' by FICCI for excellence in quality systems.

#### Associates of Russell Credit Limited

##### Classic Infrastructure & Development Limited

During the year, the company was acquired by Greenacre Holdings Limited (GHL), a wholly-owned subsidiary of Russell Credit Limited. Pursuant to the Order of the Honourable High Court of Calcutta, the company merged with GHL, with effect from 1st October, 2015.

##### Russell Investments Limited

During the year, the company recorded Total Revenue of ₹ 3.22 crores (previous year ₹ 5.66 crores) and Net Profit of ₹ 2.25 crores (previous year ₹ 5.42 crores).

The company continues to explore opportunities to make investments.

### **Divya Management Limited**

During the year, the company recorded Total Revenue of ₹ 0.42 crore (previous year ₹ 0.24 crore) and Net Profit of ₹ 0.15 crore (previous year ₹ 0.08 crore).

The company continues to explore opportunities to make investments.

### **Anrang Finance Limited**

During the year, the company recorded Total Revenue of ₹ 0.31 crore (previous year ₹ 0.30 crore) and Net Profit of ₹ 0.10 crore (previous year ₹ 0.20 crore).

The company continues to explore opportunities to make investments.

## **INTERNAL FINANCIAL CONTROLS**

The Corporate Governance Policy guides the conduct of affairs of your Company and clearly delineates the roles, responsibilities and authorities at each level of its three-tiered governance structure and key functionaries involved in governance. The ITC Code of Conduct commits management to financial and accounting policies, systems and processes. The Corporate Governance Policy and the ITC Code of Conduct stand widely communicated across the enterprise at all times, and, together with the 'Strategy of Organisation', Planning & Review Processes and the Risk Management Framework provide the foundation for Internal Financial Controls with reference to your Company's Financial Statements.

Such Financial Statements are prepared on the basis of the Significant Accounting Policies that are carefully selected by management and approved by the Audit Committee and the Board. These Policies are supported by the Corporate Accounting and Systems Policies that apply to the entity as a whole to implement the tenets of Corporate Governance and the Significant Accounting Policies uniformly across the Company. The Accounting Policies are reviewed and updated from time to time. These, in turn are supported by a set of divisional policies and Standard Operating Procedures (SOPs) that have been established for individual businesses.

Your Company uses ERP Systems as a business enabler and also to maintain its Books of Account. The SOPs in tandem with transactional controls built into the ERP Systems ensure appropriate segregation of duties, tiered approval mechanisms and maintenance of supporting records. The Information Management Policy reinforces the control environment. The systems, SOPs and controls are reviewed by divisional management and audited by Internal Audit whose findings and recommendations are reviewed by the Audit Committee and tracked through to implementation.

Your Company has in place adequate internal financial controls with reference to the Financial Statements. Such controls have been assessed during the year taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed. Nonetheless your Company recognises that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

## **RISK MANAGEMENT**

As a diversified enterprise, your Company continues to focus on a system-based approach to business risk management. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities, focusing on building distributed leadership and succession planning processes, nurturing specialism and enhancing organisational capabilities through timely developmental inputs. Accordingly, management of risk has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems. Backed by strong internal control systems, the current Risk Management Framework consists of the following key elements:

- The Corporate Governance Policy and the Risk Management Policy approved by the Board,

## Report of the Board of Directors

clearly lay down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, inter alia, provide the foundation for appropriate risk management procedures, their effective implementation across your Company and independent monitoring and reporting by Internal Audit.

- The Risk Management Committee, constituted by the Board, monitors and reviews the strategic risk management plans of the Company as a whole and provides necessary directions on the same.
- The Corporate Risk Management Cell, through focused interactions with businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- Appropriate structures are 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 strengthened. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance Review Committee closely monitors the internal control environment within your Company including implementation of the action plans emerging out of the internal audit findings.
- 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 operation.

- 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.

During the year, the Risk Management Committee was updated on the status and effectiveness of the risk management plans. The Audit Committee was also updated on the effectiveness of your Company's risk management systems and policies.

Your Company sources several commodities for use as inputs in its businesses and also engages in agri-commodity trading as part of its Agri Business. Your Company has a comprehensive risk assessment framework and well laid out policy to manage the risks arising out of the inherent price volatility associated with such commodities. This includes robust mechanisms for monitoring market dynamics on an ongoing basis towards making informed sourcing decisions, continuous tracking of net open positions & 'value at risk' against approved limits, use of futures contracts to hedge commodity price risk as applicable, hedging associated foreign exchange risk through appropriate instruments, assessment of country risk and counter-party exposure for suitable mitigation plans. Additionally, your Company's strategy of backward integration in areas such as sourcing of agri-commodities e.g. wheat, potato, fruit pulp and leaf tobacco, in-house manufacturing of paperboards, paper and packaging (including pulp production and print cylinder making facilities) facilitates access to critical inputs at benchmark quality and competitive cost besides ensuring security of supplies. Further, each of your Company's businesses continuously focuses on product mix enrichment towards protecting margins and insulating operations from spikes in input prices.

The combination of policies and processes as outlined above adequately addresses the various risks associated with your Company's businesses.

## 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 inter alia provides assurance on orderly and efficient conduct of operations, security of assets, prevention and detection of frauds / errors, accuracy and completeness of accounting records and the timely preparation of reliable financial information.

Your Company's independent and robust Internal Audit processes, both at the Business and Corporate levels, provide assurance on the adequacy and effectiveness of internal controls, compliance with operating systems, internal policies and regulatory requirements.

The Internal Audit function consisting of professionally qualified accountants, engineers and IT Specialists is adequately skilled and resourced to deliver audit assurances at highest levels. In the context of the IT environment of your Company, systems and policies relating to Information Management are periodically reviewed and benchmarked for contemporariness. Compliance with the Information Management policies receive focused attention of the Internal Audit team. Qualified engineers in the Internal Audit function review the quality of planning and execution of all ongoing projects involving significant expenditure to ensure that project management controls are adequate and yield 'value for money'.

Processes in the Internal Audit function have been continuously improved for enhanced effectiveness and productivity including the deployment of best-in-class tools for analytics in the Audit domain, certification as complying with ISO 9001:2008 Quality Standards in its processes, ongoing knowledge improvement programmes for staff, etc.

During the year, the Standard terms of reference for Internal Audit which defines the framework for conduct of Internal Audits was updated incorporating latest changes to regulatory requirements and the evolving business context.

The Audit Committee of your Board met ten times during the year. The Terms of Reference of the Audit Committee

inter alia included reviewing the effectiveness of the internal control environment, evaluation of the Company's internal financial control and risk management systems, monitoring implementation of the action plans emerging out of Internal Audit findings including those relating to strengthening of your Company's risk management systems and discharging statutory mandates.

## HUMAN RESOURCE DEVELOPMENT

Your Company's Human Resource Management systems and processes are aimed at creating a responsive, market-focused, customer-centric culture and enhancing organisational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities. It is your Company's firm belief that the robustness and adaptability of its Human Resource systems and processes are critical for an organisation to remain relevant and competitive in today's highly dynamic and rapidly evolving business landscape. The Human Resources function of your Company continues to align its strategic interventions and processes with your Company's Vision of sustaining its position as one of India's most admired and valuable corporations, creating growing value for the Indian economy and the Company's stakeholders. Towards this end, five capability platforms relevant to making businesses future-ready have been identified – Strategic, Value Chain, Leadership, Innovation and Human Resources Development. These platforms are also designed to strengthen organisational systems to facilitate speedy and competitively superior responses to market opportunities.

Your Company's talent management promise of 'Building Winning Businesses. Building Business Leaders. Creating Value for India.' backed by its strong corporate equity continues to play a key role in attracting and retaining best-in-class talent. Leadership Development is the unwavering focus of your Company's talent management strategy and its 'Strategy of Organisation' – creating multiple drivers of growth through a diverse portfolio of businesses each with its own independent leadership team - serves as an excellent platform to build distributed business leadership.

An equally important dimension of building leadership is your Company's strategic learning and development agenda which flows from its Vision, Mission and

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its 3-Horizon Growth strategy. Your Company has a multi-pronged approach to learning, with focused interventions in core and functional areas, customised business specific and organisation-wide strategic interventions, as well as four-tiered leadership development programmes. Based on the premise that action learning leads to holistic development of human resources, these programmes are designed to lay more emphasis on workplace projects and demonstrated leadership behaviours on the job rather than classroom learning. These interventions are, therefore, fashioned more in the nature of long term journeys rather than short term events.

'Gurukul', your Company's state-of-the-art training facility in Ranjangaon, is a significant milestone in its skilling journey. An integrated technical training centre catering to all the FMCG businesses under one roof, 'Gurukul' underlines your Company's proactive commitment to supporting national goals by focussing on enhancing the shop floor skills of its employees in line with the Government's 'Make in India' initiative and 'Skill India Mission'. This commitment is reinforced through your Company's interventions geared towards enhancing the employability of disadvantaged youth such as apprenticeship programmes in its units and partnering with National Skill Development Corporation (NSDC) empanelled agencies to impart market-linked vocational training in the manufacturing and service sectors.

Your Company is dedicated to nurturing sustainable Employee Relations and continues to leverage the 'Good Employee Relations' approach in ensuring responsive manufacturing, flexible work systems and, at the same time, maintaining a cost and environment conscious ecosystem in all units. The Employee Relations philosophy of your Company, anchored in the tenets of Scientific Management, Industrial Democracy, Human Relations and Employee Well-being, has contributed to building a robust platform which has aided the conclusion of several Long Term Agreements at multiple locations during the year and ensured the smooth execution of large-scale change management initiatives and adoption of contemporary management practices.

Given the contextual realities of your Company's factories, your Company's businesses are steadily working towards developing a 'Long Term Agreement Framework'. To meet employee expectations, your Company's units appropriately acknowledge the demographic diversity

of its factories and adopt a commitment based segmented approach. Your Company's progressive Employee Relations approach has enabled a harmonious atmosphere across all units, which in turn has been a vital element in ensuring that HR systems and practices remain world-class. Your Company's interventions in the area of Employee Relations continue to receive accolades and industry recognition.

Your Company has been able to galvanise its human resource to become more agile, leverage change, stay ahead of competition and win in the market. Your Company's employees relentlessly strive to deliver world-class performance and discharge their role as 'trustees' of all stakeholders with true faith and in the spirit of allegiance. Over 25,000 of your Company's employees have collectively envisioned the future with commitment to realise your Company's vision of creating enduring value – for the nation and for the institution that is ITC.

### WHISTLEBLOWER POLICY

The Company's Whistleblower Policy encourages Directors and employees to bring to the Company's attention, instances of unethical behaviour, actual or suspected incidents of fraud or violation of the ITC Code of Conduct that could adversely impact the Company's operations, business performance and / or reputation. The Policy provides that the Company investigates such incidents, when reported, in an impartial manner and takes appropriate action to ensure that requisite standards of professional and ethical conduct are always upheld. It is the Company's Policy to ensure that no employee is victimised or harassed for bringing such incidents to the attention of the Company. The practice of the Whistleblower Policy is overseen by the Audit Committee and no employee has been denied access to the Committee. The Whistleblower Policy is available on the Company's corporate website [www.itcportal.com](http://www.itcportal.com).

### SUSTAINABILITY – CONTRIBUTION TO THE 'TRIPLE BOTTOM LINE'

Inspired by the opportunity to sub-serve larger national priorities, your Company redefined its Vision to not only reposition the organisation for extreme competitiveness but also make societal value creation the bedrock of its corporate strategy. This super-ordinate Vision spurred innovative strategies to address some of the most

challenging societal issues including widespread poverty, unemployment and environmental degradation. Your Company's sustainability strategy aims at creating significant value for the nation through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and social capital. The sustainability strategy is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise.

Your Company is today a global exemplar in sustainability. It is a matter of immense satisfaction that your Company's models of sustainable development have led to the creation of sustainable livelihoods for around 6 million people, many of whom belong to the marginalised sections of society. Your Company has also sustained its position of being the only Company in the world of comparable dimensions to have achieved the global environmental distinction of being 'water positive' (for 14 years in a row), 'carbon positive' (for 11 consecutive years) and 'solid waste recycling positive' (for 9 years in succession).

To contribute to the nation's efforts in combatting climate change, your Company's strategy of adopting a low-carbon growth path is manifest in its growing renewable energy portfolio, establishment of green buildings, large-scale afforestation programme and achievement of international benchmarks in energy & water consumption. Today, over 47% of its total energy requirements are met from renewable energy sources - an outstanding performance given the large manufacturing base of your Company. Further, all luxury ITC Hotels, several office complexes and factories of your Company are LEED® (Leadership in Energy & Environmental Design) certified at the highest level by the US Green Building Council/ Indian Green Building Council and the Bureau of Energy Efficiency (BEE) under its star rating scheme.

Your Company has adopted a comprehensive set of sustainability policies that are being implemented across the organisation in pursuit of its 'Triple Bottom Line' agenda. These policies are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues and progressively monitoring and addressing such issues along the value chain of each Business.

Your Company's 12th Sustainability Report, published during the year detailed the progress made across all dimensions of the 'Triple Bottom Line' for the year 2014-15. This report is in conformance with the latest Global Reporting Initiative (GRI) Guidelines - G4 under "In Accordance - Comprehensive" category and is third-party assured at the highest criteria of "reasonable assurance" as per International Standard on Assurance Engagements (ISAE) 3000. The 13th Sustainability Report, covering the sustainability performance of your Company for the year 2015-16, is also being prepared in conformity with the above guidelines and will be made available shortly.

In addition, the Business Responsibility Report (BRR), as mandated by the Securities & Exchange Board of India (SEBI), was brought out as an annexure to the Report and Accounts 2015, mapping the sustainability performance of your Company against the reporting framework suggested by SEBI. The BRR for the year under review is annexed to this Report and Accounts.

### **Corporate Social Responsibility (CSR)**

Your Company's overarching aspiration to create significant and sustainable societal value is manifest in its CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Towards this end, the Company adopted a comprehensive CSR policy in 2014-15 outlining programmes, projects and activities your Company plans to undertake to create a significant positive impact on identified stakeholders. All these programmes fall within the purview of Schedule VII of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The key elements of your Company's CSR interventions are to:

- Strengthen and empower Community Based Organisations for long-term sustainability of interventions.
- Ensure behaviour change through focus on demand generation for all interventions to ensure ownership, participation and contribution.



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- Continue to strive for scale in the core operational geographies by leveraging government partnerships.
- Continue to work with key stakeholders with whom your Company has enduring partnerships comprising (a) rural communities in the Company's Agri Business operational areas and (b) communities residing in close proximity to your Company's production units. Within these groups, specially target poor and marginalised communities/ groups to ensure inclusive development.
- Remain contemporary by accessing knowledge/ technical know-how through collaborations.

Your Company's stakeholders are confronted with multi-dimensional and inter-related issues, at the core of which is the challenge of securing sustainable livelihoods. Accordingly, interventions under your Company's Social Investments Programme (SIP) are appropriately designed to build their capacities and promote sustainable livelihoods.

The footprint of your Company's SIP projects is spread over 26 states covering 166 districts.

### Social Forestry

Your Company's pioneering initiative of wasteland development through the Social Forestry Programme is currently spread across 16 districts in 3 States covering 87,674 hectares in 4,533 villages, impacting over 85,700 poor households. Together with your Company's Farm Forestry programme, this initiative has greened over 2,25,000 hectares till date and generated over 101 million person days of employment for rural households, including poor tribals and marginal farmers. Integral to the Social Forestry programme is the agro-forestry initiative which ensures food, fodder and wood security and currently extends to nearly 25,000 hectares.

Besides enhancing farm level employment & incomes and increasing green cover, the Social and Farm Forestry initiative of your Company has led to improvement in pulpwood availability in Andhra Pradesh and Telangana. This initiative is also contributing meaningfully towards the nation's endeavour in creating additional carbon sink for tackling climate change.

### Soil and Moisture Conservation

The Soil and Moisture Conservation programme promotes the development and management of local water resources in moisture-stressed areas by facilitating village-based participation in planning and implementing such measures as well as building, reviving and maintaining water-harvesting structures. The coverage of this programme currently extends to 42 districts across 10 States. During the year, the area under watershed increased by 58,864 hectares taking the cumulative coverage area till 2015-16 to over 2,59,000 hectares. 1,534 water harvesting structures were built during the year, taking the total number of water harvesting structures to 7,998.

### Bio Diversity

During the year, your Company scaled up bio-diversity conservation in 49 additional plots covering 730 hectares in the catchments of your Company's Agri Business operations with the objective of protecting native flora and fauna and providing other eco-system services. The cumulative area under bio-diversity conservation currently stands at 3,943 hectares.

### Sustainable Agriculture

The Sustainable Agriculture programme aims at raising farm productivity and quality as well as minimising cultivation costs by promoting modern agronomic techniques and optimising natural resource use. The programme is operational in 48 districts across 13 States. During the year, 764 Farmer Field Schools (FFS) disseminated know-how on advanced agri-practices to over 16,969 farmers through 2,464 demonstration plots under different crops. In pursuit of your Company's long-term sustainability objective of increasing soil organic carbon, a total of 7,314 compost units were constructed during the year taking the total number till date to 30,868 units. In addition, the 'Choupal Pradarshan Khet' programme promoted field demonstrations of seed varieties and production practices in more than 5,000 villages covering around 64,000 hectares and more than 60,000 farmers.

### Livestock Development

The Livestock Development programme aims at enhancing the productivity of cattle through artificial

insemination to produce high-yielding crossbred progenies. This programme has been implemented through 238 Cattle Development Centres (CDCs) spread across 24 districts in 7 states. These CDCs facilitated over 2,29,000 artificial inseminations during the year, taking the total to 17,91,000 artificial inseminations performed till 2015-16.

### Women Empowerment

Currently spread across 7 districts in Bihar, West Bengal, Madhya Pradesh, Telangana, Rajasthan and Assam, the programme on mainstreaming of ultra-poor women covers 10,200 women who have been identified and trained in entrepreneurial skills and provided with assets for income generation. In addition, over 350 Self-Help Groups (SHGs) with 3,800 members were formed during the year. Members of SHGs and other institutions were linked to individual bank accounts under the Government of India's Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY). 55,925 beneficiaries (men and women) were covered under the PMSBY, 26,867 members under the PMJJY and 39,105 under Pradhan Mantri Jan Dhan Yojana.

### Education

The Primary Education Programme focuses on retention and improving learning outcomes in government primary schools in your Company's factory catchment areas. During the year, 45,823 children were covered under this initiative comprising 'Read India Plus' programme and 176 Supplementary Learning Centres to mainstream out-of-school children into regular schools. Till date, these programmes have reached out to over 4.60 lakh children in aggregate. In addition, 164 government primary schools were provided infrastructure support comprising boundary walls, additional classrooms, sanitation units, and furniture, thus taking the total number of government primary schools covered till date to 1,322. To ensure sustainable operations and maintenance of infrastructure provided, School Management Committees were strengthened in 189 schools and 113 Child Cabinets and Water and Sanitation (WATSAN) Committees were formed in various schools with the active involvement of students and teachers.

### Skilling & Vocational Training

The Skilling & Vocational Training Programme focuses on providing market-linked skills to young people to make potential job-seekers industry-ready and employable in the services and manufacturing sectors. During the year, 11,872 youth were enrolled for training under different courses offered as part of this programme. Of the total students enrolled, 9,447 (79% of enrolled) completed training and 6,452 (68% of trained) students were provided placement. The students trained included a healthy mix of women and SC/ST candidates. The initiative is spread across 31 districts covering 15 states.

Your Company continues to work with the Welcomgroup Graduate School of Hotel Administration (WGSHA) together with Dr. TMA Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry. WGSHA has been recently rated by CEO World Magazine amongst the top 50 hospitality schools in the world. In addition, since the inception of ITC Culinary Skills Training Centre, Chhindwara in 2014, 41 trainee chefs in three batches have successfully completed the 6-months programme wherein cooking skills are imparted to youth from the disadvantaged sections of society.

### Health & Sanitation

Your Company continues to adopt a multi-pronged approach to improve public health. To promote a hygienic environment through prevention of open defecation and reduce incidence of water-borne diseases, 7,175 household toilets were constructed during the year, of which, 5,231 toilets were constructed directly by your Company. With this, a total of 15,429 low-cost sanitary units have been constructed so far in your Company's factory catchment areas covering 20 districts in 10 states. In areas with water quality problems, 46 Reverse Osmosis plants have been installed providing safe drinking water to about 40,690 rural households in the state of Andhra Pradesh. 'Swasthya Choupal', your Company's e-Choupal Rural Health initiative, was consolidated in 7 districts of Uttar Pradesh and expanded to 3 districts in Madhya Pradesh during the year.

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### Solid Waste Management

Your Company's Solid Waste Management programme - christened 'WOW - Wellbeing out of Waste' presently extends to Hyderabad, Chennai, Bengaluru, Coimbatore and several towns of Telangana, enjoying the support of over 5 million citizens, 500,000 school children, 350 corporates, more than 1,000 commercial establishments and around 200 industrial plants.

The door-to-door waste collection programme under this initiative is operational in 9 districts of Saharanpur, Hooghly, Kolkata, Munger, Guntur, Madurai, Pune, Thiruvallur and Haridwar. These projects, which together cover over 42,000 households, handled 3,975 MT of waste during the year.

### ITC Sangeet Research Academy

The ITC Sangeet Research Academy (ITC SRA), which was established in 1977, is a true embodiment of your Company's sustained commitment to a priceless national heritage. Your Company's pledge towards ensuring enduring excellence in Classical Music education has helped ITC SRA uphold the age-old 'Guru-Shishya Parampara' - a model that has otherwise begun fading away owing to lack of patronage. Although methods of music education are now changing with the advent of digitisation, exceptionally gifted students, carefully handpicked across India receive full scholarships to reside and pursue their music education at the Academy's campus. This has helped young talent who have limited access to the newer modes of music education, to train under the tutelage of the country's most distinguished stalwarts who are helping create the next generation of musical masters.

### Forging Partnerships with NGOs

The substantial progress made by your Company's Social Investments Programme in contributing to address some of the country's key development challenges, has been possible in significant measure, due to your Company's partnerships with globally renowned NGOs such as BAIF, DB Tech, DSC, FES, MYRADA, Pratham, SEWA Bharat, Outreach and Water for People 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.

### CSR Expenditure

The annual report on Corporate Social Responsibility activities as required under Sections 134 and 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 9 of the Companies (Accounts) Rules, 2014 is provided in the Annexure forming part of this Report.

### Environment, Health & Safety

Your Company's Environment, Health & Safety (EHS) strategies are directed towards achieving the greenest and safest operations across all your Company's units by optimising natural resource usage and providing a safe and healthy workplace. Systemic and structured efforts continue to be made towards natural resource conservation by continuously improving resource-use efficiencies and enhancing the positive environmental footprint following a life-cycle based approach.

Your Company's focus on inculcating a green and safe culture is supported through the adoption of EHS standards that incorporate best international standards, codes and practices and ensuring compliance through regular audits.

Your Company is addressing the critical area of climate change mitigation through several innovative and pioneering initiatives. These include continuous improvement in energy efficiency, enhancing the renewable energy portfolio, integrating green attributes into the built environment, better efficiency in material utilisation, maximising water use efficiencies and rain water harvesting, maximising reuse and recycling of waste and utilising post-consumer waste as raw material.

### Energy Conservation and Renewable Energy

Your Company is well positioned to benefit from India-specific energy conservation and renewable energy promotion schemes such as Perform, Achieve and Trade (PAT) and Renewable Energy Certificates (RECs) promoted by the Government of India. As a responsible corporate citizen, your Company has made a commitment

to reduce dependence on energy from fossil fuels and to achieve at least 50% of its total energy requirements from renewable sources by 2020. Significant progress has been made in enhancing the renewable energy portfolio and during 2015-16 over 47% of your Company's total energy requirements was met from carbon neutral fuels such as biomass, and wind and solar. Your Company has developed a strategic approach and drawn up action plans based on a feasible balance of energy conservation and renewable energy investments to progressively move towards meeting the aforesaid target.

### Water Security

With water scarcity increasingly becoming an area of serious concern, your Company continues to focus on integrated water management including water conservation and harvesting initiatives at its units - while also working towards meeting the water security needs of all stakeholders at the local watershed level. These include adopting latest technologies to reduce fresh water intake and increase reuse and recycling practices, best practices to achieve zero effluent discharges, rainwater harvesting, etc., within the unit premises. These initiatives, along with your Company's CSR interventions in the area of integrated watershed development, have resulted in the creation of rainwater harvesting potential that is over 3 times the net water consumption of your Company's operations.

### Greenhouse Gases and Carbon Sequestration

During the year, your Company improved its 'disclosure score' in the Climate Disclosure Leadership Index published under the aegis of the Carbon Disclosure Project from 94% in 2014-15 to 100% in 2015-16. In this context, it may be noted that only 3 other Indian organisations have achieved a perfect score of 100%. The green house gas (GHG) inventory of your Company for the year 2015-16 compiled as per the ISO 4 standard, has been assured at the highest 'Reasonable Level' by an independent third party assurance provider, a remarkable achievement considering the scale and spread of your Company's operations.

Reaffirming your Company's commitment to the ethos of 'Responsible Luxury', all luxury hotels of your Company are LEED® Platinum certified, making it the 'greenest

luxury hotel chain' in the world. In order to continually reduce your Company's energy footprint, green features are integrated in all new constructions and are also being incorporated in existing hotels, manufacturing units, warehouses and office complexes during retrofits.

Your Company's Social & Farm Forestry initiatives enable sequestration of over twice the amount of Carbon Dioxide emitted by its operations. Besides mitigating the impact of increasing levels of GHG emissions in the atmosphere, these initiatives help greening degraded wasteland, prevent soil erosion, enhance organic matter content in soil and enable ground water recharge.

### Waste Recycling

Your Company continues to make significant progress in reducing specific waste generation through constant monitoring and improvement of efficiencies in material utilisation and also in achieving almost total recycling of waste generated in operations. In this way, your Company has prevented waste reaching landfills and associated problems such as soil and groundwater contamination and GHG emissions, all of which can impact public health. In the current year, your Company has achieved over 99% waste recycling, with the Paperboards and Specialty Papers Business, which accounts for 90.8% of the total waste generated in your Company, recycling 99.7% of the total waste generated by its operations. During the year, this Business also recycled around 1,13,213 tonnes of externally sourced post-consumer waste paper, thereby creating yet another positive environmental footprint.

### Safety

Your Company's commitment to provide a safe and healthy workplace to all has been reaffirmed by several national and international awards and certifications received by various units. Your Company's approach is to institutionalise safety as a value-led concept with focus on inculcating a sense of ownership at all levels to drive behavioural change. In line with this approach, several of your Company's operating units are progressively implementing behavioural based safety initiatives and custom-made risk based training programmes leading to the creation of safety culture.

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Your Company incorporates established engineering standards in the design and project execution phase itself for all investments in the built environment, with a view to ensuring the highest levels of safety besides optimising costs. Environment, Health & Safety audits before commissioning and during the operation of units are carried out to verify compliance with standards.

### **Promoting Thought Leadership in Sustainability**

The 'CII-ITC Centre of Excellence for Sustainable Development', established by your Company in 2006 in collaboration with the Confederation of Indian Industry (CII), continues to focus on its endeavours to promote sustainable business practices amongst Indian enterprises. The major highlights during the year include the Sustainability Summit inaugurated by the Honourable Union Minister in charge of Environment, Forests & Climate Change. The Honourable Union Minister for Railways was the Chief Guest at a Special Plenary.

The 10th CII-ITC Sustainable Awards were handed over by the Honourable Union Minister for Railways to 26 winning companies as India's Most Sustainable. On the occasion of International Day for Biological Diversity, the India Business Biodiversity Initiative (IBBI) released 'Bridging Business and Biodiversity: Innovative Approaches' along with the Ministry of Environment, Forest and Climate Change - a study highlighting the best practices of Indian companies that are signatories to the IBBI Declaration.

### **R&D, QUALITY AND PRODUCT DEVELOPMENT**

Your Company continues to invest in a comprehensive Research & Development programme leveraging its world-class infrastructure, benchmarked processes, state-of-the-art technology and a business-focused R&D strategy.

ITC Life Sciences & Technology Centre (LSTC) has a mandate to develop unique sources of competitive advantage and build future-readiness by harnessing contemporary advances in several relevant areas of science and technology, and blending the same with classical concepts of product development and leveraging cross-business synergies. This challenging task of driving science-led product innovation has been carefully addressed by appropriately identifying the required set

of core competency areas of science. LSTC has evolved over the years into a team of nearly 350 highly qualified scientists, equipped with world-class measurement capabilities and state-of-the-art facilities to conduct experimental research. Several Centres of Excellence have evolved over the past few years in the identified competency areas. In addition, a number of areas centred around these capabilities have secured global quality certifications of the highest order.

The Agrisciences R&D team has continued its efforts in evaluating and introducing several germplasm lines of identified crops including Casuarina and Eucalyptus to increase the genetic and trait diversities in these species, towards developing new varieties with higher yields, better quality and other relevant traits for your Company's businesses. LSTC continues to evaluate and build research collaborations with globally recognised centres of excellence to remain contemporary and fast-track its journey towards demonstrating multiple 'proofs of concept'. These collaborations, covering identified species, are designed in a manner that enables your Company in gaining fundamental insights into several technical aspects of plant breeding and genetics and the influence of agro-climatic conditions on the growth of these species. Such interventions will accelerate LSTC's efforts in creating future generations of these crops with greater genetic and trait diversities leading to significant benefits for your Company's businesses. Further, these outcomes have a strong potential to contribute towards augmenting the nation's ecological capital and biodiversity as well. Several 'proof of concept' studies have been accomplished at the laboratory scale which are being advanced to large-scale field trials in multiple locations. These initiatives are expected to produce significant business impact in the years to come. In addition, the Agrisciences team continues to focus on delivering effective solutions using contemporary technologies in other crops such as wheat, soya and potato.

Recognising the unique construct of your Company in terms of its strong presence in Agri, Branded Packaged Foods and Personal Care Products Businesses, a convergence of R&D capabilities is being leveraged to deliver future products aimed at nutrition, health and well-being. Advances in biosciences are creating a

'convergence' of these areas and it is likely that several future developments in these businesses and their products are heavily influenced by this trend. In this context, LSTC has created a Biosciences R&D team to design and develop several long-term research platforms evolving multi-generation product concepts and associated claims that are fully backed by scientific evidence for the Branded Packaged Foods and Personal Care Products Businesses. Multiple value propositions have been identified in the area of functional foods, which are being progressed to products of the future with strong scientifically validated claims via clinical trials. Similar advances have been made in the area of personal care products. In addition, LSTC has evolved a strategy in building a new value chain called, 'Nutrition' with a special focus on 'Indianness' and 'health and well-being' founded on the basis of Value Added Agriculture (VAA) and Medicinal and Aromatic Plants. New capabilities and centres of excellence have been identified to support your Company's aggressive growth plans in the FMCG space.

LSTC has a clear vision and a road map for long-term R&D, to ensure an outstanding journey backed by a well-crafted Intellectual Property strategy. With scale, speed, science and sustainability considerations, LSTC is poised to deliver long-term competitive advantage and play a lead role in creating significant business impact for your Company.

In line with your Company's relentless focus on operational excellence and quality, each Business is mandated to continuously innovate on processes and systems to enhance their competitive position. During the year, your Company's Hotels Business leveraged its 'Lean' and 'Six Sigma' programmes to improve business process efficiencies. This will further enhance capability to create superior customer value through a service excellence framework. The Paperboards, Paper & Packaging Businesses continued to pursue '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. All manufacturing units of the Branded Packaged Foods Businesses (including contract manufacturing units) and hotels operate in compliance

with stringent food safety and quality standards. Almost all Company owned units/ hotels and contract manufacturing units of the Branded Packaged Foods Businesses are certified by an accredited third party in accordance with 'Hazard Analysis Critical Control Points' (HACCP) / ISO 22000 standards. Additionally, the quality of all FMCG products of your Company is regularly monitored through 'Product Quality Ratings Systems' (PQRS).

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

As mentioned in the previous years' Reports of the Directors, 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 the Chitalias had filed Bankruptcy Petitions before the Bankruptcy Court, Orlando, Florida, which are yet to be determined.

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 by a suit filed in India against some associates of the Chitalias. 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 Honourable Calcutta High Court while others are pending.

### TREASURY OPERATIONS

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

Easing inflation and improvement in the Fiscal and Current Account deficit position provided sufficient comfort to the Reserve Bank of India for reducing policy rates by a cumulative 75 basis points during the year. However,

## Report of the Board of Directors

lack of corresponding reduction in bank base rates, tight banking liquidity conditions, and adverse demand-supply dynamics due to higher issuance of State Development Loans impeded transmission of rate cuts and brought about intermittent spikes in market interest rates.

All investment decisions relating to deployment of surplus liquidity continued to be guided by the tenets of Safety, Liquidity and Return. Proactive management of portfolio duration helped improve treasury performance. The portfolio mix during the year was continuously rebalanced in line with the evolving interest rate environment. Further, towards the year end, your Company increased the quantum of investments in Tax-free Bonds, Taxable Bonds / Debentures and Bank Fixed Deposits taking advantage of spikes in market interest rates. 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 (INR) came under pressure against the USD during the year. The key factors that contributed to INR weakness include interest rate tightening by the US Federal Reserve, monetary stimulus in the EU and Japan, risk aversion caused by weak global economic growth and decline in commodity prices, fears of fiscal slippage and lack of progress on the reforms agenda in India, and depreciation of the Chinese Yuan. Under these circumstances, the INR touched a low of 68.79 per USD in February 2016 - close to the record low of 68.85 witnessed in August 2013. However, the INR recovered significantly in March 2016 to close the year at 66.25 largely due to the Government's announcement in the Union Budget 2016 of its commitment to reduce the Fiscal Deficit to 3.5% of GDP in 2016-17 and USD sell-off triggered by expectations of a more moderate interest rate hike trajectory in the USA than anticipated earlier.

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.

## DEPOSITS

Your Company's erstwhile Public Deposit Scheme closed in the year 2000. As at 31st March, 2016, there were no deposits due for repayment except in respect of 2 deposit holders totalling to ₹ 20,000/- which have been withheld on the directives received from the 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.

Your Company has not accepted any deposit from the public/ members under Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the year.

## DIRECTORS

### Changes in Directors

Mr. Pradeep Vasant Dhobale, Wholetime Director, retired from the Company with effect from close of business on 6th December, 2015 after 38 years of service. Mr. Kurush Noshir Grant, Wholetime Director, retired from the Company with effect from close of business on 22nd January, 2016 after 35 years of service. Your Directors would like to record their appreciation of the services rendered by Mr. Dhobale and Mr. Grant.

Mr. Sanjiv Puri and Mr. Rajiv Tandon, on the recommendation of the Nomination & Compensation Committee, were appointed by the Board of Directors of the Company ('the Board') as Additional Directors of your Company, and subject to the approval of the Members, also as Wholetime Directors, with effect from 6th December, 2015 and 22nd January, 2016, respectively. Mr. Tandon also continues as the Chief Financial Officer of your Company.

Mr. Serajul Haq Khan, Independent Director, expired on 12th January, 2016. Your Directors deeply mourn the demise of Mr. Khan and place on record their appreciation for the valuable contribution made by Mr. Khan during his tenure.

Ms. Nirupama Rao, on the recommendation of the Nomination & Compensation Committee, was appointed by the Board as Additional Director, and subject to the

approval of the Members, also as Independent Director, with effect from 8th April, 2016.

Mr. Angara Venkata Girija Kumar [representing General Insurers' (Public Sector) Association of India], on completion of his term, ceased to be Non-Executive Director of your Company with effect from close of business on 22nd July, 2015. Mr. Girija Kumar, on the recommendation of the Nomination & Compensation Committee, was appointed by the Board as Additional Non-Executive Director on 31st July, 2015.

By virtue of the provisions of Article 96 of the Articles of Association of your Company and Section 161 of the Companies Act, 2013 ('the Act'), Messrs. Puri, Tandon, Girija Kumar and Ms. Rao will vacate office at the ensuing Annual General Meeting ('AGM') of your Company.

Your Board at the meeting held on 20th May, 2016, on the recommendation of the Nomination & Compensation Committee, has recommended for the approval of the Members the appointment of Mr. Puri and Mr. Tandon as Directors, and also as Wholetime Directors of your Company, for a period of three years from the date of the AGM. Your Board at the said meeting, on the recommendation of the Nomination & Compensation Committee, also recommended for the approval of the Members the appointment of Ms. Rao as an Independent Director in terms of Section 149 of the Act and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, for a period of five years with effect from 8th April, 2016.

Mr. Yogesh Chander Deveshwar, Wholetime Director and Chairman of your Company, will complete his present term on 4th February, 2017. The Nomination & Compensation Committee and the Board strongly urged Mr. Deveshwar to continue for a longer period in his present role. Mr. Deveshwar however expressed his desire to shed the executive role, in accordance with the indication given by him at the 100th AGM in 2011, and put in place a youthful leadership at the helm in the longer term interest of the Company. At the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly transition in a company of ITC's size and complexity,

Mr. Deveshwar has instead agreed to provide guidance and mentorship to the new executive management, that is planned to be put in place, as Non-Executive Chairman on expiry of his current term.

Accordingly the Board at the meeting held on 20th May, 2016, on the recommendation of the Nomination & Compensation Committee, has recommended for the approval of the Members, the appointment of Mr. Deveshwar as Non-Executive Director, not liable to retire by rotation, and Chairman of the Company for a period of three years with effect from 5th February, 2017.

Notices under Section 160 of the Act have been received for the appointment of Messrs. Deveshwar, Puri, Tandon and Ms. Rao, who have filed their consents to act as Directors of the Company, if appointed.

Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the 105th AGM of your Company.

#### Retirement by Rotation

In accordance with the provisions of Section 152 of the Act read with Article 91 of the Articles of Association of the Company, Mr. Nakul Anand will retire by rotation at the AGM and being eligible, offers himself for re-election. Your Board has recommended his re-election.

#### Number of Board Meetings

During the year ended 31st March, 2016, six meetings of the Board were held.

#### Attributes, Qualifications & Independence of Directors and their Appointment

The criteria for determining qualifications, positive attributes and independence of Directors in terms of the Act and the Rules thereunder, both in respect of Independent Directors and the other Directors as applicable, has been approved by the Nomination & Compensation Committee, as reported last year. The Governance Policy of the Company also, inter alia, requires that Non-Executive Directors, including Independent Directors, be drawn from amongst eminent professionals with experience in business/ finance/ law/ public administration & enterprises. The Board



## Report of the Board of Directors

Diversity Policy of the Company requires the Board to have balance of skills, experience and diversity of perspectives appropriate to the Company. The Articles of Association of the Company provide that the strength of the Board shall not be fewer than five nor more than eighteen.

Directors are appointed/ re-appointed with the approval of the Members for a period of three to five years or a shorter duration, in accordance with retirement guidelines as determined by the Board from time to time. The initial appointment of Executive Directors is normally for a period of three years. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the Members. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election.

The Independent Directors of your Company have confirmed that they meet the criteria of independence as prescribed under Section 149 of the Act and Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company's policy relating to remuneration of Directors, Key Managerial Personnel and other employees is provided under the section 'Report on Corporate Governance' in the Report and Accounts.

### Board evaluation

The Nomination & Compensation Committee has approved the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed against the role and responsibilities of the Board as provided in the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic

supervision of the Company. Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by the respective Committee Chairman with the Board. Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realising its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals.

While the Board evaluated its performance against the parameters laid down by the Nomination & Compensation Committee, the evaluation of individual Directors was carried out anonymously in order to ensure objectivity. Reports on functioning of Committees were placed by the respective Committee before the Board.

### AUDIT COMMITTEE & AUDITORS

The composition of the Audit Committee is provided under the section 'Board of Directors and Committees' in the Report and Accounts.

#### Statutory Auditors

The Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants (DHS), were appointed with your approval at the 103rd AGM to hold such office till the conclusion of the 108th AGM. The Board, in terms of Section 139 of the Act, on the recommendation of the Audit Committee, has recommended for the ratification of the Members the appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the 106th AGM. The Board, in terms of Section 142 of the Act, on the recommendation of the Audit Committee, has also recommended for the approval of the Members the remuneration of DHS for the financial year 2016-17. Appropriate resolution for the purpose is appearing in the Notice convening the 105th AGM of the Company.

#### Cost Auditors

Your Board, on the recommendation of the Audit Committee, appointed for the financial year 2016-17:

- (i) Mr. P. Raju Iyer, Cost Accountant, for audit of cost records maintained by the Company in respect of 'Paper and Paperboard' and 'Nicotine Gum' products.

- (ii) Messrs. Shome & Banerjee, Cost Accountants, for audit of cost records maintained by the Company in respect of all applicable products of the Company, other than 'Paper and Paperboard' and 'Nicotine Gum'.

In terms of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, appropriate resolutions seeking your ratification of the remuneration of the said Cost Auditors are appearing in the Notice convening the 105th AGM of the Company.

### Secretarial Auditors

Your Board appointed Messrs. S. M. Gupta & Co., Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2016. The Report of Messrs. S. M. Gupta & Co. is provided in the Annexure forming part of this Report, in terms of Section 204 of the Act.

### EMPLOYEE STOCK OPTION SCHEMES

Under the Company's Employee Stock Option Schemes, 3,16,87,450 Ordinary Shares of ₹ 1/- each, fully paid-up, were issued and allotted during the year upon exercise of 31,68,745 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 on 31st March, 2016, stands increased to ₹ 804,72,06,991/- divided into 804,72,06,991 Ordinary Shares of ₹ 1/- each.

Disclosures with respect to Stock Options, as required under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('the Regulations'), are available in the Notes to the Financial Statements and can also be accessed on the Company's corporate website 'www.itcportal.com' under the section 'Shareholder Value'. During the year, there has not been any material change in the Company's Employee Stock Option Schemes.

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

### INVESTOR SERVICE CENTRE

The Investor Service Centre (ISC) of your Company, accredited with ISO 9001:2008 certification, is registered with SEBI as Category II Share Transfer Agent for providing in-house share registration and related services. During the year, the infrastructure, systems and processes in ISC were further upgraded. Messrs. Det Norske Veritas, accredited agency for ISO certification, has accorded the highest possible Level 5 rating to ISC for the seventh consecutive year exemplifying the superior standards practised by ISC in providing service of a high order to the shareholders and investors.

### RELATED PARTY TRANSACTIONS

All contracts or arrangements entered into by the Company with its related parties during the financial year were in accordance with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and erstwhile Clause 49 of the Listing Agreement. All such contracts or arrangements have been approved by the Audit Committee. No material contracts or arrangements with related parties were entered into during the year under review. Further, the prescribed details of related party transactions of the Company in Form No. AOC-2, in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in the Annexure to this Report.

Your Company's Policy on Related Party Transactions, as adopted by your Board, can be accessed on the corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-rpt.aspx>.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134 of the Companies Act, 2013, your Directors confirm having:

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

## Report of the Board of Directors

- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- d) prepared the Annual Accounts on a going concern basis;
- e) laid down internal financial controls to be followed by your Company and that such internal financial controls were adequate and operating effectively; and
- f) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### CONSOLIDATED FINANCIAL STATEMENTS

Your Company's Board of Directors is responsible for the preparation of the consolidated financial statements of your Company, its Subsidiaries, Associates and Joint Venture entities ('the Group'), in terms of the requirements of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

The respective Board of Directors of the companies included in the Group and of its associates and joint venture entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the

consolidated financial statements by the Directors of your Company, as aforesaid.

### OTHER INFORMATION

#### Compliance with conditions of Corporate Governance

The certificate of the Auditors, Messrs. Deloitte Haskins & Sells, confirming compliance of conditions of Corporate Governance as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and erstwhile Clause 49 of the Listing Agreement with Stock Exchanges in India, is annexed.

#### Compliance with requirements relating to downstream investments

Your Company's Auditors, Messrs. Deloitte Haskins & Sells, have certified that the Company and its subsidiaries are in compliance with the requirements relating to downstream investment as laid down in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Ninth Amendment) Regulations, 2013 and other applicable FEMA Regulations.

#### Going Concern status

There is no significant or material order passed during the year by any regulator, court or tribunal impacting the going concern status of the Company or its future operations.

#### Extract of Annual Return

The information required under Section 134 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, is annexed.

#### Particulars of loans, guarantees or investments

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in Notes 11, 12, 13, 17 and 31 (iv) (a) (ii) to the Financial Statements.

#### Particulars relating to Conservation of Energy and Technology Absorption

Particulars as required under Section 134 of the Companies Act, 2013 relating to Conservation of Energy

and Technology Absorption are also provided in the Annexure to this Report.

### Employees

The total number of employees as on 31st March, 2016 stood at 25,564.

There were 156 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, 2016. The information required under Section 197(12) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 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

Over the last twenty years, your Company has created multiple drivers of growth by developing a

portfolio of world-class businesses. During this period, your Company's Gross Turnover and Post-tax profit have recorded an impressive compound growth of 12.2% and 19.9% per annum respectively. Return on Capital Employed has improved substantially from 28.4% to 43.1% during this period. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have grown at a compound rate of 23.3% per annum during this period, placing your Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

Your Company today, is the leading FMCG marketer in India, a pre-eminent hotel chain and a trailblazer in green hoteliering, the clear market leader in the Indian Paperboard and Packaging industry, the country's foremost Agri business player and a global exemplar in sustainable business practices. Additionally, its wholly-owned subsidiary, ITC Infotech India Limited, is one of India's fastest growing Information Technology companies in the mid-tier segment.

Your Company's Board and employees are inspired by the Vision of sustaining ITC's position as one of India's most admired and valuable companies, creating enduring value for all stakeholders, including the shareholders and the Indian society. The vision of enlarging your Company's contribution to the Indian economy is driven by its 'Let's Put India First' credo as well as the core values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Citizenship, which are the cornerstones of ITC's Corporate Governance philosophy.

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.

On behalf of the Board

Y. C. DEVESHWAR

*Chairman*

R. TANDON

*Director & Chief Financial Officer*

20th May, 2016  
Kolkata  
India

# Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2016

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES OF THE COMPANY

### 1. CSR Policy - Brief Outline and Overview

#### a. Brief outline of CSR Policy:

To direct ITC's CSR Programmes, inter alia, towards achieving one or more of the following: enhancing environmental and natural capital; supporting rural development; promoting education and vocational skills; providing preventive healthcare; providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting traditional art and culture, and promoting sports.

#### b. Role of the CSR and Sustainability Committee:

The role of the CSR and Sustainability Committee is, inter alia, to review, monitor and provide strategic direction to the Company's CSR and sustainability practices towards fulfilling its triple bottom line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods. The Committee formulates, reviews and monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the Companies Act, 2013. The Committee also reviews the Business Responsibility Report of the Company.

#### c. Programmes / Projects:

The two most important stakeholders for ITC's CSR programmes / projects are:

- Rural communities primarily in the Company's Agri Business areas.
- The communities residing in close proximity to our production units.

The Company's stakeholder representation is varied, calling for an integrated approach to development comprising several layers of interventions which are summarised below:

##### i. Promoting Preventive Healthcare, Sanitation & Poverty Alleviation (Schedule VII - i):

- **Sanitation:** Promote a hygienic environment through prevention of open defecation and reduce incidence of water-borne diseases. Focus on interventions to enhance awareness and impact behaviour change on Water, Sanitation & Hygiene (WASH).
- **Village Health Champions (VHCs):** Specific focus on maternal and child care through a network of women Village Health Champions.
- **Healthcare:** Provide medical aid to communities, infrastructure support to government hospitals and relief to victims of natural calamities.
- **Health Infrastructure:** Undertake various social and civic infrastructure services to improve sanitation and hygiene in the neighbourhood of our factories comprising potable drinking water, drainage systems, etc.
- **Waste Recycling:** Create a clean and green environment through source segregation and recycling of dry waste, and create sustainable livelihoods for rag pickers and waste collectors.
- **Solid Waste Management:** Door-to-door collection of household waste against levies and segregation at site in order to recycle and compost such waste so as to minimise the load at municipal landfills.
- **Poverty Alleviation:** These programmes are targeted to the needy and poor who are provided with quality garments as a part of the NGOs' larger goal of poverty alleviation.

##### ii. Livelihood Enhancement (Schedule VII - ii):

- **Integrated Animal Husbandry Programme:** Enhance incomes of farmers by increasing productivity of milch animals through a comprehensive package of extension services and training to dairy farmers.
- **Education:** Provide children from weaker sections access to education with focus on enrolment, retention and improved pedagogy.
- **Vocational Training:** Build and upgrade skills of youth to better compete with the emerging needs of the job market across different sectors.

##### iii. Economic Empowerment of Women (Schedule VII - iii):

Provide a range of gainful employment opportunities to poor women supported with financial assistance by way of loans and grants.

##### iv. Ensuring Environmental Sustainability (Schedule VII - iv):

- **Social Forestry:** Promote livelihoods for small and marginal landholders belonging to the economically weaker section of society through afforestation programmes by providing financial, technical and marketing support.

- **Soil & Moisture Conservation:** Promote local management of water resources by facilitating community-based participation in planning and executing watershed projects.
  - **CII-ITC Centre of Excellence for Sustainable Development:** Enable businesses to create enduring value on a sustainable basis by embedding the imperatives of sustainable development in their strategies and processes.
- v. **Protection of National Heritage, Art & Culture (Schedule VII - v):**  
Revive and restore vanishing musical sub-genres by enlisting the goodwill of some of the greatest musicians of the time through the ITC Sangeet Research Academy (ITC SRA), which was established in 1977.
- vi. **Rural Development (Schedule VII - x):**
- **Sustainable Agriculture:** Introduce advanced knowledge and technology through package of practices and increase awareness of farmers on optimum use of natural resources in order to increase farm productivity and minimise cost of cultivation.
  - **Knowledge Empowerment:** Leverage knowledge based interventions to empower farmers to make informed choices by providing relevant and real-time information on commodity prices, local weather reports, customised knowledge on farm management, risk management and scientific farming.
  - **Agri-extension / services:** Encourage sustainable agricultural practices through Choupal Pradarshan Khets to enable access to relevant farm mechanisation technologies and implements, especially for small farm holdings.
  - **Farm Productivity Enhancement:** Improve the technical know-how of farmers, increase access to best practices and agricultural technologies and, thereby, enhance farm productivity.

## 2. Present Composition of the CSR and Sustainability Committee:

Mr. Y. C. Deveshwar	Chairman
Mr. A. V. Girija Kumar	Member
Mr. R. E. Lerwill	Member
Mr. S. B. Mainak	Member
Ms. Nirupama Rao	Member
Ms. M. Shankar	Member
Mr. B. B. Chatterjee	Secretary to the Committee

3. **Average Net Profit of the Company for last three financial years:** ₹ 12338.22 crores.

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above):** ₹ 246.76 crores for FY 2015-16.

### 5. Details of CSR Spent during the financial year:

The total CSR expenditure for financial year 2015-16 stood at ₹ 247.50 crores. Please refer attached statement for details.

### 6. Details of implementing agencies:

The Company's CSR projects are implemented through partner implementing agencies which were identified and selected through a comprehensive due diligence process. Your Company partnered with:

- i. Eminent NGOs / Trusts such as BAIF Development Research Foundation, Pratham Education Foundation, Ramakrishna Mission, Bandhan Konnagar, SEWA Bharat, Foundation for Ecological Security, etc.;
- ii. ITC Sangeet Research Academy (ITC SRA), a true embodiment of the Company's sustained commitment to a priceless national heritage;
- iii. ITC Rural Development Trust, a Public Charitable Trust, involved in undertaking various programmes of rural development;
- iv. 'CII-ITC Centre of Excellence for Sustainable Development', established by the Company in collaboration with the Confederation of Indian Industry (CII).

### 7. Responsibility Statement of the CSR Committee:

The CSR Committee affirms that the implementation and monitoring of CSR Policy is in compliance with the CSR Policy and Objectives of the Company.

On behalf of the Board

Kolkata  
20th May, 2016

Y. C. DEVESHWAR                      *Chairman — CSR Committee*  
R. TANDON                                *Director & Chief Financial Officer*

Statement of details of CSR spends during the financial year 2015-16

₹ in Lakhs

Sl. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or programmes (1) Local area or other (2) State and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise	Amount spent on the projects or programmes 1. Direct expenditure on projects or programmes	2. Overheads	Cumulative expenditure up to the reporting period	Amount spent: Direct or through Implementing Agency
1	Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Health & Sanitation, Drinking Water, Eradication of Poverty	Local & Others *Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, West Bengal, Bihar, Uttar Pradesh, Uttarakhand, Jammu & Kashmir, Himachal Pradesh, Madhya Pradesh, Maharashtra, Kerala, Arunachal Pradesh, Assam, Chandigarh, Chhattisgarh, Gujarat, Meghalaya, Odisha, Rajasthan, Tripura, Goa	3430	5494	301	5795	**Through Project Implementing Agencies, Government and Direct
2	Promoting education, including special education and employment enhancing vocation skills specially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Education Vocational Training Livestock Development Livelihood	Local *Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, West Bengal, Bihar, Uttar Pradesh, Uttarakhand, Rajasthan, Himachal Pradesh, Madhya Pradesh, Maharashtra, Assam, Odisha, Punjab, Haryana, New Delhi, Meghalaya, Chandigarh	6474	2325 1357 579 255	94 92 41 4	2419 1449 620 259	**Through Project Implementing Agencies and Direct
3	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.	Women Empowerment	Local *Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Bihar, Madhya Pradesh, Uttar Pradesh, Assam, Rajasthan, West Bengal, New Delhi	2343	1700	117	1817	**Through Project Implementing Agencies and Direct
4	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.	Environment Sustainability, Soil & Moisture Conservation Wasteland Development	Local & Others *Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Bihar, Rajasthan, Maharashtra, Madhya Pradesh, New Delhi, Gujarat, Punjab, West Bengal, Uttar Pradesh	7053	5129 1681	283 120	5412 1801	**Through Project Implementing Agencies and Direct
5	Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts.	Protection of national heritage, art and culture	Local *West Bengal, Punjab	500	42	51	93	**Through Project Implementing Agencies and Direct
6	Rural Development projects.	Agri Development	Local *Bihar, West Bengal, Odisha, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Madhya Pradesh, Maharashtra, Uttar Pradesh, Rajasthan, Gujarat, Punjab	5100	4962	123	5085	**Through Project Implementing Agencies and Direct
	<b>Total</b>			<b>24900</b>	<b>23524</b>	<b>1226</b>	<b>24750</b>	

\* The CSR programmes are carried out primarily in the following districts of the States / Union Territories as mentioned below:  
 Bihar – Munger, Jamui, Bhagalpur, Begusarai, Lakhisarai, Buxar, Sasaram, Samastipur, Banka, Chhapra, Katihar, Muzaffarpur  
 West Bengal – Hooghly, Kolkata, Murshidabad, South 24 Parganas, Howrah, Paschim Medinipur, Purba Medinipur, Birbhum, Darjeeling, Bankura, Cooch Behar, Malda, North 24 Parganas, Purulia, Jalpaiguri  
 Odisha – Ganjam, Khordha, Malkangiri, Bhubaneswar, Puri, Bhubaneswar  
 Assam – Kamrup, Darrang, Guwahati, Goalpara, Bongaigaon, Morigaon, Nagaon, Dibrugarh, Sivasagar  
 Jharkhand – Deoghar, Jamshepur, Jamtara, Ranchi,  
 Arunachal Pradesh – Itanagar, Tirap  
 Tripura – Kailashahar  
 Meghalaya – Shillong, East Khasi Hills, Cherrapunji  
 Uttar Pradesh – Allahabad, Budaun, Gonda, Bahraich, Chandauli, Saharanpur, Hardoi, Hathras, Pilibhit, Etah, Mathura, Ghazipur, Lucknow, Kanpur, Noida  
 Madhya Pradesh – Agar, Bhopal, Chhindwara, Guna, Indore, Vidisha, Sehore, Ujjain, Hoshangabad, Mandla, Dewas, Shivpuri, Mhow, Dhar  
 Uttarakhand – Haridwar, Almora, Pauri Garhwal, Champawat, Dehradun  
 New Delhi  
 Himachal Pradesh – Solan

Maharashtra – Ahmednagar, Pune, Parbhani, Satara, Amravati, Wardha, Mumbai, Ratnagiri, Yavatmal, Chandrapur, Nagpur  
 Rajasthan – Baran, Bhilwara, Pratapgarh, Jhalawar, Bundi, Kota, Udaipur, Raipur, Barmer, Jalore, Jaipur, Nimbahera, Jhunjhunu  
 Andhra Pradesh – East Godavari, Guntur, West Godavari, Prakasam, Nellore, Krishna, Srikakulam, Vishakhapatnam, Kurnool  
 Telangana – Khammam, Nalgonda, Warangal, Medak, Karimnagar, Hyderabad, Rang Reddy  
 Karnataka – Mysuru, Chikballapur, Hassan, Mandya, Chamarajpet, Kolar, Gadag, Tumkur, Bengaluru Urban, Bengaluru Rural, Manipal, Kodagu  
 Tamil Nadu – Coimbatore, Krishnagiri, Tiruvallur, Virudhunagar, Sivagangai, Theni, Madurai, Thoothukudi, Chennai, Nilgiris, Vellore  
 Jammu & Kashmir – Jammu  
 Kerala – Kozhikode  
 Punjab – Kapurthala  
 Chandigarh  
 Gujarat – Navsari, Rajkot, Surendranagar  
 Haryana – Hisar, Jind, Gurgaon (Gurgaon)  
 Chhattisgarh – Raipur  
 Goa – North Goa

\*\*The CSR programmes are carried out both directly and through the project implementing agencies the details of which are stated in the Report

# Annexure to the Report of the Board of Directors

## For the Financial Year Ended 31st March, 2016

### Form No. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

**Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

#### 1. Details of contracts or arrangements or transactions not at arm's length basis

(a) Name(s) of the related party and nature of relationship	Greenacre Holdings Limited, a wholly-owned subsidiary of Russell Credit Limited, which in turn is a wholly-owned subsidiary of the Company	Russell Credit Limited, a wholly-owned subsidiary	Technico Pty Limited, a wholly-owned subsidiary
(b) Nature of contracts / arrangements / transactions	Purchase of land	Sale of equity shares of Wills Corporation Limited	Purchase of equity shares of Technico Agri Sciences Limited
(c) Duration of the contracts / arrangements / transactions	N.A.	N.A.	N.A.
(d) Salient terms of the contracts or arrangements or transactions including the value, if any	3,839 sq. mtrs. of land owned by Greenacre Holdings Limited has been sold to the Company at book value of ₹ 28.22 crores for the upcoming Hotel Project in Mumbai.	The entire shareholding of Wills Corporation Limited (48,85,626 equity shares) has been sold to Russell Credit Limited at carrying cost of ₹ 4.88 crores.	The entire shareholding of Technico Agri Sciences Limited (3,79,62,800 equity shares) has been purchased from Technico Pty Limited at ₹ 121 crores (representing the book value of the company's shares as per its latest audited financials as at 31st March, 2015).
(e) Justification for entering into such contracts or arrangements or transactions	The transaction is between the Holding Company and wholly-owned subsidiary and therefore there is no potential conflict with the interests of the Company and its shareholders arising out of the same. Further, the said transaction will facilitate the expansion plans of the Company.	The transaction is between the Holding Company and wholly-owned subsidiary and therefore there is no potential conflict with the interests of the Company and its shareholders arising out of the same. Further, the aforesaid shares of Wills Corporation Limited were sold to Russell Credit Limited to improve operational efficiencies.	The transaction is between the Holding Company and wholly-owned subsidiary and therefore there is no potential conflict with the interests of the Company and its shareholders arising out of the same. Further, the aforesaid acquisition of entire share capital of Technico Agri Sciences Limited is expected to improve business and operational synergies.



(f) Date(s) of approval by the Board	27th March, 2015	12th August, 2015	22nd January, 2016
(g) Amount paid as advances, if any	Nil	Nil	Nil
(h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	N.A.	N.A.	N.A.

## 2. Details of material contracts or arrangements or transactions at arm's length basis

(a) Name(s) of the related party and nature of relationship	NOT APPLICABLE
(b) Nature of contracts / arrangements / transactions	
(c) Duration of the contracts / arrangements / transactions	
(d) Salient terms of the contracts or arrangements or transactions including the value, if any	
(e) Date(s) of approval by the Board, if any	
(f) Amount paid as advances, if any	

On behalf of the Board

Kolkata  
20th May, 2016

Y. C. DEVESHWAR  
R. TANDON

*Chairman*  
*Director & Chief Financial Officer*

## Annexure to the Report of the Board of Directors

INFORMATION UNDER SECTION 134 (3) (m) OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE REPORT OF THE BOARD OF DIRECTORS

### CONSERVATION OF ENERGY:

All business units continued their efforts to improve energy usage efficiencies and increase the share of renewable energy. Various key performance indicators like specific energy consumption (energy consumed per unit of production), specific energy costs and renewable energy contributions were continuously tracked to monitor alignment with the Company's overall sustainability approach. The Company has a process to identify and evaluate energy risks and opportunities, taking into account future expansion plans, evolving regulatory frameworks, techno-commercial feasibility and socio-political aspects. Accordingly, phased implementation of energy conservation and renewable energy generation projects are carried out and innovative ways and new technologies are constantly explored to bring about alignment between organisational interests and the larger social purpose.

#### a) Steps taken or impact on conservation of energy:

Some of the energy conservation measures adopted across the Company are outlined below:

- I. Improvement in energy usage efficiency in lighting systems by installation of automated lighting controls & sensors, changing over to more efficient lighting solutions such as Light Emitting Diodes.
- II. Installation of automated controls & sensors in different equipment related to manufacturing processes, air conditioning systems and power generation for better monitoring & control and thereby minimising losses.
- III. Retrofitting and replacement of motors, pumps, fans, vacuum and air conditioning systems with more energy efficient equipment.
- IV. Recovery of waste heat from chillers for hot water generation thereby reducing fuel consumption in boilers.
- V. Upgradation of the steam system in a paper machine to minimise losses, enhance heat utilisation and increase condensate recovery.
- VI. Reducing furnace oil consumption by using process waste generated from within the unit.
- VII. Optimisation of compressed air systems to minimise losses and reduce energy consumption.
- VIII. Installation of variable frequency drives to optimise energy consumption.
- IX. Process improvements to enhance productivity and reduce specific energy consumption.

#### b) Steps taken for utilising alternate sources of energy:

As part of its strategy to adopt a low-carbon growth path, the Company intends to progressively move towards meeting at least 50% of its total energy requirements from renewable sources by 2020.

Some of the renewable energy initiatives undertaken during the year are as follows:

- I. Replacement of fossil fuel (high-speed diesel) with bio-diesel for use in boilers.
- II. Installation of additional solar energy based photovoltaic systems.
- III. Increased use of biomass-based fuels for steam generation to reduce dependency on fossil fuels.

**c) Capital investment on energy conservation equipment: ₹ 1135.50 lakhs**

### TECHNOLOGY ABSORPTION:

#### a) Efforts made towards technology absorption:

- I. Secondary packaging automation for branded packaged food products.
- II. Integration of manufacturing and warehousing operations by on-line transfer of finished goods.
- III. Development of grease-resistant paperboard - an eco-friendly board which can replace poly-coated board for packaging of fried food items.
- IV. Process and product technologies in Personal Wash, Skin Care and Deodorants developed through in-house research and development.
- V. Induction of state-of-the-art printing and conversion equipment for packaging.
- VI. Induction of contemporary technologies and continuous improvement projects across businesses towards reducing process variability, cycle time and wastages while enhancing manufacturing flexibility and productivity.

#### b) Benefits derived:

- I. Cycle time reduction and productivity enhancement.
- II. World-class quality and differentiated products.
- III. Addressing market specific end-use applications.
- IV. Improved productivity and process control.

#### c) The expenditure incurred on Research and Development:

	For the year ended 31st March, 2016
<b>Expenditure on R&amp;D :</b>	(₹ in Lakhs)
i) Capital	3,344.55
ii) Revenue	12,191.24
<b>Total</b>	<b>15,535.79</b>
<b>Total R&amp;D Expenditure as a % of</b>	
– Gross Revenue	0.30%
– Net Revenue	0.43%

On behalf of the Board

Kolkata

20th May, 2016

Y. C. DEVESHWAR

R. TANDON

Chairman

Director & Chief Financial Officer

# Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2016

## A. Information pursuant to section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Name of Directors & Key Managerial Personnel	Designation	Ratio of Remuneration to Median remuneration of all employees	Increase in Remuneration over LY (%)
Y C Deveshwar	Executive Chairman	427 : 1	(2%)
N Anand	Executive Director	76 : 1	0%
S Puri	Executive Director (w.e.f. 6th December, 2015)	11 : 1	–
R Tandon	Executive Director & Chief Financial Officer (w.e.f. 22nd January, 2016)	6 : 1	–
	Chief Financial Officer (Upto 21st January, 2016)	43 : 1	–
A Bajjal	Non-Executive Director	8 : 1	16% *
S Banerjee	Non-Executive Director	6 : 1	(2%)
A Duggal	Non-Executive Director	6 : 1	315% **
S B Mathur	Non-Executive Director	8 : 1	14% *
P B Ramanujam	Non-Executive Director	7 : 1	2%
S S H Rehman	Non-Executive Director	7 : 1	4%
M Shankar	Non-Executive Director	8 : 1	(2%)
A V Girija Kumar	Non-Executive Director	6 : 1	(3%)
R E Lerwill	Non-Executive Director	7 : 1	60% **
S B Mainak	Non-Executive Director	6 : 1	266% **
K Vaidyanath	Non-Executive Director	8 : 1	1%
K N Grant	Executive Director (retired on 22nd January, 2016)	90 : 1	22% ***
P V Dhobale	Executive Director (retired on 6th December, 2015)	86 : 1	16% ***
S H Khan	Non-Executive Director (expired on 12th January, 2016)	7 : 1	13% *
B B Chatterjee	Executive Vice President & Company Secretary	33 : 1	2%

\* Reflects increase in commission paid as compared to previous year

\*\* Reflects increase in commission paid as compared to previous year and remuneration for part of the year since appointed during FY 2014-15

\*\*\* Reflects payment towards leave encashment on retirement.

### Notes

- The number of permanent employees as on 31st March, 2016 was 25,564.
- Compared to the previous year 2014-15, the figures for the current year 2015-16 reflect that:
  - Gross Turnover, PBT and EPS have grown by 3.2%, 6.9% & 1.7% respectively.
  - Median remuneration and average remuneration of employees have increased by 1% and 3% respectively.
  - Average remuneration of employees excluding Key Managerial Personnel (KMPs) has increased by 2%.
  - Increase in remuneration of KMPs by 4% is primarily towards leave encashment of two KMPs who retired during the year.
- No employee's remuneration for the year 2015-16 exceeded the remuneration of the highest paid Director.
- The remuneration of the Directors, KMPs and other employees is in accordance with the Remuneration Policy of the Company stated under the section 'Report on Corporate Governance' which forms part of the Report and Accounts.
- The market capitalisation of the Company as on 31st March, 2016 increased by 1.2% when compared to that of 31st March, 2015. The Company has not made any public offer in the recent past and accordingly, comparison of public offer price and the current market price of the Company's shares will not be relevant.
- The PE ratio as on 31st March, 2016 stood at 26.8 (31st March, 2015 : 27.0).
- Performance Bonus of Executive Directors and Commission of Non-Executive Directors are the variable components of their remuneration. Key parameters for determining the same are provided in the Remuneration Policy of the Company.

**B. Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

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
<b>Employed throughout the year and in receipt of remuneration aggregating ₹ 60,00,000/- or more per annum.</b>								
Ahmad Syed Mahmood	62	On deputation	96,82,221	41,98,614	B.A., M.A.	39	06.03.1980	ANZ Grindlays Bank Plc., Mgmt. Trainee
Ambasta Ashesh (Dr.)	57	Executive V. P. and Head - Social Investments	72,25,429	36,03,068	M.A., M. Phil., Ph.D. (I.S.S., The Hague)	29	01.04.2002	Action Aid (India), Sr. Programme Analyst
Anand Nakul	59	Executive Director	2,78,76,400	1,18,29,311	B.A.(Hons.)	36	01.12.1979	@
Arif Nazeeb	54	Executive V.P. and Head - Corporate Communications	90,90,100	40,47,311	B.A.(Hons.), M.A.	30	01.09.2006	Indian Chamber of Commerce, Secretary General
Ashok D	52	General Manager - Strategic Planning	65,66,421	32,96,858	B.Com., A.C.S., F.C.M.A.	31	01.08.1992	UB Petroproducts Ltd., Dy. Manager, Accounts
Bagri Giriraj	46	Chief Operating Officer - Dairy & Beverages (FD)	67,81,854	32,55,700	B.Com.(Hons.), P.G.D.B.M.	22	01.08.2012	Castrol India Ltd., Cluster Marketing Director
Balakrishnan Subramanian	49	Head - Manufacturing Operations (PCPB)	64,97,986	28,49,110	B.E.	28	01.09.1987	Nil
Banerjee Anandarup	59	V.P. - Finance, Logistics & MIS (LRBD)	61,87,210	30,72,686	B.A.(Hons.), M.A., M.B.A.(U.S.A)	34	15.02.1985	Golden Gate University, Scheduling & Events Asst.
Batra Rakesh	52	On deputation	74,84,723	33,08,228	B.Com.(Hons.), F.C.A.	29	01.09.1986	Nil
Bezbaroa Sanjib K	53	Executive V.P. - Corporate EHS	65,98,045	28,67,222	B.E.(Elec.), P.G.D.(Safety Engg.), P.G.D.(Environmental Mgmt., Univ. of London)	33	02.06.1997	Tata Consulting Engineers Ltd., Engineer
Bhandari Ranvir	54	Chief Operating Officer - ITC Hotels / WelcomHotels (HD)	67,21,520	26,16,746	B.Com.(Hons.), Dip. in Hotel Mgmt.	26	01.09.2012	Max Ventures Pvt. Ltd., Vice Chairman
Chadha Anil	46	Area Manager South & General Manager - ITC Grand Chola (HD)	66,11,158	21,37,494	Dip. in Hotel Mgmt., Catering & Nutrition	14	01.05.2001	Nil
Chakraborty Kanchan	57	General Manager - Technology & Engg., Biscuits (FD)	69,70,815	45,51,735	B.E.	36	21.04.2006	Britannia Industries Ltd., Co. Engg. Serv. Mgr.
Chand A	51	Divisional Chief Executive (LRBD)	85,16,001	36,69,636	B.A., M.B.A.	29	01.06.1988	Godfrey Philips (I) Ltd., Mktg. Exec.
Charraudeau Philippe Herve	59	V.P. and General Manager - ITC Maratha (HD)	1,94,50,291	87,86,367	B.E.P.C., (Rehaul Rebut), C.A.P.	34	09.05.2011	Movenpick Hotels & Resorts, Saudi Arabia, G.M.
Chandrasekharan L C (Dr.)	61	Chief Scientist - Research & Technology Innovation (LS & T)	1,09,39,542	65,97,526	Ph.D.	34	01.10.2005	G.E. India, Director, Mfg. Engg.
Chatterjee B B	63	Executive V.P. & Company Secretary	1,20,36,634	65,51,761	B.Com.(Hons.), F.C.A., F.C.S., LL.B.	38	16.05.1983	Wacsge, Deputy Mgr.
Dar C	60	Group Head - LS & T, Projects, EHS and Quality Assurance	1,33,29,471	56,00,189	B.Tech.(Hons.), P.G.D.M.	37	01.05.1981	Tata Engg. & Loco. Co., Shift Supvr.
Degan Shalini	47	V.P. - Skin Care & New Product Development (PCPB)	85,05,875	51,25,736	B.Sc., M.B.A.	22	15.07.2014	Britannia Industries Ltd., Category Director - Delight & Lifestyle
Deveshwar Y C	69	Executive Chairman	15,67,46,154	7,22,88,382	B.Tech.(Mech.)	47	11.02.1994	Air India Ltd., Chairman & M.D.
Dhamotharan R	49	V.P. - Buying & Merchandising Operations (LRBD)	61,82,774	33,65,014	B.Tech., M.B.A.	24	14.03.2011	Madura Garments Ltd., V.P. - Buying & Merchandising
Dixit Pradeep Kumar	55	General Manager - T & RA (ITD)	64,51,032	32,14,049	B.Sc.(Hons.)	32	17.10.1983	Nil
Dutta Saradindu	56	Head - Corporate Accounts	81,47,347	33,73,319	B.Com.(Hons.), M.Com., A.C.A.	34	01.12.1982	Organon (I) Ltd., Trainee, Accounts
Dutta Supratim	49	Executive V.P. - Corporate Finance	77,85,382	34,52,099	B.Com.(Hons.), C.W.A., A.C.A.	25	01.11.1990	Nil
Ganesan M	53	Executive V.P. - Finance, Procurement & IT (FD)	83,25,630	41,32,121	B.Com., A.C.A., A.C.S.	30	01.03.1986	Nil
Ganesh Kumar S	48	Chief Operating Officer - Staples, Snacks & Meals (FD)	80,01,858	40,13,994	B.E.	24	14.12.1991	Nil
Garg A K	55	Head - Finance & IT (PCPB)	68,65,620	34,73,320	B.A.(Hons.), M.B.A.(U.S.A.)	33	01.08.1985	International Travel House Ltd., Regional Financial Controller
Ghosh Chandana	49	Head - Competency Development & HR (TM & D)	60,43,215	28,82,694	B.Sc.,(Hons.), M.M.S.	25	01.03.2007	Ideact Pvt. Ltd. and Studycats.com, Director
Ghosh Ranajit	43	Senior Principal Technologist - Media, Planning & Buying (PCPB)	60,35,980	34,99,599	B.Com., Executive Masters in International Business	13	20.09.2007	Times Internet Ltd., Chief Manager, Marketing
Guha Sumitro	54	Executive V.P. - Technical (ITD)	81,88,726	39,84,639	B.Tech.	33	03.08.1992	Tata Consulting Engineers, Sr. Asst. Engineer

**B. Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

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
Gupta P	59	Head - Corporate Taxation	79,05,443	43,25,953	B.Com.(Hons.), A.C.A., D.M.A.(I.C.A.)	36	15.02.1989	Hindustan Lever Ltd., Group Audit Manager
Haksar Dipak	58	Chief Executive - ITC Hotels / WelcomHotels (HD)	78,93,104	34,67,048	B.Com.(Hons.)	38	01.09.1977	@
Joshi Atul	57	National Sales Manager - Personal Care, Agarbatti & Matches (TM & D)	63,59,625	29,44,464	B.A., M.A., M.B.A.	34	01.01.1982	Nil
Kaul Sandeep	49	SBU Chief Executive (PCPB)	89,70,798	39,10,194	B.E., P.G.D.M.	25	01.06.1990	Nil
Kumar Ashwani	52	Chief Technologist - Packaging & Graphics Design (ITD)	66,55,271	29,92,557	B.Sc., M.B.A.	28	01.07.1990	Uptron India Ltd., Planning & Advr. Mgr.
Kumar G Krishna	50	V.P. - Leaf Operations (ABD-ILTD)	60,17,670	32,33,359	B.Sc.(Ag)	28	01.08.1987	Nil
Kumar Suresh	58	On deputation	64,33,114	28,63,180	B.Sc., A.M.Q.	36	01.12.1979	Nil
Madan Sachidanand	57	On deputation	1,03,60,213	48,16,633	B.Com.(Hons.), A.C.A., A.C.S.	34	01.04.2012	Russell Credit Ltd. - On deputation to Technico Agri Sciences Ltd. as Director
Malik Hemant	50	Divisional Chief Executive (ITD)	1,10,28,897	51,15,352	B.A., M.B.A.	26	01.06.1989	Nil
Mehta Rohinton R	55	Senior Associate General Counsel	63,65,015	30,37,154	B.Com.(Hons.), LL.B., LL.M., LL.M. (Criminal Law), M.S.(University of Wisconsin), Ph.D.	31	10.06.1994	Govt. Law College, Professor
Mehta Sartaj Singh	46	Creative Head (LRBD)	73,98,941	46,01,806	B.A., P.G.D., Knitwear Design Tech.	18	01.09.2012	Robemall Apparel Pvt. Ltd., V.P. - Design & Sourcing
Mukerji Arup K	57	Corporate Financial Controller	1,13,40,780	54,34,747	B.Com.(Hons.), A.C.A.	34	01.11.1982	Gupta Chowdhury & Ghose, Jr. Officer
Mukherjee P	54	V.P. - Finance & MIS (ABD-ILTD)	71,43,738	31,59,075	B.Com.(Hons.), A.C.S., A.C.A.	29	01.09.1987	M/s Khanna & Annadhana, Ch. Accountants, Asst. Audit
Mukherjee Soumitra (Dr.)	50	Chief Scientist (ITD)	75,28,217	43,27,646	B.Sc., M.Sc., Ph.D., Post Doctorate	21	16.03.1998	ICI India Ltd., Manager Q.A.
Mukhopadhyay Manu	58	General Manager - Product Development, Biscuits (FD)	62,15,790	38,98,921	B.Sc., B.Tech., M.Tech.	29	21.04.2006	Britannia Industries Ltd., R&D Manager
Noronha A R	62	Executive V.P. - Projects (HD)	74,96,084	32,68,528	B.E.(Elec.)	38	01.05.1978	@
Parasuram R	57	Head - Corporate Internal Audit	99,89,885	51,12,571	B.Com.(Hons.), A.C.A.	33	15.09.1982	Nil
Prabhakar L	50	V.P. - Human Resources (ABD)	60,69,920	28,73,067	B.E., P.G. Dip. in P.M. & I.R.	23	01.05.2006	ITC Infotech India Ltd., G.M.- HR
Pramanick B K	58	Head of Finance (PPB)	61,66,854	28,49,224	B.Com.(Hons.), C.W.A.	34	21.04.1997	Kitti Steels Ltd., Dy. General Manager
Puri Sanjiv	53	Executive Director	1,81,81,871	70,94,200	B.Tech.	31	20.01.1986	TELCO Ltd., Trainee
Qing Liang Xiao	53	Executive Chinese Chef, ITC Maratha (HD)	82,23,467	39,54,671	Cooking School of Beijing Tourism Administration	34	01.04.2009	The Great Wall Sheraton Hotel, Exec. Chinese Chef
Rai R K	53	Chief Operating Officer (ABD)	86,22,451	46,17,362	B.A.(Mktg.), P.G.D. in Exports & Imports	33	16.08.1990	Britannia Industries Ltd., Commercial Officer
Rajasekharan V M	57	SBU Chief Executive - Agarbatti & Matches	75,59,832	34,20,267	B.E.	36	01.06.1986	M.M. Rubber Co. Ltd., Sales Mgr.
Rajesh V L	48	Divisional Chief Executive (FD)	87,37,988	38,66,402	B.Sc., M.B.A.	25	01.06.1990	Nil
Rajiv Mohan D V R	50	V.P. - Commodities (ABD)	63,83,218	29,79,419	B.Com.(Hons.), M.B.A.	27	22.08.1988	Nil
Rajput A K	60	Senior V.P. - Corporate Affairs	1,38,91,754	60,60,427	B.Com., M.B.A.	39	10.04.1976	Nil
Rama Prasad H N	50	V.P. - Exports & Supply Chain (ABD - ILTD)	61,16,076	30,67,117	B.Sc.(Agri.), M.Sc.(A.G.)	27	26.09.1988	Nil
Ramamurthi Suresh (Dr.)	51	Chief Technologist (PCPB)	72,43,570	35,68,032	B.Sc., M.Sc.(Tech.), Ph.D.	20	27.08.2007	Hindustan Unilever Ltd., Sr. Scientist
Rangrass S	55	Divisional Chief Executive (ABD-ILTD)	1,06,66,005	54,55,945	B.Tech.	33	01.07.1982	Nil
Rao A Venkateswara	61	Executive V.P. - Manufacturing & Projects (PSPD)	65,61,715	30,99,021	B.E.(Mech.)	19	21.06.1996	Nil
Reddy K Venkateshwar	50	General Manager - Product Development, Staples & Noodles (FD)	71,30,625	44,51,920	B.Tech.	27	01.08.2001	Cargill India Pvt. Ltd., Prod. Manager

**B. Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

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
Roy A	50	Head - Finance & Supply Chain (TM & D)	68,27,682	34,63,137	B.Com.(Hons.), A.C.A.	27	04.06.1990	E.L.M.(I) Ltd., Accounts Officer
Roy Samindra	58	National Sales Manager - Cigarettes (TM & D)	60,23,623	31,93,051	B.A.(Hons.), M.B.A.	19	15.10.1996	Shaw Wallace & Co. Ltd., G.M. Marketing
Sarma C V	54	Executive V.P. - Finance & MIS (PSPD)	75,63,248	35,07,944	B.Com., C.W.A., A.C.A., A.C.S., P.G.D.M.	22	03.05.1993	Nil
Sengupta P	58	General Manager - Risk Management	66,91,591	28,92,696	B.Sc.(Hons.), A.C.A.	34	01.07.1987	Indian Aluminium Co. Ltd., Finance Officer
Senguttuvan R	54	SBU Chief Executive (PPB)	1,02,51,002	49,88,401	B.E., P.G.D.M.	30	27.05.1991	Asian Paints, Purchase Executive
Seth Anil	58	Executive V.P. - Finance & MIS (ITD)	1,02,53,824	39,36,811	B.A.(Hons.), A.C.A., P.G.D.B.M.	33	01.11.1982	Nil
Shanmuga Sundaram A	49	Deputy General Counsel	79,86,441	39,16,177	B.L., M.L.	27	20.10.1997	Maxworth Home Ltd., Manager, Legal
Singh Jagdish	50	V.P. - Finance and Shared Services (HD)	65,35,489	35,74,726	B.Com.(Hons.), A.C.A	28	01.04.1990	Lovelock & Lewes, Jr. Asst.
Singh S K	59	Divisional Chief Executive (PSPD)	1,16,08,368	53,03,670	B.Tech.(Chem.)	39	21.06.1977	#
Singhi Rajendra Kumar	51	Senior Deputy Company Secretary	71,19,451	39,75,338	B.Com.(Hons.), LL.B., F.C.S.	31	01.08.1988	Chemcrown (I) Ltd., Asst. Secretary
Sivakumar S	55	Group Head - Agri Business	1,80,08,736	92,94,171	B.Sc., P.G. Dip. in Rural Mgmt.	33	18.09.1989	Gujarat Co-op Oil Seeds Growers' Fed. Ltd., Mgr. Mktg.
Songadwala Zubin S	47	General Manager - ITC Maurya (HD)	60,29,975	19,68,407	Dip. in Hotel Mgmt. & Catering Technology	25	01.02.1991	Nil
Sridhar R	57	Head - Corporate Human Resources	77,13,673	33,68,248	B.Sc., P.G. Dip. in P.M. & I.R., Fellow in Mgmt.	33	01.06.1982	Nil
Stephanos K G	51	V.P. - Finance & MIS (ABD)	66,25,311	35,05,827	B.Com.(Hons.), A.C.A.	27	01.07.1988	Price WaterHouseCoopers, Jr. Officer
Sule Sandeep Arun	50	Executive V.P. - Sales Operations & Development (TM & D)	79,18,291	35,79,422	B.Com., M.I.B.	26	16.07.1990	Bayer India Ltd., Management Trainee
Sumant B	52	President - FMCG Businesses	1,22,51,352	49,79,666	B.E.	30	20.01.1986	Nil
Suresh G K	45	V.P. - New Category Development (FD)	63,32,448	28,53,891	B.E., P.G.D.B.M.	22	01.06.1995	Tata Elxsi Ltd., Customer Support Exec.
Suresh K S	56	General Counsel	1,37,95,446	60,58,045	B.A., B.L., P.G.D.P.M., I.R. & L.W.	34	01.09.1990	Chambers of Sri C.S. Venkata Subramaniam, Advocate
Tandon R	62	Executive Director & Chief Financial Officer	1,77,56,794	74,97,961	B.Sc., F.C.A.	38	01.01.1987	Triveni Handlooms Ltd., Finance Mgr. & Secy.
Thakur N N	52	Head - Sales & Marketing (ESPB)	60,63,408	30,89,955	B.Sc., P.G.D.	28	01.09.1987	Nil
Tyagi Shailender	57	SBU Chief Executive (ESPB)	80,96,006	36,93,952	M.Sc., P.G.D.	34	01.02.1982	Nil
Venkateswaran Krishnan (Dr.)	56	Chief Scientist and Head - Product Development and R&D (PCPB)	79,87,104	47,38,581	B.Sc., M.Sc., Ph.D.	31	05.05.2005	Hindustan Lever Ltd., Head - Skin, Cleansing & Care
Viswanathan K I	55	Executive V.P. - Marketing (PSPD)	70,48,359	37,83,800	M.B.A.	33	06.09.1982	Nil
Wali Paritosh	46	Chief Operating Officer - Confections (FD)	64,96,731	29,47,719	B.Tech., Sloan Fellowship	24	16.08.1991	Nil
Wanchoo Siddharth	55	Executive V.P. - Marketing (ITD)	79,45,556	38,34,984	B.Com.(Hons.)	34	19.10.1981	Nil
Wariah Dalbir Singh	49	General Manager - Product Development, Snacks (FD)	67,06,590	38,38,872	B.E.	26	05.04.2005	PepsiCo India Holdings Pvt. Ltd., General Manager
Zachariah Abraham	57	Executive V.P. and Head - Central Projects Organisation	70,95,505	33,82,120	B.Sc.(Engg.)	33	01.09.2012	Lanco Infratech Ltd., Senior Vice President
<b>Employed for a part of the year and in receipt of remuneration aggregating Rs. 5,00,000/- or more per month.</b>								
Ahmed Riaz	60	V.P. - Finance & MIS (LRBD)	66,14,049	39,77,679	B.Com., F.C.S., F.C.M.A., A.C.I.S.(U.K.)	30	23.01.1986	@
Anjaneyulu C (Dr.)	60	Leaf Manager - South (ABD-ILTD)	22,04,605	15,48,113	B.Sc., M.Sc., Ph.D.	34	02.02.1990	Government of India, Directorate of Marketing & Inspection, Marketing Officer
Barve Mahendra	45	General Manager - Product Development (FD)	50,90,447	31,25,806	B.Sc., M.Sc., Food Tech., E.M.B.A.	-	27.07.2015	Nil
Batra Vipul	34	Manager - Finance (LRBD)	2,88,327	2,78,462	B.Com.(Hons.), A.C.A.	12	16.03.2006	Cheil Communications India Pvt. Ltd., Accounts Exec.
Bishnoi Achal	29	Executive - Regional Logistics, North (ESPB)	85,656	80,820	B.Com., M.B.A.	3	05.11.2012	Nil
Bose Debal	60	Asst. Finance Manager (TM & D)	10,20,977	8,52,834	B.Com.	35	01.01.1981	Bhartiya Elect. Steel, Commercial Trainee
Bose Kamal Ranjan	56	General Manager - Institutional Sales (TM & D)	56,11,246	30,44,832	B.A.(Hons.), P.G.D.M.	36	16.01.1995	#

**B. Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

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
Chandar V	60	Head - Finance, CGR (HD)	50,54,361	28,62,822	B.Com., M.Com., M.B.A., LL.B.	40	09.01.1976	Nil
Chamchoy Sasakamol	53	Spa Manager, ITC Grand Chola (HD)	20,12,631	10,94,660	Bachelor of Humanities, Ramkhamhaeng Univ.	28	17.01.2011	The Leela Kempinski, Udaipur, Spa Manager
Changrani Bhuvanesh	30	Asst. Manager (PSPD)	99,883	96,405	B.E.(Mech.), M.B.A.(Mktg)	2	10.06.2013	Nil
Chong Sin Chong	44	Asst. Chinese Chef - Sheraton New Delhi (HD)	9,39,996	6,30,038	High School	26	02.08.2012	Golden Island Chinese Cuisine, Chef
Das C S	60	SBU Chief Executive (ESPB)	94,07,843	51,14,761	B. Tech.(Hons.), M.B.A.	36	15.04.1980	Larsen & Toubro Ltd., Trainee
Dash Swostik Sourav	25	Asst. Manager - Projects (ABD-ILTD)	2,17,193	2,07,087	B.Tech., M.Tech.(Mech.)	2	10.06.2013	Nil
Dayalpar Nitin	31	Area Manager (TM & D)	1,00,873	92,189	P.G.D.M.	7	03.11.2009	HSBC, Field Sales Associate
Debnath Mrinal Kanti	61	Manager - Technical & Projects (PCPB)	7,27,712	6,92,712	B.Sc., B.Tech.(Chem.)	41	08.05.2008	Hindustan Uniliver Ltd., Manufacturing Manager
Desai C C	60	Deputy General Manager (PSPD)	16,11,007	13,20,441	B.Com., A.C.A.	32	18.02.1983	Nil
Dhobale P V	60	Executive Director	3,14,20,103	1,53,35,376	B.Tech.(Chem.)	39	01.07.1977	#
Gandhi Sanjiv	55	D.M., Technical (ITD)	13,04,638	11,18,455	B.Tech., D.B.M.	31	01.07.1987	Larsen & Toubro Ltd., Asst. Engineer
Grant K N	58	Executive Director	3,30,71,149	1,55,14,574	B.A.(Hons.), M.B.A.	37	02.06.1980	DCM Ltd., Mgmt. Trainee
H K Mohana	32	Asst. Manager - Product Development (FD)	61,533	60,868	B.Tech., M.Tech.	2	11.12.2013	Nil
Hridaya Chanakya	26	Asst. Manager - Supply Chain (ABD-ILTD)	2,15,382	2,05,276	B.Tech., M.Tech.(Mech.)	2	10.06.2013	Nil
Joshi Abhinav Anand	32	Asst. Manager, Process Excellence (PCPB)	2,29,037	2,15,870	B.Tech.	7	01.08.2012	Primal Glass Ltd., Asst. Manager, Manufacturing
Jyothimurugan V S M	60	Senior Specialist EHS (PSPD)	30,96,404	16,94,383	B.Sc., M.Sc., D.I.S., Dip. in Trng. & Development	25	06.07.1990	Nil
Kanaskar Akshay	34	Customer Associate (LRBD)	40,712	38,315	B.Com., M.B.A.	8	06.06.2011	Indiamart Intermesh Ltd., Asst. Mgr.-Client Servicing
Karan Kunal	32	Asst. Manager - HR (ITD)	1,27,437	1,20,714	P.G.D.M.	10	25.05.2007	Sonthalia Cellulars (Airtel), Sales Team Leader
Kavarana D	60	Chief Executive Officer - WelcomHeritage (HD)	62,93,210	30,64,143	B.Com., Dip. in Hotel Mgmt. & Nutrition	37	01.08.1978	Nil
Kikuta Fumio	51	Japanese Chef, ITC Gardenia (HD)	21,67,611	12,39,935	Craftsmanship in Japanese Cuisine	30	11.07.2011	Gulf Hotel, Bahrain, Japanese Chef
Khandelwal Lalit Kumar	24	Asst. Manager Finance (HD)	55,472	51,083	B.Com., A.C.A.	1	07.04.2014	Nil
Kumar J Shравan	30	Officer - Procurement (ABD-ILTD)	38,973	37,077	M.Sc.(Food Tech.)	5	10.06.2014	Heritage Foods (India) Ltd., Exec., Sourcing & Sales
Kumar Prateek	27	Asst. Manager - Projects (PCPB)	2,54,193	2,43,027	B.Tech.	4	01.06.2011	Nil
Mathews Shibu	40	On deputation	5,80,729	3,64,625	B.Com.(Hons.), A.C.A., SWIFT	15	11.12.2000	Nil
Maurel Eric	54	Executive Pastry Chef, ITC Maurya (HD)	18,57,854	10,76,718	Chef Diploma - Maitrise, First Degree Certificate in Pastry, Chocolate & Ice Cream	19	01.08.2013	JW Marriott, Cairo, Exec. Pastry Chef
Mohan Nimalan	25	Asst. Manager - Technical (PPB)	2,77,720	2,62,606	B.Tech.	3	11.06.2012	Nil
Moran Joanna	39	Spa Manager and Corporate Spa Trainer - ITC Grand Bharat (HD)	31,74,979	16,63,377	B.A.(Hons.), Dip. in ESPA	15	18.09.2014	Leela Palaces, Mumbai, Corporate Spa Trainer
Mrosek Stefan	50	Executive Pastry Chef, ITC Grand Chola (HD)	23,22,008	12,73,657	Master Baker	31	04.11.2015	Hotel Zur Bleiche Resort and Spa, Burg im Spreewald, Exec. Pastry Chef
Mukherjee Nilanjan	48	Head - Marketing (PCPB)	34,05,455	17,29,721	B.E., M.B.A.	20	30.09.2010	I. Morph Consulting, Partner
Naidu Yabaji Rajesh Kumar	27	Category Development Manager (FD)	1,44,432	1,40,603	B.Tech.	2	11.12.2013	Nil
Naik Shailesh Narayan	44	General Manager - Channel (ABD)	4,65,134	4,31,159	B.E.(Mech.), M.B.A.	20	17.04.2006	Asian Paints Ltd., Sales Unit Head
Nayak Anand	64	Executive V.P. and Head - Corporate Human Resources	2,26,66,429	1,16,34,554	B.Sc., P.G.D.I.R.	42	14.05.1973	Nil
Padmanabhan A	62	V.P. - Projects (PSPD)	26,22,234	18,69,220	B.E.(Elec.)	38	07.10.1994	Phoenix Pulp & Paper Mill, Thailand
Pandey Vijay	55	Senior Specialist - Fabrics (LRBD)	31,11,837	21,23,927	T.D.C., B.Text., M.B.A.	37	16.04.2007	Grasim Industries Ltd., Asst. V.P.
Pandya Sagar	38	Area Sales Manager (LRBD)	2,07,667	2,02,097	B.E., P.G. Dip. in Business Administration	14	30.10.2006	Uni Style Image Pvt. Ltd., Asst. Manager - Retail Planning
Pathak Arun	56	Executive V.P. - Finance (HD)	82,38,105	35,40,745	B.Com.(Hons.), F.C.A.	32	20.06.1983	Nil
Prasad K T	60	Executive V. P. - Corporate Human Resources	84,51,506	41,00,833	B.A., M.A.(P.M., I.R. & L.W.)	35	01.06.1999	ITC Agro Tech., G.M. - H.R.

**B. Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

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
Prasad Latha	60	Assistant Manager Finance (TM & D)	10,36,535	7,87,128	B.Com.	30	01.02.1985	Nil
Prasad V Rajendra	52	Deputy Manager (PSPD)	2,32,610	2,15,239	B.Sc.(Tech.)	26	07.08.1989	Nil
Rajendran K	60	Executive C.E.S. (ITD)	4,57,605	4,07,950	B.Com.	41	17.09.1974	Nil
Ramanajaneya Reddy S V S	56	Manager - Employee Relations (ABD-ILTD)	11,71,063	9,62,984	B.Sc., M.A.(S.W.), B.L.	29	30.08.1991	MG Brothers, Asst. Personnel Officer
Ramaswamy T V	64	Group Head - LS & T, Projects & EHS	1,37,31,219	71,17,275	B.E., M.M.S.	41	01.07.1974	Nil
Rana Dharm Singh	60	Asst. Manager Finance, WelcomHotel Jodhpur (HD)	2,99,300	2,13,917	B.Com.	38	22.11.1977	Nil
Rao D Sambasiva	60	General Manager - Materials (PSPD)	41,70,999	24,49,432	B.Com.(Hons.)	38	08.07.1991	Hindustan Lever Ltd., Sales Representative
Ratho Ram Prasad	60	Assistant Manager - T&RA (TM & D)	7,88,003	6,75,824	B.Com.(Hons.)	39	01.12.1981	Hindustan Lever Ltd., Sales Representative
Sathya D	60	General Manager - Product Development, Confectionery (FD)	76,59,357	49,65,922	B.Sc.(Agri Sciences), M.Sc.	35	24.06.2002	Nutrine Confectionery Co. Ltd., General Manager, Q & R
Satpathy Sameer	43	Chief Operating Officer (PCPB)	66,88,875	38,50,260	B.Com., P.G.D.M.	20	01.12.2015	Marico Ltd., Chief Marketing Officer
Sen Bibhuti	60	Deputy General Manager (PSPD)	17,53,689	12,67,638	B.Sc., Dip. in Prod. Management	31	15.05.1984	Nil
Sen Pradip Kumar	58	General Manager - Risk Management	33,19,976	19,95,742	B.Com.(Hons.), A.C.A.	28	01.09.1987	Lovelock & Lewes, J.Q.A
Sharma Ravi	38	Manager - FMCG Exports (TM & D)	6,15,279	4,55,033	B.A.(Hons.), M.B.E., M.B.A.	14	02.05.2005	Microtex India Ltd., Manager
Shrivastava Abhishek	26	Asst. Manager - Technical, Dairy Products (FD)	84,266	83,415	B.Tech., M.Tech.	2	10.06.2013	Nil
Singh Shantanu	26	Asst. Manager - Technical (PPB)	2,17,445	2,02,718	B.Tech., M.Tech.	2	10.06.2013	Nil
Srinivas M K	43	Production Manager (ITD)	12,65,960	4,74,353	B.Sc., B.E.	21	01.09.2001	Alfred Herbert (India) Ltd., Sr. Exec.
Srinivasan K	43	Deputy Manager (PSPD)	4,74,796	4,44,619	Dip. in P.P.T.	19	21.11.1996	Nil
Vellanki Shivani	33	HR Manager (ABD)	1,71,990	1,68,114	B.Com., M.A.(HRM & Labour)	10	08.06.2005	Nil
Velmurugan M	34	Area Executive (TM & D)	85,793	85,415	B.E., M.B.A.	12	03.12.2007	Funkskool (India) Ltd., Sales Exec.
Verghese G	60	Area Manager Kerala & General Manager - ITC Kakatiya (HD)	21,38,788	12,23,701	B.Com., Dip. in Personnel Mgmt.	34	01.02.1981	Nil
Verma Ravi	47	Asst. Manager - Production, JP Operations (LRBD)	2,83,360	2,71,224	B.Sc.(Hons.)	17	23.05.2005	Asia Inspection & Testing Pvt. Ltd., Q.A. Mgr.
Verma Shobhith	31	Asst. Manager, Grocery 2 (TM & D)	1,18,178	1,17,609	B.Tech., P.G.D.M.	8	14.06.2010	Indian Oil Corporation Ltd., Prod. Engineer
Waris Saadain Ghizali	35	Regional Sales Manager (TM & D)	3,02,726	2,38,819	B.M.S.	8	09.06.2009	Hindustan Unilever Ltd., Brand Exec.
Yajurvedi Rishabh	28	Sr. Customer Associate (LRBD)	37,097	34,325	B.B.A., P.G. Dip. in Retail Mgmt.	4	09.12.2011	Nil

**Abbreviations denote :**

ITD	: India Tobacco Division	HD	: Hotels Division
PSPD	: Paperboards & Specialty Papers Division	ESPB	: Education & Stationery Products Business
LRBD	: Lifestyle Retailing Business Division	PCPB	: Personal Care Products Business
ABD	: Agri Business Division	PPB	: Printing & Packaging Business
ABD-ILTD	: Agri Business-India Leaf Tobacco Division	LS & T	: Life Sciences & Technology
FD	: Foods Division	TM & D	: Trade Marketing & Distribution

@ 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 :**

- Remuneration includes salary, performance bonus, allowances & other benefits/ applicable perquisites except contribution to the approved Pension Fund 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 under the Companies Act, 2013.
- The Company has not incurred any expenditure for Stock Options granted at 'market price' [within the meaning of the erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999] to the Directors, Key Managerial Personnel and other Employees under its Employee Stock Option Schemes, which can be ascribed to any individual Director, Key Managerial Personnel or other Employees.
- Net remuneration comprises cash income less : a) income tax, surcharge (as applicable) & education cess deducted at source.  
b) manager's own contribution to Provident Fund.
- All appointments are/ were contractual in accordance with terms and conditions as per Company rules.
- None of the above employees is a relative of any Director of the Company.

On behalf of the Board

Kolkata  
20th May, 2016

Y. C. DEVESHWAR

Chairman

R. TANDON

Director & Chief Financial Officer



# Annexure to the Report of the Board of Directors

**FORM NO. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the Financial Year ended on 31st March, 2016**  
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	L16005WB1910PLC001985
ii)	Registration Date	:	24th August, 1910
iii)	Name of the Company	:	ITC Limited
iv)	Category / Sub-Category of the Company	:	Public company - Limited by shares
v)	Address of the Registered office and contact details	:	Virginia House, 37 Jawaharlal Nehru Road Kolkata 700 071, India Telephone no. : 033-2288 9371 Facsimile nos. : 033-2288 4016 / 1256 / 2259 / 2260 e-mail : enduringvalue@itc.in
vi)	Whether Listed Company	:	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	The Company provides share registration and related services in-house through its Investor Service Centre

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

Sl. No.	Name and Description of main products / services	NIC Code of the products / services	% to total turnover of the Company	
			Gross Turnover	Net Turnover
1	<b>FMCG</b>			
	- Cigarettes	12003	62.70%	47.93%
	- Branded Packaged Food Products	10501, 10611, 10795, 10798, 10712, 10733, 10735, 10740, 10750, 10308, 10304	13.76%	19.44%
	- Others (Apparel, Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis etc.)	10502, 10504, 46496, 46909, 47711, 20231, 20236, 20237, 20234, 46497	5.09%	7.15%
2	<b>Hotels</b>			
	- Hotels Sales / Income from Hotel Services	55101, 56101, 56210, 56301, 74909	2.47%	3.49%
3	<b>Agri Business</b>			
	- Wheat, Soya, Spices, Coffee, Unmanufactured Tobacco, Aqua etc.	10795, 10209, 10304, 10309, 10406, 10611, 10792, 46201, 46207, 46209, 46301, 46305, 46306, 47190, 47300, 47737, 12001, 20213	8.51%	12.03%
4	<b>Paperboards, Paper and Packaging</b>			
	- Paperboards and Paper	17016	6.35%	8.43%
	- Printed Material	17022, 17029, 22203	1.12%	1.53%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:**

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held by the Company	Applicable Section
1	Russell Credit Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U65993WB1994PLC061684	Subsidiary	100%	2(87)
2	Greenacre Holdings Limited ITC Centre 37 J. L. Nehru Road Kolkata 700 071	U55202WB1986PLC049467	Wholly-owned subsidiary of Russell Credit Limited, referred to in Sl. No. 1	–	2(87)
3	Wimco Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U24291MH1923PLC001082	Subsidiary	98.21%	2(87)
4	Pavan Poplar Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U01100MH1995PLC128849	Subsidiary	100%	2(87)
5	Prag Agro Farm Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U01100MH1997PLC128846	Subsidiary	100%	2(87)
6	Technico Agri Sciences Limited 25, Community Centre Basant Lok, Vasant Vihar New Delhi 110 057	U01111DL1999PLC098646	Subsidiary	100%	2(87)
7	Technico Pty Limited Suite 5, 20 Bundaroo Street Bowral NSW 2576 Australia	NA	Subsidiary	100%	2(87)
8	Technico Technologies Inc. c/o Stewart McKelvey Stirling Scales Suite 600, Frederick Square 77 Westmoreland, Fredericton New Brunswick E3B 5B4 Canada	NA	Wholly-owned subsidiary of Technico Pty Limited, referred to in Sl. No. 7	–	2(87)
9	Technico Asia Holdings Pty Limited Suite 5, 20 Bundaroo Street Bowral NSW 2576 Australia	NA	Wholly-owned subsidiary of Technico Pty Limited, referred to in Sl. No. 7	–	2(87)
10	Technico Horticultural (Kunming) Co. Limited A 38, Yanglin Industrial Development Zone Songming, Yunnan Province People's Republic of China	NA	Wholly-owned subsidiary of Technico Asia Holdings Pty Limited, referred to in Sl. No. 9	–	2(87)
11	Srinivasa Resorts Limited 6-3-1187, Begumpet Hyderabad 500 016	U74999TG1984PLC005192	Subsidiary	68%	2(87)
12	Fortune Park Hotels Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurgaon 122 001	U55101HR1995PLC052281	Subsidiary	100%	2(87)
13	Bay Islands Hotels Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurgaon 122 001	U74899HR1976PLC052282	Subsidiary	100%	2(87)

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (Contd.):

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held by the Company	Applicable Section
14	ITC Infotech India Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U65991WB1996PLC077341	Subsidiary	100%	2(87)
15	ITC Infotech Limited Norfolk House 118 Saxon Gate West Milton Keynes, MK9 2 DN United Kingdom	NA	Wholly-owned subsidiary of ITC Infotech India Limited, referred to in Sl. No. 14	–	2(87)
16	ITC Infotech (USA), Inc. 12 Route, 17 North Suite 303, Paramus New Jersey 07652 United States	NA	Wholly-owned subsidiary of ITC Infotech India Limited, referred to in Sl. No. 14	–	2(87)
17	Pyxis Solutions, LLC 55 Broad St., Fl. 14 New York NY 10004-2501 United States	NA	Wholly-owned subsidiary of ITC Infotech (USA), Inc., referred to in Sl. No. 16	–	2(87)
18	Gold Flake Corporation Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U16003WB1935PLC008314	Subsidiary	100%	2(87)
19	Landbase India Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurgaon 122 001	U74899HR1992PLC052412	Subsidiary	100%	2(87)
20	ITC Investments & Holdings Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U65923WB2012PLC176166	Subsidiary	100%	2(87)
21	MRR Trading & Investment Company Limited Eucharistic Congress Building No. 1 5, Convent Street Mumbai 400 039	U65990MH1980PLC023259	Wholly-owned subsidiary of ITC Investments & Holdings Limited, referred to in Sl. No. 20	–	2(87)
22	Surya Nepal Private Limited Shree Bal Sadan Gha-2-513, Kantipath Kathmandu Nepal	NA	Subsidiary	59%	2(87)
23	King Maker Marketing, Inc. 12 Route, 17 North Suite 304, Paramus New Jersey 07652 United States	NA	Subsidiary	100%	2(87)
24	WelcomHotels Lanka (Private) Limited 216, De Saram Place, Colombo 10 Sri Lanka	NA	Subsidiary	100%	2(87)
25	North East Nutrients Private Limited Aradhana Building 2/1 Anandilal Poddar Sarani Kolkata 700 071	U15122WB2013PTC196135	Subsidiary	76%	2(87)

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES (Contd.):**

Sl. No.	Name and address of the company	CIN / GLN	Holding / Subsidiary / Associate	% of Shares held by the Company	Applicable Section
26	Gujarat Hotels Limited WelcomHotel Vadodara R. C. Dutt Road, Alkapuri Vadodara 390 007	L55100GJ1982PLC005408	Associate	45.78%	2(6)
27	International Travel House Limited Travel House, T-2 Community Centre Sheikh Sarai, Phase I New Delhi 110 017	L63040DL1981PLC011941	Associate	3.60%	2(6)
28	Russell Investments Limited 21 Prafulla Sarkar Street Kolkata 700 072	U65993WB1987PLC043324	Associate of Russell Credit Limited, referred to in Sl. No. 1	–	2(6)
29	Divya Management Limited Room No. 28 8/2 Kiron Sankar Roy Road Kolkata 700 001	U51109WB1995PLC069518	Associate of Russell Credit Limited, referred to in Sl. No. 1	–	2(6)
30	Antrang Finance Limited 4 Ripon Street Kolkata 700 016	U65993WB1993PLC060271	Associate of Russell Credit Limited, referred to in Sl. No. 1	–	2(6)
31	ATC Limited 35, Rajaji Nagar Hosur 635 126	U16000TZ1973PLC018100	Associate of Gold Flake Corporation Limited, referred to in Sl. No. 18	–	2(6)
32	Maharaja Heritage Resorts Limited 25, Community Centre Basant Lok, Vasant Vihar New Delhi 110 057	U74899DL1995PLC099649	Joint Venture	25%	2(6)
33	Espirit Hotels Private Limited 810-818, Swapnalok Complex 92/93, S. D. Road Secunderabad 500 003	U55101TG2009PTC063757	Joint Venture	26%	2(6)
34	Logix Developers Private Limited 85, World Trade Centre Barakhamba Lane, Barakhamba New Delhi 110 001	U70101DL2010PTC207640	Joint Venture	27.90%	2(6)
35	ITC Essentra Limited Survey No. 29 & 30, Doddajala Post Yarthiganahalli Bettahalsur Post Bengaluru North 562 157	U85110KA1993PLC014278	Joint Venture of Gold Flake Corporation Limited, referred to in Sl. No. 18	–	2(6)

**Note:** The above list does not include ITC Global Holdings Pte. Limited, Singapore, a subsidiary, under liquidation vide Singapore High Court's Order dated 30th November, 2007.

#### IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### (i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt.(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other - Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	13,42,67,781	90,724	13,43,58,505	1.68	21,35,21,919	90,724	21,36,12,643	2.66	0.98
b) Banks / FI	90,54,07,001	9,78,178	90,63,85,179	11.31	90,24,00,460	9,69,178	90,33,69,638	11.23	-0.08
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt.(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	1,74,52,42,797	63,485	1,74,53,06,282	21.77	1,71,33,96,534	63,485	1,71,34,60,019	21.29	-0.48
g) FIs	1,34,13,46,315	2,58,910	1,34,16,05,225	16.74	1,02,51,24,243	2,58,910	1,02,53,83,153	12.74	-4.00
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others:									
Foreign Portfolio Investors	31,90,36,559	0	31,90,36,559	3.98	61,98,84,972	0	61,98,84,972	7.70	3.72
<b>Sub-total (B)(1):-</b>	<b>4,44,53,00,453</b>	<b>13,91,297</b>	<b>4,44,66,91,750</b>	<b>55.48</b>	<b>4,47,43,28,128</b>	<b>13,82,297</b>	<b>4,47,57,10,425</b>	<b>55.62</b>	<b>0.14</b>
<b>(2) Non-Institutions</b>									
a) Bodies Corp.									
(i) Indian	26,27,31,047	10,84,367	26,38,15,414	3.29	28,52,95,169	9,32,540	28,62,27,709	3.55	0.26
(ii) Overseas	6,10,772	2,41,30,76,100	2,41,36,86,872	30.11	1,09,172	2,41,30,76,100	2,41,31,85,272	29.99	-0.12
b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	55,33,61,295	11,90,50,566	67,24,11,861	8.39	54,28,28,573	11,03,45,683	65,31,74,256	8.12	-0.27
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	11,52,87,790	1,64,09,880	13,16,97,670	1.64	11,49,58,969	1,39,45,590	12,89,04,559	1.60	-0.04
c) Others:									
(i) NRIs	3,45,11,971	97,16,485	4,42,28,456	0.55	3,54,77,762	94,00,900	4,48,78,662	0.56	0.01
(ii) Foreign Nationals	74,711	4,44,240	5,18,951	0.01	68,054	4,44,240	5,12,294	0.01	0.00
(iii) Trusts	1,34,32,898	0	1,34,32,898	0.17	1,89,68,411	0	1,89,68,411	0.24	0.07
(iv) Clearing Members	90,72,534	0	90,72,534	0.11	75,57,815	0	75,57,815	0.09	-0.02
<b>Sub-total (B)(2):-</b>	<b>98,90,83,018</b>	<b>2,55,97,81,638</b>	<b>3,54,88,64,656</b>	<b>44.27</b>	<b>1,00,52,63,925</b>	<b>2,54,81,45,053</b>	<b>3,55,34,08,978</b>	<b>44.16</b>	<b>-0.11</b>
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>5,43,43,83,471</b>	<b>2,56,11,72,935</b>	<b>7,99,55,56,406</b>	<b>99.75</b>	<b>5,47,95,92,053</b>	<b>2,54,95,27,350</b>	<b>8,02,91,19,403</b>	<b>99.78</b>	<b>0.03</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>1,99,36,135</b>	<b>27,000</b>	<b>1,99,63,135</b>	<b>0.25</b>	<b>1,80,60,588</b>	<b>27,000</b>	<b>1,80,87,588</b>	<b>0.22</b>	<b>-0.03</b>
<b>Grand Total (A+B+C)</b>	<b>5,45,43,19,606</b>	<b>2,56,11,99,935</b>	<b>8,01,55,19,541</b>	<b>100.00</b>	<b>5,49,76,52,641</b>	<b>2,54,95,54,350</b>	<b>8,04,72,06,991</b>	<b>100.00</b>	<b>0.00</b>

(ii) Shareholding of Promoters: NOT APPLICABLE

(iii) Change in Promoters' Shareholding: NOT APPLICABLE

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	For each of the top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	<b>Tobacco Manufacturers (India) Limited</b>				
	At the beginning of the year	1,98,55,64,880	24.77		
	Increase / Decrease in Shareholding during the year:	0	0	0	0
	At the end of the year			1,98,55,64,880	24.68 <sup>@</sup>
2	<b>Life Insurance Corporation of India</b>				
	At the beginning of the year	1,15,50,35,797	14.41		
	Increase / Decrease in Shareholding during the year:	0	0	0	0
	At the end of the year			1,15,50,35,797	14.35 <sup>@</sup>
3	<b>Specified Undertaking of the Unit Trust of India</b>				
	At the beginning of the year	89,67,24,540	11.19		
	Increase / Decrease in Shareholding during the year:				
	04/03/2016	18,000	0.00	89,67,42,540	11.15
	At the end of the year			89,67,42,540	11.14 <sup>@</sup>
4	<b>Myddleton Investment Company Limited</b>				
	At the beginning of the year	32,42,07,960	4.05		
	Increase / Decrease in Shareholding during the year:	0	0	0	0
	At the end of the year			32,42,07,960	4.03 <sup>@</sup>
5	<b>The New India Assurance Company Limited</b>				
	At the beginning of the year	15,34,63,435	1.91		
	Increase / Decrease in Shareholding during the year:				
	10/04/2015	(1,06,475)	0.00	15,33,56,960	1.91
	17/04/2015	(96,416)	0.00	15,32,60,544	1.91
	24/04/2015	(50,000)	0.00	15,32,10,544	1.91
	01/05/2015	(75,000)	0.00	15,31,35,544	1.91
	22/05/2015	(1,00,000)	0.00	15,30,35,544	1.91
	29/05/2015	(36,100)	0.00	15,29,99,444	1.91
	04/06/2015	(50,000)	0.00	15,29,49,444	1.91
	19/06/2015	(76,261)	0.00	15,28,73,183	1.91
	30/06/2015	(3,43,513)	0.00	15,25,29,670	1.90
	10/07/2015	(1,75,000)	0.00	15,23,54,670	1.90
	17/07/2015	(1,20,000)	0.00	15,22,34,670	1.90
	24/07/2015	(85,226)	0.00	15,21,49,444	1.90
	07/08/2015	(90,000)	0.00	15,20,59,444	1.90
	14/08/2015	(1,33,383)	0.00	15,19,26,061	1.89
	21/08/2015	(1,75,000)	0.00	15,17,51,061	1.89
	28/08/2015	(2,00,000)	0.00	15,15,51,061	1.89
	04/09/2015	(1,42,681)	0.00	15,14,08,380	1.89
	18/09/2015	(50,000)	0.00	15,13,58,380	1.89
	25/09/2015	(37,500)	0.00	15,13,20,880	1.89
	30/09/2015	(1,85,177)	0.00	15,11,35,703	1.88
	09/10/2015	(2,85,000)	0.00	15,08,50,703	1.88
	16/10/2015	(2,75,000)	0.00	15,05,75,703	1.88
	23/10/2015	(50,000)	0.00	15,05,25,703	1.87
	30/10/2015	(3,56,474)	0.00	15,01,69,229	1.87
	06/11/2015	(12,500)	0.00	15,01,56,729	1.87
	20/11/2015	(65,000)	0.00	15,00,91,729	1.87
	27/11/2015	(20,000)	0.00	15,00,71,729	1.87
	04/12/2015	(80,000)	0.00	14,99,91,729	1.87
	18/12/2015	(2,00,000)	0.00	14,97,91,729	1.86
	25/12/2015	(1,54,500)	0.00	14,96,37,229	1.86
	31/12/2015	(1,60,000)	0.00	14,94,77,229	1.86
	08/01/2016	(1,40,000)	0.00	14,93,37,229	1.86
	15/01/2016	(20,000)	0.00	14,93,17,229	1.86
	22/01/2016	(87,500)	0.00	14,92,29,729	1.86
	29/01/2016	(1,45,207)	0.00	14,90,84,522	1.85
	05/02/2016	(3,01,269)	0.00	14,87,83,253	1.85
	12/02/2016	(66,024)	0.00	14,87,17,229	1.85

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) (Contd.):

Sl. No.	For each of the top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	26/02/2016	(2,00,000)	0.00	14,85,17,229	1.85
	11/03/2016	(26,655)	0.00	14,84,90,574	1.85
	18/03/2016	(2,00,000)	0.00	14,82,90,574	1.84
	25/03/2016	(1,63,746)	0.00	14,81,26,828	1.84
	31/03/2016	(1,09,599)	0.00	14,80,17,229	1.84
	At the end of the year			<b>14,80,17,229</b>	<b>1.84</b>
<b>6</b>	<b>General Insurance Corporation of India</b>				
	At the beginning of the year	<b>14,32,25,552</b>	<b>1.79</b>		
	Increase / Decrease in Shareholding during the year:				
	10/04/2015	(2,50,000)	0.00	14,29,75,552	1.78
	22/05/2015	40,000	0.00	14,30,15,552	1.78
	29/05/2015	3,25,000	0.00	14,33,40,552	1.79
	04/06/2015	95,000	0.00	14,34,35,552	1.79
	12/06/2015	40,000	0.00	14,34,75,552	1.79
	10/07/2015	2,33,261	0.00	14,37,08,813	1.79
	17/07/2015	2,66,739	0.00	14,39,75,552	1.80
	16/10/2015	(1,10,000)	0.00	14,38,65,552	1.79
	23/10/2015	(65,000)	0.00	14,38,00,552	1.79
	30/10/2015	(1,25,000)	0.00	14,36,75,552	1.79
	20/11/2015	(2,00,000)	0.00	14,34,75,552	1.79
	05/02/2016	(2,00,000)	0.00	14,32,75,552	1.78
	04/03/2016	(2,50,000)	0.00	14,30,25,552	1.78
	11/03/2016	(25,000)	0.00	14,30,00,552	1.78
	At the end of the year			<b>14,30,00,552</b>	<b>1.78</b>
<b>7</b>	<b>The Oriental Insurance Company Limited</b>				
	At the beginning of the year	<b>12,15,62,293</b>	<b>1.52</b>		
	Increase / Decrease in Shareholding during the year:				
	09/10/2015	(1,45,000)	0.00	12,14,17,293	1.51
	16/10/2015	(1,25,000)	0.00	12,12,92,293	1.51
	23/10/2015	(79,164)	0.00	12,12,13,129	1.51
	30/10/2015	(1,42,160)	0.00	12,10,70,969	1.51
	20/11/2015	(50,000)	0.00	12,10,20,969	1.51
	05/02/2016	(1,00,000)	0.00	12,09,20,969	1.50
	12/02/2016	(65,000)	0.00	12,08,55,969	1.50
	04/03/2016	(25,000)	0.00	12,08,30,969	1.50
	18/03/2016	(31,650)	0.00	12,07,99,319	1.50
	25/03/2016	(1,70,000)	0.00	12,06,29,319	1.50
	31/03/2016	(1,27,000)	0.00	12,05,02,319	1.50
	At the end of the year			<b>12,05,02,319</b>	<b>1.50</b>
<b>8</b>	<b>Government of Singapore</b>				
	At the beginning of the year	<b>NA</b>	<b>NA</b>		
	Became part of the top ten Shareholders of the Company with effect from 27/11/2015	<b>8,12,88,370</b>	<b>1.01</b>		
	Increase / Decrease in Shareholding during the year i.e. w.e.f. 27/11/2015:				
	04/12/2015	10,48,629	0.01	8,23,36,999	1.03
	11/12/2015	16,00,000	0.02	8,39,36,999	1.04
	18/12/2015	15,58,729	0.02	8,54,95,728	1.06
	31/12/2015	(1,80,344)	0.00	8,53,15,384	1.06
	08/01/2016	12,88,511	0.02	8,66,03,895	1.08
	15/01/2016	34,93,994	0.04	9,00,97,889	1.12
	22/01/2016	33,48,301	0.04	9,34,46,190	1.16
	29/01/2016	23,39,430	0.03	9,57,85,620	1.19
	05/02/2016	24,36,835	0.03	9,82,22,455	1.22
	12/02/2016	9,74,665	0.01	9,91,97,120	1.23
	19/02/2016	32,27,360	0.04	10,24,24,480	1.27
	26/02/2016	9,24,198	0.01	10,33,48,678	1.29
	04/03/2016	(5,42,746)	0.01	10,28,05,932	1.28
	11/03/2016	24,71,553	0.03	10,52,77,485	1.31
	18/03/2016	14,02,616	0.02	10,66,80,101	1.33
	31/03/2016	4,31,978	0.01	10,71,12,079	1.33
	At the end of the year			<b>10,71,12,079</b>	<b>1.33</b>

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) (Contd.):**

Sl. No.	For each of the top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
9	<b>Rothmans International Enterprises Limited</b>				
	At the beginning of the year	<b>10,33,03,260</b>	<b>1.29</b>		
	Increase / Decrease in Shareholding during the year:	0	0	0	0
	At the end of the year			<b>10,33,03,260</b>	<b>1.28</b> <sup>@</sup>
10	<b>National Insurance Company Limited</b>				
	At the beginning of the year	<b>11,95,99,840</b>	<b>1.49</b>		
	Increase / Decrease in Shareholding during the year:				
	24/04/2015	1,20,000	0.00	11,97,19,840	1.49
	01/05/2015	3,30,000	0.00	12,00,49,840	1.50
	08/05/2015	1,00,000	0.00	12,01,49,840	1.50
	29/05/2015	1,00,000	0.00	12,02,49,840	1.50
	24/07/2015	(2,00,000)	0.00	12,00,49,840	1.50
	31/07/2015	3,14,000	0.00	12,03,63,840	1.50
	07/08/2015	(6,75,000)	0.01	11,96,88,840	1.49
	21/08/2015	(2,00,000)	0.00	11,94,88,840	1.49
	28/08/2015	(1,50,000)	0.00	11,93,38,840	1.49
	04/09/2015	(1,50,372)	0.00	11,91,88,468	1.49
	11/09/2015	(10,00,000)	0.01	11,81,88,468	1.47
	18/09/2015	(1,00,000)	0.00	11,80,88,468	1.47
	25/09/2015	(2,50,000)	0.00	11,78,38,468	1.47
	09/10/2015	(10,44,628)	0.01	11,67,93,840	1.46
	16/10/2015	(7,55,000)	0.01	11,60,38,840	1.45
	23/10/2015	(2,30,000)	0.00	11,58,08,840	1.44
	30/10/2015	(5,45,000)	0.01	11,52,63,840	1.44
	06/11/2015	(6,55,000)	0.01	11,46,08,840	1.43
	13/11/2015	(70,000)	0.00	11,45,38,840	1.43
	20/11/2015	(4,50,000)	0.01	11,40,88,840	1.42
	31/12/2015	(70,000)	0.00	11,40,18,840	1.42
	08/01/2016	(1,26,521)	0.00	11,38,92,319	1.42
	29/01/2016	(2,24,400)	0.00	11,36,67,919	1.41
	05/02/2016	(9,16,496)	0.01	11,27,51,423	1.40
	12/02/2016	(1,00,000)	0.00	11,26,51,423	1.40
	26/02/2016	(7,267)	0.00	11,26,44,156	1.40
	04/03/2016	(26,92,733)	0.03	10,99,51,423	1.37
	11/03/2016	(36,80,000)	0.05	10,62,71,423	1.32
	18/03/2016	(35,44,018)	0.04	10,27,27,405	1.28
	25/03/2016	(25,03,565)	0.03	10,02,23,840	1.25
	31/03/2016	(20,42,406)	0.03	9,81,81,434	1.22
	At the end of the year			<b>9,81,81,434</b>	<b>1.22</b>
11	<b>Virtus Emerging Markets Opportunities Fund</b>				
	At the beginning of the year	<b>6,33,25,671</b>	<b>0.79</b>		
	Increase / Decrease in Shareholding during the year:				
	17/04/2015	45,79,222	0.06	6,79,04,893	0.85
	24/04/2015	11,32,429	0.01	6,90,37,322	0.86
	01/05/2015	68,48,418	0.09	7,58,85,740	0.95
	08/05/2015	41,98,500	0.05	8,00,84,240	1.00
	28/08/2015	10,55,598	0.01	8,11,39,838	1.01
	27/11/2015	(11,72,395)	0.01	7,99,67,443	1.00
	Ceased to be part of the top ten Shareholders of the Company with effect from 27/11/2015			<b>7,99,67,443</b>	<b>1.00</b>
	At the end of the year			<b>NA</b>	<b>NA</b>

<sup>@</sup> Change(s) in shareholding percentage was consequent to allotment of shares under the ITC Employee Stock Option Schemes (ITC ESOS).

**Note:** The dates of increase / decrease in shareholding, as indicated above, are based on downloads of beneficial ownership provided by the Depositories, generally every Friday.



(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares@	% of total Shares of the Company	No. of Shares@	% of total Shares of the Company
1	<b>Y. C. Deveshwar, Chairman &amp; Executive Director</b>				
	At the beginning of the year	<b>1,72,500</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	17/06/2015**	(86,250)	0.00	86,250	0.00
	03/08/2015**	(50,000)	0.00	36,250	0.00
	11/09/2015**	(36,250)	0.00	0	0.00
	15/03/2016*	6,80,000	0.01	6,80,000	0.01
	At the end of the year			<b>6,80,000</b>	<b>0.01</b>
2	<b>N. Anand, Executive Director</b>				
	At the beginning of the year	<b>2,28,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	30/06/2015**	(1,10,000)	0.00	1,18,000	0.00
	20/08/2015**	(55,000)	0.00	63,000	0.00
	16/09/2015*	2,40,000	0.00	3,03,000	0.00
	30/09/2015**	(50,000)	0.00	2,53,000	0.00
	17/11/2015**	(50,000)	0.00	2,03,000	0.00
	19/11/2015**	(50,000)	0.00	1,53,000	0.00
	20/11/2015*	2,70,000	0.00	4,23,000	0.01
	29/12/2015**	(1,50,000)	0.00	2,73,000	0.00
	28/01/2016**	(1,35,000)	0.00	1,38,000	0.00
	26/02/2016**	(65,000)	0.00	73,000	0.00
	At the end of the year			<b>73,000</b>	<b>0.00</b>
3	<b>S. Puri, Executive Director</b>				
	At the beginning of the year	<b>NA</b>	<b>NA</b>		
	Appointed Director with effect from 06/12/2015	<b>0</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year i.e. w.e.f. 06/12/2015:				
	17/02/2016*	50,000	0.00	50,000	0.00
	15/03/2016*	50,000	0.00	1,00,000	0.00
	21/03/2016**	(50,000)	0.00	50,000	0.00
	At the end of the year			<b>50,000</b>	<b>0.00</b>
4	<b>R. Tandon, Executive Director &amp; Chief Financial Officer</b>				
	At the beginning of the year as Chief Financial Officer	<b>1,01,420</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	20/08/2015**	(25,000)	0.00	76,420	0.00
	21/08/2015**	(25,000)	0.00	51,420	0.00
	16/09/2015*	50,000	0.00	1,01,420	0.00
	30/09/2015**	(50,000)	0.00	51,420	0.00
	05/11/2015**	(25,000)	0.00	26,420	0.00
	09/11/2015**	(25,000)	0.00	1,420	0.00
	20/11/2015*	50,000	0.00	51,420	0.00
	17/12/2015*	50,000	0.00	1,01,420	0.00
	31/12/2015**	(40,000)	0.00	61,420	0.00
	Appointed Director with effect from 22/01/2016	<b>61,420</b>	<b>0.00</b>		
	22/01/2016*	60,000	0.00	1,21,420	0.00
	15/03/2016*	50,000	0.00	1,71,420	0.00
	At the end of the year			<b>1,71,420</b>	<b>0.00</b>
5	<b>A. Baijal, Non-Executive Independent Director</b>				
	At the beginning of the year	<b>1,20,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	16/07/2015*	10,000	0.00	1,30,000	0.00
	18/08/2015*	10,000	0.00	1,40,000	0.00
	20/11/2015*	10,000	0.00	1,50,000	0.00
	At the end of the year			<b>1,50,000</b>	<b>0.00</b>

**(v) Shareholding of Directors and Key Managerial Personnel (Contd.):**

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares@	% of total Shares of the Company	No. of Shares@	% of total Shares of the Company
6	<b>S. B. Mathur, Non-Executive Independent Director</b>				
	At the beginning of the year	<b>3,11,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	18/08/2015*	10,000	0.00	3,21,000	0.00
	30/09/2015**	(10,000)	0.00	3,11,000	0.00
	01/02/2016**	(10,000)	0.00	3,01,000	0.00
	At the end of the year			<b>3,01,000</b>	<b>0.00</b>
7	<b>P. B. Ramanujam, Non-Executive Independent Director</b>				
	At the beginning of the year	<b>3,41,356</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:	0	0	0	0
	At the end of the year			<b>3,41,356</b>	<b>0.00</b>
8	<b>S. S. H. Rehman, Non-Executive Independent Director</b>				
	At the beginning of the year	<b>1,03,488</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	30/09/2015**	(20,000)	0.00	83,488	0.00
	17/11/2015**	(15,000)	0.00	68,488	0.00
	19/11/2015**	(15,000)	0.00	53,488	0.00
	17/02/2016*	50,000	0.00	1,03,488	0.00
	15/03/2016*	50,000	0.00	1,53,488	0.00
	17/03/2016**	(10,000)	0.00	1,43,488	0.00
	21/03/2016**	(5,000)	0.00	1,38,488	0.00
	30/03/2016**	(20,000)	0.00	1,18,488	0.00
	31/03/2016**	(5,000)	0.00	1,13,488	0.00
	At the end of the year			<b>1,13,488</b>	<b>0.00</b>
9	<b>K. Vaidyanath, Non-Executive Director</b>				
	At the beginning of the year	<b>26,32,633</b>	<b>0.03</b>		
	Increase / Decrease in Shareholding during the year:				
	19/11/2015**	(1,00,000)	0.00	25,32,633	0.03
	At the end of the year			<b>25,32,633</b>	<b>0.03</b>
10	<b>B. B. Chatterjee, Executive Vice President &amp; Company Secretary</b>				
	At the beginning of the year	<b>2,00,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	09/11/2015**	(25,000)	0.00	1,75,000	0.00
	18/11/2015**	(5,000)	0.00	1,70,000	0.00
	19/11/2015**	(15,000)	0.00	1,55,000	0.00
	17/12/2015*	45,000	0.00	2,00,000	0.00
	01/03/2016**	(9,000)	0.00	1,91,000	0.00
	15/03/2016*	50,000	0.00	2,41,000	0.00
	21/03/2016**	(10,000)	0.00	2,31,000	0.00
	At the end of the year			<b>2,31,000</b>	<b>0.00</b>

Messrs. A. V. Girija Kumar, R. E. Lerwill & S. B. Mainak, Non-Executive Directors, and S. Banerjee, A. Duggal & Ms. M. Shankar, Non-Executive Independent Directors, did not hold any Shares of the Company, either at the beginning or at the end of the year or at any time during the year.

\* Allotment of Shares under ITC ESOS.

\*\* Sale of Shares allotted under ITC ESOS.

@ Shares held singly / jointly.

**Note:** The dates of increase / decrease in shareholding, as indicated above, are based on disclosures received from Directors and KMP.

## V. INDEBTEDNESS

### Indebtedness of the Company including interest outstanding / accrued but not due for payment:

(₹ in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans**	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1.95	5,299.38	0.20	5,301.53
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	2.40	0.00	2.40
<b>Total (i+ii+iii)</b>	<b>1.95</b>	<b>5,301.78</b>	<b>0.20</b>	<b>5,303.93</b>
<b>Change in Indebtedness during the financial year</b>				
– Addition	358.03	0.00	0.00	358.03
– Reduction	0.00	-1,432.92	0.00	-1,432.92
<b>Net Change</b>	<b>358.03</b>	<b>-1,432.92</b>	<b>0.00</b>	<b>-1,074.89</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	359.98	3,868.87	0.20	4,229.04
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	0.00	0.00	0.00
<b>Total (i+ii+iii)</b>	<b>359.98</b>	<b>3,868.87</b>	<b>0.20</b>	<b>4,229.04</b>

\*\* The balance of unsecured loans includes amounts as given under 'Deferred payment liabilities' under Note 3 and 'Current maturities of long-term debt' as given under Note 8 of the Notes to the Financial Statements forming part of the Report and Accounts.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Wholetime Directors and / or Manager:

(₹ in Lakhs)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager				Total Amount
		Y. C. Deveshwar, Chairman & Executive Director	N. Anand, Executive Director	S. Puri, Executive Director <sup>§</sup>	R. Tandon, Executive Director & Chief Financial Officer <sup>#</sup>	
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,297.50	217.50	27.64	140.85	1,683.49
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961*	217.97	41.52	7.69	28.29	295.47
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	0.00	0.00	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00	0.00
4	Commission - as % of profit - others, specify	0.00	0.00	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00	0.00	0.00
	<b>Total (A)</b>	<b>1,515.47</b>	<b>259.02</b>	<b>35.33</b>	<b>169.14</b>	<b>1,978.96</b>
	<b>Ceiling as per the Act</b>	<b>1,50,298</b>				
		(Being 10% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013)				

<sup>§</sup> Additional Executive Director since 6th December, 2015.

<sup>#</sup> Additional Executive Director since 22nd January, 2016; remuneration includes ₹ 147.84 Lakhs for the period from 1st April, 2015 to 21st January, 2016 as Chief Financial Officer.

\* Does not include contribution to the approved Pension Fund under the defined benefit scheme which is actuarially determined on an overall Company basis.

**Note:** The Company has not incurred any expenditure for Stock Options granted at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014] to the Directors, Key Managerial Personnel and other Employees under its Employee Stock Option Schemes, which can be ascribed to any individual Director, Key Managerial Personnel or other Employee.

## B. Remuneration to the other Directors:

(₹ in Lakhs)

Sl. No.	Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Board Committee Meetings	Commission	Others, please specify	
1	<b>Independent Directors</b>				
	A. Baijal	10.50	18.00	0.00	28.50
	S. Banerjee	9.00	12.38	0.00	21.38
	A. Duggal	11.00	9.76	0.00	20.76
	S. B. Mathur	11.00	18.00	0.00	29.00
	P. B. Ramanujam	8.50	18.00	0.00	26.50
	S. S. H. Rehman	9.00	18.00	0.00	27.00
	M. Shankar	10.00	18.00	0.00	28.00
	<b>Total (B)(1)</b>				<b>181.14</b>
2	<b>Other Non-Executive Directors</b>				
	A. V. Girija Kumar <sup>\$</sup>	3.70*	0.00	0.00	3.70
	R. E. Lerwill	6.00	18.00	0.00	24.00
	S. B. Mainak	7.00*	16.82*	0.00	23.82
	K. Vaidyanath	12.60	18.00	0.00	30.60
	<b>Total (B)(2)</b>				<b>82.12</b>
	<b>Total (B) = (B)(1) + (B)(2)</b>				<b>263.26</b>
	<b>Total Managerial Remuneration (A+B)</b>				<b>2,242.22</b>
	<b>Overall Ceiling as per the Act</b>	<b>1,65,040</b>			
		(Being 11% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013)			

\* Paid to the Public Financial Institution the Director represents.

<sup>\$</sup> Additional Non-Executive Director since 31st July, 2015.

## C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

(₹ in Lakhs)

Sl. No.	Particulars of Remuneration	B. B. Chatterjee, Executive Vice President & Company Secretary
1	Gross Salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	109.85
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961*	4.25
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	0.00
2	Stock Option	0.00
3	Sweat Equity	0.00
4	Commission	0.00
	- as % of profit	
	- others, specify	
5	Others, please specify	0.00
	<b>Total Amount</b>	<b>114.10</b>

\* Does not include contribution to the approved Pension Fund under the defined benefit scheme which is actuarially determined on an overall Company basis.

**Note:** The Company has not incurred any expenditure for Stock Options granted at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014] to the Directors, Key Managerial Personnel and other Employees under its Employee Stock Option Schemes, which can be ascribed to any individual Director, Key Managerial Personnel or other Employee.

## VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

against the Company, Directors and other Officers in Default under the Companies Act, 2013: NONE

On behalf of the Board

Kolkata  
20th May, 2016

Y. C. DEVESHWAR  
R. TANDON

Chairman  
Director & Chief Financial Officer

# Annexure to the Report of the Board of Directors

## FORM NO. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule-9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members  
**ITC Limited**  
Virginia House  
37, J. L. Nehru Road  
Kolkata 700 071

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **ITC Limited** (hereinafter called the Company). Secretarial Audit was conducted in accordance with the Guidance Note issued by the Institute of Company Secretaries of India (a statutory body constituted under the Company Secretaries Act, 1980) and in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and read with the Statutory Auditors' Report on Financial Statements and their certificate on compliance with the conditions of Corporate Governance and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion and to the best of our information, knowledge and belief and according to the explanations given to us, the Company has during the audit period covering the financial year ended on 31.03.2016 complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31.03.2016 according to the applicable provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings to the extent applicable to the Company;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 to the extent applicable to the Company:-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as replaced by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 – **The in-house Investor Services Centre of the Company, registered with SEBI as a Category II Share Transfer Agent, provides share registration and related services.**
6. The following other laws specifically applicable to the Company –
  - a) Tobacco Board Act, 1975 and the rules made thereunder;
  - b) Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 and the rules made thereunder;
  - c) Food Safety and Standards Act, 2006 and the rules made thereunder;
  - d) Drugs and Cosmetics Act, 1940 and the rules made thereunder.

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by the Institute of Company Secretaries of India which came into effect from 01.07.2015;
- ii. The Listing Agreements entered into by the Company with BSE Limited, National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited which were applicable upto 30.11.2015 and thereafter SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from 01.12.2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

We further report that:

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and the changes in the composition of Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
2. Adequate notice is given to all Directors for the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and appropriate systems are in place for seeking and obtaining further information and clarifications on the agenda items for meaningful participation at the meeting.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with the applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company had the following specific events:

1. Issue and allotment of 3,16,87,450 ordinary shares of Re.1/- each, fully paid up, upon exercise of Stock Options under the Employee Stock Option Schemes of the Company;
2. BFIL Finance Limited (BFIL) and Wills Corporation Limited (Wills) ceased to be direct subsidiaries of ITC upon acquisition of their entire share capital by Russell Credit Limited (Russell Credit) – a wholly owned subsidiary of ITC. Further, pursuant to the Schemes of Amalgamation, as approved by Hon'ble High Courts, BFIL and Wills amalgamated with Russell Credit w.e.f. 1st April, 2015.
3. Technico Agri Sciences Limited became a direct wholly owned subsidiary of ITC upon acquisition of its entire share capital by ITC from Technico Pty Limited, Australia – a wholly owned subsidiary of ITC.

(S. M. Gupta)

Partner

S. M. Gupta & Co.

Company Secretaries

Place: Kolkata

Date: 20.05.2016

Encl: Annexure 'A' forming an integral part of this Report

Firm Registration No.: P1993WB046600

FCS No.: 896

CP No.: 2053

## ANNEXURE 'A'

To

The Members

**ITC Limited**

Virginia House

37, J. L. Nehru Road

Kolkata 700 071

Our Report of even date is to be read alongwith this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on such secretarial records based on our audit.
2. We have followed the audit practices and processes as we considered appropriate to obtain reasonable assurance on the correctness and completeness of the secretarial records. Our verification was conducted on a test basis to ensure that all entries have been made as per statutory requirements. We believe that the processes and practices we followed for this purpose provided a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained Management representation with respect to compliance of laws, rules and regulations and of significant events during the year.
5. The compliance of the provisions of corporate and other applicable laws, rules and regulations is the responsibility of the management. Our examination was limited to the verification of secretarial records on test basis to the extent applicable to the Company.

(S. M. Gupta)

Partner

S. M. Gupta & Co.

Company Secretaries

Place: Kolkata

Date: 20.05.2016

Firm Registration No.: P1993WB046600

FCS No.: 896

CP No.: 2053