

**ITC Limited**

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REPORT

AND

ACCOUNTS

2017

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# ITC: Growing Contribution Across Agriculture, Manufacturing and Services

ITC's journey to create an exemplary Indian enterprise is inspired by its abiding vision to serve larger national priorities. A journey that has transformed ITC into a multi-business and multi-dimensional corporation, making it one of India's most admired and valuable companies.



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ITC's diversified portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business, Hotels and Information Technology, enables it to have a significant presence across all the 3 sectors of the Indian economy, namely, agriculture, manufacturing and services, providing the Company with the unique opportunity to contribute meaningfully to the growth and development of the country.

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ITC's commitment to "Put India First" is manifest in many ways — in its strategy to create multiple drivers of growth for the Indian economy through a diversified portfolio of businesses; in the creation of world-class brands that create, capture and retain value in India; in establishing state-of-the-art brick and mortar assets for the nation; in its investment in cutting-edge R&D and in its Social Investment Programmes that address some of the key challenges facing India today — poverty, unemployment and environmental degradation.

ITC's diversified portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business, Hotels and Information Technology, enables it to have a significant presence across all the 3 sectors of the Indian economy, namely, agriculture, manufacturing and services, providing the Company with the unique opportunity to contribute meaningfully to the growth and development of the country.

In Agriculture, driven by its celebrated e-Choupal programme, ITC's engagements

with farmers across the country to enhance productivity, provide critical market linkages and create rural assets have raised farm incomes, improving the quality of life of the rural population and transforming village ecosystems.

In Manufacturing, supported by substantial investments in state-of-the-art technology, ITC has created world-class manufacturing facilities across the length and breadth of the country for its FMCG, Paperboards, Packaging and Printing businesses. Powered by deep consumer insights, cutting-edge R&D, superior branding skills, the culinary expertise of hotels chefs, packaging excellence and an extensive trade marketing & distribution capacity, ITC's bouquet of world-class FMCG brands in the Branded Packaged Foods, Personal Care, Education and Stationery, Lifestyle Retailing, Incense Sticks (Agarbattis) and Safety Matches sectors, continue to gain significant consumer franchise, earning market leadership across segments.

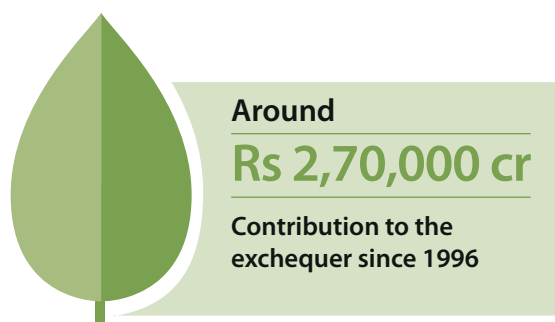
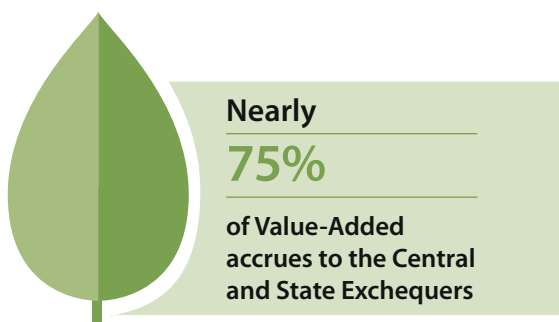
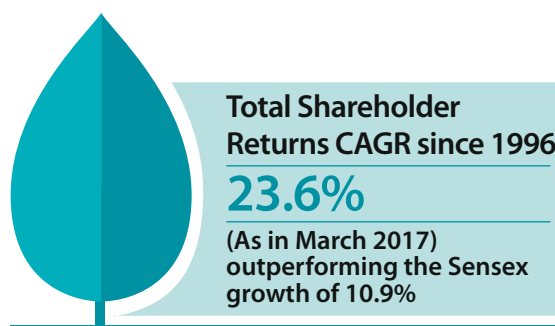
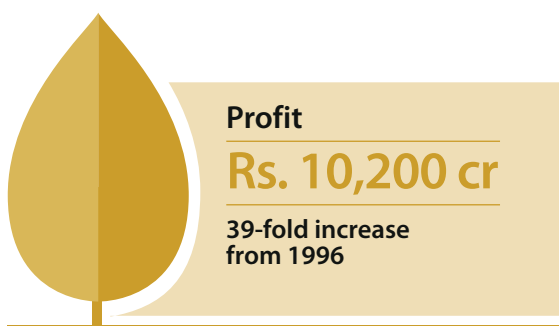
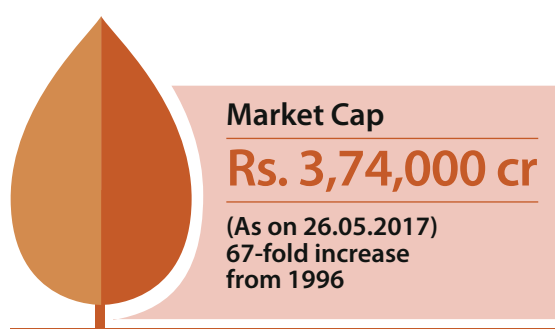
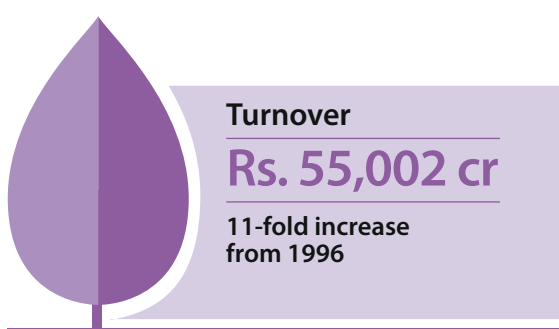
In the Services sector, ITC Hotels is the greenest luxury hotel chain in the world. It is acknowledged worldwide for its iconic properties, its fine art of hospitality, signature cuisine and service excellence. The Company's wholly owned subsidiary, ITC Infotech, is a specialised full services global player in the Information Technology segment.

ITC is today a global exemplar in sustainability. ITC's businesses have generated sustainable livelihoods for 6 million people, many of whom represent the weakest in society. It is the only enterprise in the world to be carbon positive (12 years), water positive (15 years), and solid waste recycling positive (10 years). Over 48% of the total energy requirement of ITC is met from renewable sources. ITC has pioneered the green building movement in India, establishing 22 green buildings. All its premium luxury hotels have the unique distinction of being LEED® Platinum certified.

# The Journey of Transformation in Creating a New ITC



## Highlights



## ITC Today: Business Leadership

# 13 businesses spanning FMCG, Hotels, Agri-Business, Paperboards & Packaging and Information Technology

### FMCG Businesses



- ❖ India's leading marketer
- ❖ ITC Foods is the 3rd largest and fastest growing



### Hotels



- ❖ ITC Hotels is world's greenest luxury hotel chain
- ❖ One of the fastest growing hospitality chains in India





## Agri-Business



- ❖ No.1 in profitability
- ❖ Pioneer in Rural Transformation through ITC e-Choupal
- ❖ One of the largest exporters of coffee



## Paperboards & Packaging



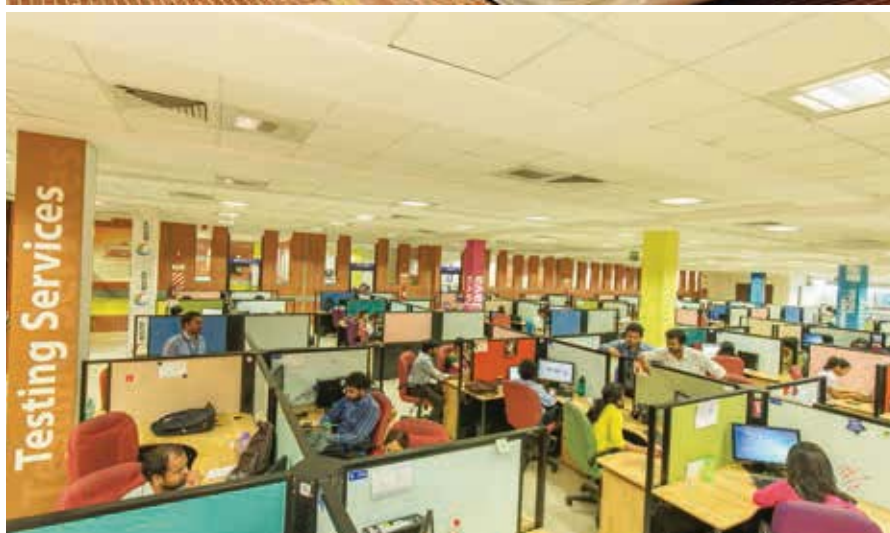
- ❖ Market Leader in Revenue & Profits
- ❖ Most environment friendly pulp mill in Asia
- ❖ Sustained investments to enhance competitiveness and import substitution
- ❖ Large-scale Afforestation programme



## Information Technology



- ❖ Digital Full Services Global Player
- ❖ 9 Development Centres



## World-Class Indian Brands





## World-Class Indian Brands



**25 mother brands**  
in FMCG with an annual consumer  
spend of nearly Rs. 14,000 cr



Reaches over  
**125 million**  
households

### Consumer spend



Aashirvaad -  
**Rs 3,500 cr**



Sunfeast -  
over  
**Rs 3,000 cr**



Classmate, YiPPee!  
& Bingo! - over  
**Rs 1,000 cr**  
each

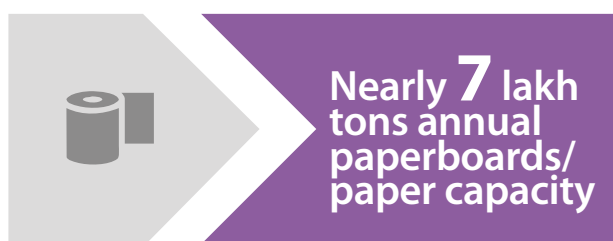
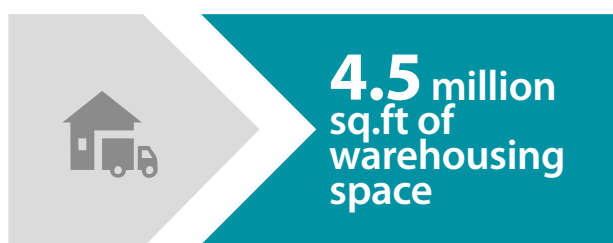
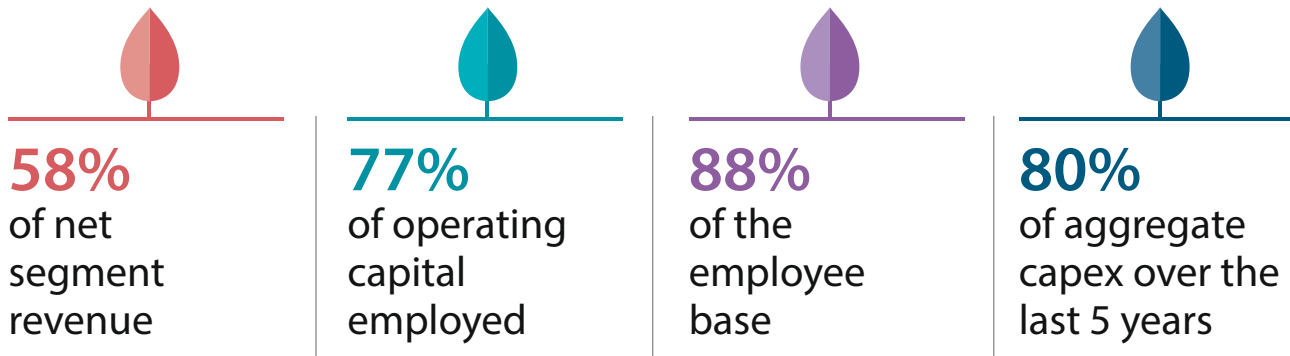


Vivel, Mangaldeep &  
Candyman - over  
**Rs 500 cr**  
each



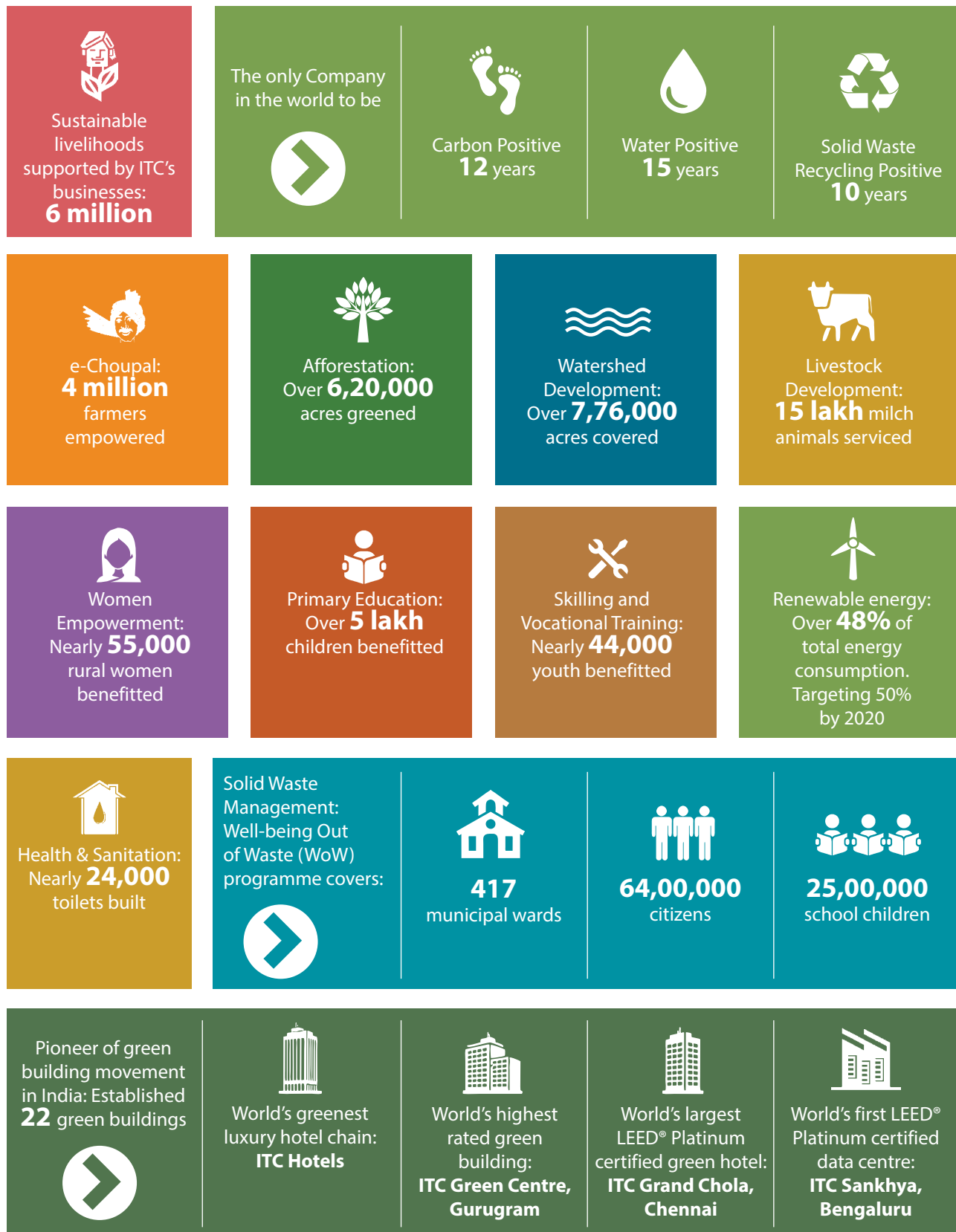
## ITC Today: A Snapshot

### Non-cigarette businesses account for:





## Global Exemplar in Sustainability





# ITC's Contribution to Agriculture

## An Enduring Relationship with Farmers over Decades

ITC is one of India's leading corporates in the agricultural sector & among the largest exporters of agri commodities. The revolutionary ITC e-Choupal initiative is a global model of farmer empowerment. Together with its extensive rural development programmes, ITC's engagement with farmers have raised rural incomes by creating competitive capacity, enabling productivity enhancement, building common assets such as water harvesting structures and diversifying farm income through livestock development, etc.

ITC's strategy of enhancing the competitiveness of its agri value chains enables it to make an enduring contribution to national economic development.

## ITC e-Choupal - World's Largest Rural Digital Infrastructure



ITC e-Choupal has been designed to tackle the unique challenges faced by Indian farmers. In a pioneering move, ITC leveraged the power of Information Technology to set up Internet kiosks, or e-Choupals, in villages to provide to farmers information on weather, agri best practices, know-how, market prices and others. The e-Choupals also transmit market signals to the

farmers, which enable them to plan their produce better and align them to market needs, thereby enabling a virtual integration of the supply chain. The initiative has empowered 4 million farmers, whilst providing significant competitive advantage to ITC's Foods businesses by sourcing quality agri-commodities such as wheat, coffee, fruit pulp and dairy.



## Sustainable Agricultural Practices



Enabling farm mechanisation to enhance productivity

Innovating further to reach the fruits of scientific research to the farmer, ITC e-Choupal offers agri extension services to improve farm competencies. Demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge.

ITC has also set up rural integrated hubs called Choupal Saagars that serve as procurement centres, warehouses and retail outlets. Engagement with the rural consumers are facilitated at marketing platforms, called Choupal Haats that ITC has built along the lines of village fairs. The endeavour also includes the Swasthya Choupal initiative that focuses on enhancing awareness on maternal and child care through a network of Village Health Champions.



Farmer empowerment through improved know-how and knowledge



## ITC's Contribution to Agriculture

### Sustainable Agricultural Practices



A demonstration farm or Choupal Pradarshan Khet propagating agricultural best practices



Enhancing awareness on maternal and child care through Swasthya Choupal



ITC is the largest buyer and exporter of leaf tobacco

## Rural Development: Securing Livelihoods



ITC's Social Investments Programme focuses on India's core challenge of securing livelihoods for economically marginalised communities not just for today but also for the future. The initiatives include:



**ITC's Social & Farm Forestry Programme:** Creating livelihood opportunities for rural households; promoting green cover



**Improved Agriculture Practices:**  
Raising farm productivity and income



**ITC's Livestock Development Programme:**  
Diversifying livelihood opportunities



**ITC's Health & Sanitation Initiative:**  
Contributing to open defecation-free villages



## ITC's Contribution to Agriculture

### Rural Development: Securing Livelihoods



**ITC's Integrated Watershed Development Programme:** Strengthening sustainable agriculture; supporting watershed development in moisture-stressed areas



**ITC's Primary Education Programme:** Improving quality of rural education



**ITC's Women Empowerment Programme:** Promoting social dignity through economic empowerment; special initiatives for ultra poor women



**ITC's Skilling & Vocational Training Initiative:** Equipping youth with necessary skills to make them more employable



**ITC's Solid Waste Management Initiative:** Waste recycling through Well-being Out of Waste (WOW) programme; waste composting



## Empowering Agri Value Chains



### Farm to Foods Value Chain

ITC's Agri Business provides a competitive edge to the Company's Foods Business by sourcing high-quality agricultural raw material directly from farmers and preserving the identity of those commodities along the supply chain, to enable manufacturing of food products with consumer-preferred value traits. This is manifest in brands like Aashirvaad Atta, Aashirvaad Spices, Bingo! chips, ITC Masterchef super safe spices and B Natural juices that source wheat, chillies, turmeric, coriander, potato and fruits from the farmer.





## ITC's Contribution to Agriculture

### Farm to Foods Value Chain



## Paper Value Chain



ITC's Afforestation Programme provides marginal and tribal households with a commercially viable land use option for their low productivity lands by assisting them to convert these into pulpwood plantations. The renewable plantations cultivated as part of this initiative enable ITC to offer the greenest paper and paperboards products manifest in stationery brands such as Classmate and Paperkraft. These plantations also provide a competitive source of wood pulp to ITC's Paperboards and Specialty Paper Business. The initiative has greened over 6,20,000 acres, generating over 110 million person days of employment.



## ITC's Contribution to Manufacturing

ITC's commitment to serve a larger national purpose is also manifest in the creation of state-of-the-art brick and mortar assets for the Company's FMCG, Paperboards, Packaging and Printing businesses. This is in deep alignment with the country's Make in India vision. Such assets enrich the nation's industrial might and enhance India's competitiveness by offering world-class products to the consumer. They also contribute significantly to the growth of the Indian economy, fuelling jobs, maximising revenue and enabling sustainable development.

### Integrated Consumer Goods Manufacturing Facilities



ITC's Food Processing Factory, Haridwar



ITC's Food Processing Factory, Ranjangaon



ITC's Integrated Consumer Goods Manufacturing Facility, Malur

## Paperboards, Packaging & Printing

Market leader in the Value-Added segments, preferred choice for all the leading packaged goods brands



ITC's Paperboards Factory, Bhadrachalam



Inside ITC's Paperboards Factory, Bhadrachalam



ITC's Packaging Factory, Haridwar

## Contributing to the Make in India vision



ITC is investing in state-of-the-art Integrated Consumer Goods Manufacturing and Logistics facilities across the length and breadth of the country. Such facilities will further strengthen ITC's leadership across the farm-to-fork value chain, enabling greater value realisation to the farmer, reduction of wastage, and a year-round availability of high-quality products for the consumer through close-to-market distribution. Going forward, such facilities will be utilised to establish cost-effective regional cold-chains for farm produce, such as fresh, frozen and dehydrated fruits and vegetables. ITC is also investing in building iconic signature hotel properties to contribute to the nation's tourism landscape, given its large potential for employment generation.



# ITC's Contribution to the Services Sector

## Hotels

ITC's hotels business is one of the fastest growing hospitality chains in India with nearly 100 properties across the country under four distinct brands – 'ITC Hotel' in the Luxury segment, 'WelcomHotel' in the Upper-Upscale segment, 'Fortune' in the Mid-market to Upscale space and 'WelcomHeritage' in the Leisure & Heritage segment. With its credo of Responsible Luxury, ITC Hotels has redefined the fine art of green hospitality, while contributing to the nation's tourism landscape and generating livelihoods. ITC Hotel is the greenest luxury hotel chain in the world. The Business continues to receive accolades for its world-class properties and service excellence. ITC Grand Bharat was recognised as Number 1 amongst the 'Top Resorts in Asia' on the coveted Conde Nast Traveler U.S. Readers' Choice Awards 2016 for the second consecutive year.



ITC Grand Bharat, Gurugram



ITC Grand Chola, Chennai



## ITC's Contribution to the Services Sector

### ITC Infotech

ITC Infotech is a specialised global full services technology solutions provider, led by Business and Technology Consulting. Recognising the need to differentiate and establish unique competitive positioning in the fast changing technology landscape, the company has introduced the concept of 'Digitaligence@work' to enhance customer experience and serve as a disruptor to existing business processes. ITC Infotech provides solutions in Supply Chain based Industries (CPG, Retail, Manufacturing, Hi-Tech) and Services Industries (Banking, Financial Services and Insurance, Airline, Hospitality), as a flexible, trusted and sustainable partner.





## Trade Marketing & Distribution

ITC's TM&D network addresses the diverse needs of the Company's FMCG businesses through a differentiated and comprehensive market/outlet specific strategy aimed at tapping the opportunities in the FMCG industry. The distribution highway today handles over 10,000 SKUs of multiple businesses, directly servicing over 2 million retail outlets across trade channels in 1,00,000 markets.





## Investing in Game-changing R&D



At the globally benchmarked ITC Life Sciences and Technology Centre, nearly **350 highly qualified scientists** have the mandate to develop unique sources of competitive advantage and build future-readiness and drive science-led product innovation. In a short period of time, ITC has filed more than **630 patent applications**, adding to the Intellectual Property prowess of India.

## Board of Directors

### Chairman & Non-Executive Director

Yogesh Chander Deveshwar

### CEO & Executive Director

Sanjiv Puri

### Executive Directors

Nakul Anand

Rajiv Tandon

(also Chief Financial Officer)

### Non-Executive Directors

Zafir Alam

Shilabhadra Banerjee

Arun Duggal

Suryakant Balkrishna Mainak

Ashok Malik

Sunil Behari Mathur

Pillappakkam Bahukutumbi Ramanujam

Nirupama Rao

Sahibzada Syed Habib-ur-Rehman

Meera Shankar

David Robert Simpson

## Board Committees

### Audit Committee

S B Mathur	Chairman
Z Alam	Member
A Duggal	Member
P B Ramanujam	Member
S S H Rehman	Member
R Tandon	Invitee
R Parasuram	Invitee
(Head of Internal Audit)	
Representative of the Statutory Auditors	Invitee
B B Chatterjee	Secretary

### CSR and Sustainability Committee

Y C Deveshwar	Chairman
Z Alam	Member
S B Mainak	Member
A Malik	Member
N Rao	Member
M Shankar	Member
D R Simpson	Member
B B Chatterjee	Secretary

### Nomination & Compensation Committee

S Banerjee	Chairman
Y C Deveshwar	Member
S B Mainak	Member
S S H Rehman	Member
M Shankar	Member
B B Chatterjee	Secretary

### Securityholders Relationship Committee

P B Ramanujam	Chairman
S Puri	Member
S S H Rehman	Member
R Tandon	Member
B B Chatterjee	Secretary

### Independent Directors Committee

S Banerjee	Member
A Duggal	Member
S B Mathur	Member
P B Ramanujam	Member
N Rao	Member
S S H Rehman	Member
M Shankar	Member

## Corporate Management Committee

S Puri	Chairman
N Anand	Member
R Tandon	Member
C Dar	Member
S K Singh	Member
S Sivakumar	Member
R Sridhar	Member
B Sumant	Member
K S Suresh	Member
B B Chatterjee	Member & Secretary

### Executive Vice President & Company Secretary

Biswa Behari Chatterjee

### General Counsel

Kannadiputhur Sundararaman Suresh

### Investor Service Centre

37 Jawaharlal Nehru Road, Kolkata 700 071, India

Telephone nos. : 033 2288 6426/0034

Facsimile no. : 033 2288 2358

e-mail : isc@itc.in

### Statutory Auditors

Deloitte Haskins & Sells

Chartered Accountants, Kolkata

### Registered Office

Virginia House

37 Jawaharlal Nehru Road, Kolkata 700 071, India

Telephone no. : 033 2288 9371

CIN : L16005WB1910PLC001985

ITC Corporate Website : [www.itcportal.com](http://www.itcportal.com)

# Your Directors

## Y. C. Deveshwar

Yogesh Chander Deveshwar (70), DIN: 00044171, is the Chairman of ITC. He was appointed as a Director on the Board of the Company on April 11, 1984 and became the Chief Executive and Chairman of the Board on January 1, 1996. On splitting the role of the Executive Chairman between Chairman and Chief Executive Officer with effect from February 5, 2017, Deveshwar, 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, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management.

Deveshwar joined ITC in 1968 and is an alumnus of the Indian Institute of Technology, Delhi, and Harvard Business School. Between 1991 and 1994, he led Air India as Chairman and Managing Director.

Articulating a Vision to put Country before Corporation and serve larger national priorities, he has led ITC's strategic thrust to create multiple drivers of growth that would make a significant and growing contribution to the Indian economy. He also shaped and implemented a Strategy of Organisation to effectively manage multiple businesses whilst retaining focus on each one of them, in the process deriving unique sources of competitive advantage from ITC's diversity. Deveshwar has also championed the cause for Sustainability world-wide bringing into focus the need to innovate corporate strategies that not only enhance shareholder value but add significantly to the development of natural and social capital.

Spearheading a journey of growth that has led the Harvard Business Review to rank him as the 7th Best Performing CEO in the world, his stewardship has guided ITC to become India's foremost FMCG marketer, the country's largest and greenest Paperboards and Packaging Business, a globally acknowledged pioneer in farmer empowerment through its wide-reaching Agri Business, the second largest Hotel Chain in India and a trailblazer in 'green hoteliering'. The Company's wholly owned subsidiary, ITC Infotech

India Limited, is also a player of promise in the Information Technology sector.

Today, ITC is a global exemplar in sustainability and is the only Company in the world of comparable dimensions to be 'carbon positive', 'water positive' and 'solid waste recycling positive' for over a decade. The Company's businesses generate livelihoods for around 6 million people, many of whom represent the poorest in Rural India. The pioneering farmer empowerment initiative, ITC e-Choupal, is today the world's largest rural digital infrastructure and is a case study at the Harvard Business School besides receiving several global awards. ITC was also conferred the World Business and Development Award 2012 at the Rio+20 United Nations Summit by the United Nations Development Programme, the International Chamber of Commerce and the International Business Leaders Forum for its Social and Farm Forestry Programmes.

Deveshwar has served as a Director on the Central Board of the Reserve Bank of India and as a member of the National Foundation for Corporate Governance. He is a Member of the Board of Trade, Ministry of Commerce and Industry, and a Member of the National Food Processing Development Council, Ministry of Food Processing Industries, Government of India. Deveshwar is a Member of the Governing Body of the National Council of Applied Economic Research and also the former Chairman of the Society and Board of Governors of the Indian Institute of Management, Calcutta. He serves on the National Executive Committees of some of India's premier trade and industry bodies, and has served as a member of the UK-India CEOs Forum and US-India CEOs Forum instituted by the respective Governments. Deveshwar is a past President of CII.

In 2011, Deveshwar was conferred the Padma Bhushan, one of the highest civilian awards in the country, by the Government of India. Amongst several other awards and recognitions during his distinguished career, Deveshwar has been honoured with the Global Leadership Award by

the US-India Business Council of the US Chamber of Commerce, Business Leader of the Year Award 2012 from the All India Management Association, Business Person of the Year Award 2006 by the UK Trade & Investment, and the Sustainability Leadership Award conferred at Zurich at the International Sustainability Leadership Symposium. He was inducted to the prestigious Hall of Pride at the Indian Science Congress. Earlier, he was also named Manager Entrepreneur of the Year 2001 by Ernst & Young. The Economic Times has conferred on Deveshwar, the Indian Visionary Business Leader Award and the Smart Green Leader Lifetime Achievement Award, the Bombay Management Association has honoured him with the Management Man of the Year Award, and the Calcutta Management Association has inducted him as the first leader on the Management Hall of Fame. During the year, he has been conferred Lifetime Achievement Awards by Business Standard & CNBC-TV18, and 'Global Entrepreneur of Bihar' Award by the Bihar Chamber of Commerce and Industries. The Government of West Bengal also conferred the 'Banga Vibhushan', the state's highest civilian honour, on Deveshwar in 2017.

### Other Directorships

Name of the Company	Position
ITC Infotech India Limited	Chairman & Non-Executive Director
ITC Infotech Limited, UK*	Chairman & Non-Executive Director
ITC Infotech (USA), Inc.*	Chairman & Non-Executive Director
Indian School of Business	Member, Governing Board
The Associated Chambers of Commerce and Industry of India	Member, Managing Committee

**Committee Membership of other Companies:** Nil

### S. Puri

Sanjiv Puri (54), DIN: 00280529, was appointed as a Director on the Board of ITC effective December 6, 2015 and Chief Executive Officer effective February 5, 2017 taking independent charge of the executive leadership of the Company and is the Chairman of the Corporate Management Committee. He was the Chief Operating Officer (COO) of ITC since July 22, 2016. Before taking over as the COO, he was responsible for overseeing the FMCG, Paperboards, Paper & Packaging and Agri Businesses of ITC. Puri is an alumnus of the Indian Institute of Technology, Kanpur, and Wharton School of Business. He joined ITC in 1986.

Prior to his appointment as Director on the Board of ITC, Puri was President, FMCG Businesses - Cigarettes, Foods, Personal Care, Education & Stationery Products, Matches and Agarbattis, since December 2014. He has handled a wide range of responsibilities including business leadership positions as well as in manufacturing, operations and information & digital technology. Puri became Divisional Chief Executive of the Tobacco Division in 2009, with additional responsibility for the Company's Trade Marketing & Distribution Vertical. He has led ITC Infotech India Limited, a wholly owned subsidiary of ITC, as its Managing Director from May 2006 to August 2009. He was also on the Boards of ITC Infotech's wholly owned subsidiaries in the UK and USA. Puri served between 2001 and 2006 as the Managing Director of Surya Nepal Private Limited, a joint venture subsidiary company of ITC in Nepal. He has also been a Director on the Board of The Tobacco Institute of India and past member of the Board of Governors of Media Research Users Council.

Puri is a Member of the FICCI National Executive Committee and the FICCI Steering Committee. He has also served as the Chairman of FICCI's FMCG Committee, the Agri & Food Processing Task Force of the CII Eastern Region and as a Council Member of the CII Eastern Region. He was also on the Executive Council of The Indian Society of Advertisers.

## Your Directors

### Other Directorships

Name of the Company	Position
Surya Nepal Private Limited*	Chairman & Non-Executive Director

### Committee Membership of other Companies: Nil

#### N. Anand

Nakul Anand (60), DIN: 00022279, was appointed as a Director on the Board of ITC effective January 3, 2011. In addition to overseeing the Hospitality, Travel & Tourism Businesses of ITC, he took over in December 2014 the responsibility for overseeing the Lifestyle Retailing Business.

An Economics Honours graduate from Delhi University with an AMP Degree from Bond University, Australia, Anand joined ITC Hotels' Management Training Programme in 1978. He has also served as the Managing Director of erstwhile ITC Hotels Limited during the period 2003-05.

In a career that spans close to four decades, Anand has been acknowledged in the hotels and tourism industry for his vision and commitment. Leveraging the significant learning of sustainable excellence within ITC, he led the team at ITC Hotels to pioneer the concept of 'Responsible Luxury' in the hospitality industry, securing LEED® Platinum certifications for all ITC super premium luxury hotels, making it the 'Greenest Luxury Hotel Chain in the world'. He has formulated value-based strategies to create a unique quality control model. His dynamic leadership and passion for the business is recognised and acknowledged by his peers. He is a member of the National Tourism Advisory Council constituted by the Ministry of Tourism, Government of India, and Chairman of the Federation of Associations in Indian Tourism & Hospitality. Anand has been a past President of the Hotel Association of India and past Chairman of the CII National Tourism Committee.

### Other Directorships

Name of the Company	Position
International Travel House Limited	Chairman & Non-Executive Director
Gujarat Hotels Limited	Chairman & Non-Executive Director
Landbase India Limited	Chairman & Non-Executive Director
Fortune Park Hotels Limited	Chairman & Non-Executive Director
WelcomHotels Lanka (Private) Limited*	Chairman & Non-Executive Director
Srinivasa Resorts Limited	Vice-Chairman & Non-Executive Director
Bay Islands Hotels Limited	Non-Executive Director
Maharaja Heritage Resorts Limited	Non-Executive Director

### Committee Membership of other Companies

Name of the Company	Committee	Position
International Travel House Limited	Nominations & Remuneration Committee	Member
Gujarat Hotels Limited	Nominations & Remuneration Committee	Member
Landbase India Limited	Nominations & Remuneration Committee	Member
Fortune Park Hotels Limited	Corporate Social Responsibility Committee	Chairman
Srinivasa Resorts Limited	Nominations & Remuneration Committee	Chairman

**R. Tandon**

Rajiv Tandon (63), DIN: 00042227, was appointed as a Director on the Board of ITC effective January 22, 2016. He is responsible for Finance, Accounting and Internal Audit Functions and Investment Subsidiaries of the Company. Prior to this, he was the Chief Financial Officer of the Company, a position that he continues to hold. A Fellow member of the Institute of Chartered Accountants of India with over three decades of experience, Tandon has held various positions in ITC including Executive Vice President - Finance & MIS of the Tobacco Division, Executive Vice President - Corporate Finance, Finance Advisor and member of the Management Committee of Agri Business and Tobacco Divisions.

Tandon was named the 'Best CFO in India' by Business Today in 2013. He has held several important positions in various industry bodies including Member, Managing Committee, The Bengal Chamber of Commerce & Industry; Chairman of the Expert Committee on Banking and Finance, Indian Chamber of Commerce; Member, Taxation and Company Law Committee, CII and is currently a member, CII-CFO Forum as well as a member of the Capital Markets Committee of FICCI.

**Other Directorships**

Name of the Company	Position
Russell Credit Limited	Chairman & Non-Executive Director
Greenacre Holdings Limited	Chairman & Non-Executive Director
Gold Flake Corporation Limited	Chairman & Non-Executive Director
ITC Investments & Holdings Limited	Chairman & Non-Executive Director
Wimco Limited	Chairman & Non-Executive Director

Name of the Company	Position
Landbase India Limited	Non-Executive Director
ITC Infotech India Limited	Non-Executive Director
ITC Infotech Limited, UK*	Non-Executive Director
ITC Infotech (USA), Inc.*	Non-Executive Director

**Committee Membership of other Companies**

Name of the Company	Committee	Position
Russell Credit Limited	Audit Committee	Chairman
	CSR Committee	Chairman
	Nomination and Remuneration Committee	Member
Greenacre Holdings Limited	Audit Committee	Chairman
	Nomination and Remuneration Committee	Member
Gold Flake Corporation Limited	Audit Committee	Chairman
	Nomination and Remuneration Committee	Member
Wimco Limited	Nomination and Remuneration Committee	Member
	Securityholders Relationship Committee	Member
	Audit Committee	Chairman
Landbase India Limited	Nominations & Remuneration Committee	Chairman
	Audit Committee	Chairman
ITC Infotech India Limited	Audit Committee	Chairman

## Your Directors

### Z. Alam

Zafir Alam (59), DIN: 07641534, joined the ITC Board as an Additional Non-Executive Director effective October 26, 2016, representing the General Insurers' (Public Sector) Association of India. Apart from holding a Diploma in Business Management, he is also an Associate of the Insurance Institute of India.

A Direct Recruit Generalist Officer with United India Insurance Company Limited, Alam has held various senior positions and has been the Head of several operating Units, including tenure as Deputy General Manager, Bengaluru Regional Office. He was appointed General Manager of The New India Assurance Company Limited in May 2014, and is currently in-charge of its Motor Technical Department which, amongst others, deals with tie-ups with automobile majors.

Alam does not hold directorship of any other company.

### S. Banerjee

Shilabhadra Banerjee (68), DIN: 02922331, joined the ITC Board as a Non-Executive Director on July 24, 2014 and was appointed as an Independent Director on July 30, 2014.

Banerjee, a Masters in History from St. Stephen's College, Delhi, Post Graduate Diploma holder in Public Administration from the Indian Institute of Public Administration, New Delhi, and an M. Phil in Social Sciences from the University of Panjab, began his career in the Indian Administrative Service in 1971. In a career spanning over 37 years, he has held several eminent positions including that of Joint Secretary in the Ministries of Petroleum & Natural Gas and Urban Development. Banerjee was Director General (Acquisition) in the Ministry of Defence and retired as Secretary, Ministry of Tourism in October 2008. He has been a Visiting Fellow at the Queen Elizabeth House, University of Oxford, UK. Banerjee also served on the Board of the Company from February 2010 to March 2014.

Banerjee does not hold directorship of any other company.

### A. Duggal

Arun Duggal (70), DIN: 00024262, joined the ITC Board as a Non-Executive Independent Director on September 15, 2014.

Duggal, a Mechanical Engineer from the Indian Institute of Technology, Delhi, and an MBA from the Indian Institute of Management, Ahmedabad, is an international banker with global experience in financial strategy, M&A and capital raising. His professional career includes 26 years with Bank of America (BoA), primarily in the USA, Hong Kong and Japan, with his last assignment as Chief Executive with BoA, India, from 1998 to 2001. He was the Chief Financial Officer of HCL Technologies Limited, India, from 2001 to 2003. He has also been the Chairman of the American Chamber of Commerce, India, and on the Board of Governors of the National Institute of Bank Management. Duggal is involved in several initiatives in social and educational sectors and is founder of FICCI's 'Women on Corporate Boards' Programme.

### Other Directorships

Name of the Company	Position
ICRA Limited	Chairman & Non-Executive Director
Mangalore Chemicals & Fertilisers Limited	Chairman & Non-Executive Director
International Asset Reconstruction Company Private Limited	Chairman & Non-Executive Director
Info Edge (India) Limited	Non-Executive Director
Dish TV India Limited	Non-Executive Director
Dr. Lal PathLabs Limited	Non-Executive Director
Inversion Management Services Private Limited	Non-Executive Director



**Committee Membership of other Companies**

Name of the Company	Committee	Position
ICRA Limited	Audit Committee	Member
Mangalore Chemicals & Fertilisers Limited	Audit Committee	Member
International Asset Reconstruction Company Private Limited	Nomination & Remuneration Committee	Member
Info Edge (India) Limited	Audit Committee	Chairman
Dish TV India Limited	Audit Committee	Member
	Nomination & Remuneration Committee	Member
	Corporate Social Responsibility Committee	Member
Dr. Lal PathLabs Limited	Nomination & Remuneration Committee	Chairman
	Audit Committee	Member

**S. B. Mainak**

Suryakant Balkrishna Mainak (61), DIN: 02531129, joined the ITC Board as a Non-Executive Director effective April 25, 2014, representing the Life Insurance Corporation of India (LIC).

A qualified Chartered Accountant, he joined LIC as a Direct Recruit Officer in 1983 and retired as its Managing Director with effect from March 1, 2016. During his long tenure at LIC, Mainak acquired wide range of experience in several functions spanning Investments, Finance & Accounts and Marketing and held various positions including Senior / Branch Manager, Divisional Manager of

Pension & Group Superannuation and in various capacities in the Investment department.

Mainak also had a stint in academics as Professor (Life Insurance) and Head of Finance Department in National Insurance Academy (NIA), Pune, where he was instrumental in creating new teaching programmes in finance & accounts, investment, GAAP accounting and Insurance Investment and Financial Reporting Standards. Mainak was Deputy President of the Insurance Institute of India and member of the Governing Board of NIA. He was earlier appointed by the Government of India on the Board of Satyam Computer Services Limited as an Independent Director for restructuring that company.

In 2009, he was conferred the 'NDTV Profit Business Leadership Award', 'CNN-IBN Indian of the Year Award' and 'Dataquest IT Person of the Year Award'.

**Other Directorships**

Name of the Company	Position
Credit Analysis and Research Limited	Chairman & Non-Executive Director
Care Advisory Research and Training Limited	Chairman & Non-Executive Director
Mahindra & Mahindra Limited	Non-Executive Director
Suncap Insolvency & Recovery Agents Private Limited	Non-Executive Director

**Committee Membership of other Companies**

Name of the Company	Committee	Position
Credit Analysis and Research Limited	Stakeholders Relationship Committee	Chairman
	Audit Committee	Member
	Nomination & Remuneration Committee	Member

## Your Directors

### A. Malik

Ashok Malik (48), DIN: 07075819, joined the ITC Board as an Additional Non-Executive Director effective April 11, 2017, as a representative of the Specified Undertaking of the Unit Trust of India (SUUTI).

A graduate in Political Science from Presidency College, Kolkata, Malik began his career as a journalist and has worked with several leading publications, including India Today, The Times of India and Indian Express. He is currently a Distinguished Fellow at the Observer Research Foundation and Head of the Foundation's Neighbourhood Regional Studies Initiative.

Malik has authored a book, 'India: The Spirit of Enterprise' and several papers on India's political economy, foreign policy and globalisation. He is also a regular columnist with several leading national and international publications.

He is a member of the Board of Governors of the Indian Institute of Corporate Affairs and was awarded the Padma Shri in 2016.

#### Other Directorships

Name of the Company	Position
Avanse Financial Services Limited	Non-Executive Director

#### Committee Membership of other Companies

Name of the Company	Committee	Position
Avanse Financial Services Limited	Nomination, Remuneration and Compensation Committee	Chairman
	Audit Committee	Member

### S. B. Mathur

Sunil Behari Mathur (72), DIN: 00013239, has been on the ITC Board since July 29, 2005, first as a representative of LIC and then in his individual capacity as a Non-Executive Independent Director.

A qualified Chartered Accountant, Mathur retired from LIC in October 2004 as its Chairman. Subsequently, the Government of India appointed him the Administrator of SUUTI in December 2004, up to December 2007.

Mathur took over as Chairman of LIC at a time when the insurance sector had just opened up. Under his leadership, LIC successfully rose to the challenges of a competitive environment by enhancing product offerings. He joined LIC in 1967 as a Direct Recruit Officer and rose to the rank of Chairman. He held various positions in LIC including Senior Divisional Manager of Gwalior Division, Chief of Corporate Planning, General Manager of LIC (International) E.C., Zonal Manager in-charge of Western Zone and Executive Director.

#### Other Directorships

Name of the Company	Position
Hindustan Oil Exploration Company Limited	Chairman & Non-Executive Director
Strugence Trustee Private Limited	Chairman & Non-Executive Director
NSE Strategic Investment Corporation Limited	Chairman & Non-Executive Director
National Collateral Management Services Limited	Non-Executive Director
DCM Shriram Industries Limited	Non-Executive Director
UltraTech Cement Limited	Non-Executive Director
Thomas Cook (India) Limited	Non-Executive Director
Infrastructure Leasing and Financial Services Limited	Non-Executive Director
Travel Corporation (India) Limited	Non-Executive Director
India Mortgage Guarantee Corporation Private Limited	Non-Executive Director

**Committee Membership of other Companies**

Name of the Company	Committee	Position
Hindustan Oil Exploration Company Limited	Audit Committee	Chairman
	Corporate Social Responsibility Committee	Chairman
	Nomination and Remuneration Committee	Member
NSE Strategic Investment Corporation Limited	Audit Committee	Member
	Nomination & Remuneration Committee	Member
National Collateral Management Services Limited	Audit Committee	Member
	Nomination & Remuneration Committee	Member
DCM Shriram Industries Limited	Remuneration Committee	Chairman
	Audit Committee	Member
UltraTech Cement Limited	Audit Committee	Chairman
Thomas Cook (India) Limited	Audit Committee	Member
	Nomination & Remuneration Committee	Member
Infrastructure Leasing and Financial Services Limited	Nomination & Remuneration Committee	Chairman
Travel Corporation (India) Limited	Audit Committee	Chairman
	Nomination & Remuneration Committee	Member
India Mortgage Guarantee Corporation Private Limited	Audit Committee	Member

**P. B. Ramanujam**

Pillappakkam Bahukutumbi Ramanujam (72), DIN: 00046101, has been on the Board of ITC since October 30, 1998, first as a representative of General Insurance Corporation of India (GIC) and its erstwhile subsidiaries and then in his individual capacity as a Non-Executive Independent Director.

A qualified Chartered Accountant, Ramanujam has held several responsibilities in GIC covering finance, accounts, investments, reinsurance, information technology etc. He was General Manager and Director with National Insurance Company Limited, and the Managing Director of GIC till July 31, 2004.

Ramanujam has served as a faculty member at National Insurance Academy. He was also the Chairman of the Committee appointed by the interim Insurance Regulatory Authority (IRA) for prescribing norms, rules and regulations in the area of finance. He has also been a member of three other IRA Committees on technical issues, investment matters and insurance regulatory information system. He was a member of FICCI's Reinsurance Sub-Committee, the Insurance Tariff Advisory Committee, the Advisory Committee on Finance of the Insurance Regulatory and Development Authority (IRDA), and member of IRDA's Reinsurance Advisory Committee for recommending regulatory changes with regard to capital structure, IPOs, mergers & acquisitions etc. of insurance companies.

Ramanujam does not hold directorship of any other company.

**N. Rao**

Nirupama Rao (66), DIN: 06954879, was appointed as a Non-Executive Independent Director on the Board of ITC effective April 8, 2016.

A Graduate in English Literature, she was a Fellow of the Harvard University (1992-93), Fellow of the Brown University,

## Your Directors

Fellow of the Jawaharlal Nehru University, and a recipient of the Degree of Doctor of Letters (Honoris Causa) from the Pondicherry University. She was conferred with the Vanitha Ratna by the Government of Kerala in 2016.

A career diplomat from the Indian Foreign Service from 1973 to 2011, she served the Government in several important positions including that of the Foreign Secretary of India. She has represented India in several countries during her distinguished career and was the first Indian woman to be appointed High Commissioner to Sri Lanka and Ambassador to China. She was also the first woman spokesperson of the Ministry of External Affairs. After her retirement, she was appointed Ambassador of India to the United States for a tenure of two years.

### Other Directorships

Name of the Company	Position
KEC International Limited	Non-Executive Director
Network18 Media & Investments Limited	Non-Executive Director
TV18 Broadcast Limited	Non-Executive Director
Coromandel International Limited	Non-Executive Director
Viacom 18 Media Private Limited	Non-Executive Director

### Committee Membership of other Companies

Name of the Company	Committee	Position
TV18 Broadcast Limited	Stakeholders Relationship Committee	Member
Coromandel International Limited	Stakeholders Relationship Committee	Member
Viacom 18 Media Private Limited	Audit Committee	Member
	Nomination and Remuneration Committee	Member

### S. S. H. Rehman

Sahibzada Syed Habib-ur-Rehman (73), DIN: 00050862, was appointed as a Non-Executive Independent Director on the Board of ITC effective July 27, 2012. Rehman's illustrious career began with a tenure in the Indian Army after he graduated from the Indian Military Academy in Dehradun. He moved to the hospitality industry in 1975 and joined ITC in 1979, beginning a three decade association with the Company.

Rehman was appointed Managing Director of erstwhile ITC Hotels Limited in 1994. Subsequently, he joined the Board of ITC as an Executive Director in 1997, and over the next 12 years was responsible for several businesses - Hotels, Travel & Tourism and Foods. During this period, he ably led ITC's Hotels Business in consolidating its position as one of India's leading hospitality chains.

Rehman was the founder President of the Hotel Association of India, and a founder member of the World Travel & Tourism Council, Experience India / Incredible India and has headed several industry associations including tourism committees of FICCI, ASSOCHAM and CII. Rehman has been a recipient of several awards and honours, recognising his vast contribution to the Indian hospitality industry.

Rehman does not hold directorship of any other company.

### M. Shankar

Meera Shankar (66), DIN: 06374957, was appointed as a Non-Executive Independent Director on the Board of ITC effective September 6, 2012.

A Post Graduate in English Literature, she joined the Indian Foreign Service in 1973 and had an illustrious career spanning 38 years. She served in the Prime Minister's Office for six years from 1985 to 1991 working on foreign policy and security matters. Thereafter, she led the Commercial Wing in the Indian Embassy in Washington as Minister (Commerce) till 1995. She returned

as Director General of the Indian Council of Cultural Relations overseeing India's cultural diplomacy. She has had extensive experience in South Asia having worked on Bangladesh, Sri Lanka and Maldives as Under Secretary and Deputy Secretary in the Ministry of External Affairs. Later, as Joint Secretary she headed divisions dealing with neighbours, Nepal and Bhutan, and the South Asian Association for Regional Cooperation (SAARC). As Additional Secretary, she handled the UN and international security issues.

She served as Ambassador of India to Germany from 2005 to 2009 and then to the United States from 2009 to 2011.

### Other Directorships

Name of the Company	Position
Pidilite Industries Limited	Non-Executive Director
Adani Transmission Limited	Non-Executive Director
Hexaware Technologies Limited	Non-Executive Director

### Committee Membership of other Companies

Name of the Company	Committee	Position
Pidilite Industries Limited	Corporate Social Responsibility Committee	Member
Adani Transmission Limited	Audit Committee Nomination and Remuneration Committee	Member Member
Hexaware Technologies Limited	Audit Committee Corporate Social Responsibility Committee	Member Member

### D. R. Simpson

David Robert Simpson (60), DIN: 07717430, was appointed as an Additional Non-Executive Director on the Board of ITC effective January 27, 2017, as a representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c. Apart from holding a Masters Degree from the University of Cambridge, he is a qualified lawyer from the Guildford College of Law.

Simpson started his career in 1979 and has held various leadership positions with major corporates including Barclays de Zoete Wedd Limited and KPMG LLP. At present, he is a Trustee of Cardiff University, UK. He has earlier held the position of the Global Head of M&A at KPMG LLP. Simpson has a wide range of expertise and understanding of diverse sectors spanning Investment Banking and Private Equity, Infrastructure, Energy, Transport, Healthcare, Education, Investment Risk Assessment etc.

### Other Directorships

Name of the Company	Position
D4jsimpson Limited, UK*	Chairman & Non-Executive Director
Ecofin Global Utilities and Infrastructure Trust plc, UK*	Chairman & Non-Executive Director
University College Cardiff Consultants Limited, UK*	Non-Executive Director

**Committee Membership of other Companies: Nil**

#### Notes:

- Other Directorships and Committee Memberships of Directors are as on 26th May, 2017.
  - Committee Memberships cover Committees under the Companies Act, 2013 viz., Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee and CSR Committee of Indian Companies.
- \* Denotes Foreign Company

# Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations 2015).

ITC Limited has been one of the frontrunners in India to have put in place a formalised system of Corporate Governance. Its governance framework enjoins the highest standards of ethical and responsible conduct of business to create value for all stakeholders. In the context of splitting the role of the Executive Chairman between Chairman and Chief Executive Officer, the Board of Directors of the Company adopted a revised Corporate Governance Policy with effect from 5th February, 2017 to reflect the new Governance structure of the Company.

## THE COMPANY'S GOVERNANCE PHILOSOPHY

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilised in a manner that meets stakeholders' aspirations and societal expectations. This belief is reflected in the Company's deep commitment to contribute to the "triple bottom line", namely the conservation and development of the nation's economic, social and environmental capital.

ITC's Corporate Governance structure, systems and processes are based on two core principles:

- (i) Management must have the executive freedom to drive the enterprise forward without undue restraints, and
- (ii) This freedom of management should be exercised within a framework of effective accountability.

ITC believes that any meaningful policy on Corporate Governance must empower the executive management of the Company. At the same time, Governance must create a mechanism of checks and balances to ensure that the decision-making powers vested in the executive

management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

From this definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability. ITC believes that the practice of each of these creates the right corporate culture that fulfils the true purpose of Corporate Governance.

**Trusteeship** recognises that large corporations, which represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees, have both an economic and a social purpose, thereby casting the responsibility on the Board of Directors to protect and enhance shareholder value, as well as fulfil obligations to other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

**Transparency** means explaining the Company's policies and actions to those to whom it has responsibilities. Externally, this means maximum appropriate disclosures without jeopardising the Company's strategic interests and internally, this means openness in the Company's relationship with its employees and in the conduct of its business. ITC believes transparency enhances accountability.

**Ethical Corporate Citizenship** means setting exemplary standards of ethical behaviour, both internally within the organisation, as well as in external relationships. ITC believes that unethical behaviour corrupts organisational culture and undermines stakeholder value. Governance processes in ITC continuously reinforce and help realise the Company's belief in ethical corporate citizenship.

**Empowerment** is a process of unleashing creativity and innovation throughout the organisation by truly vesting decision-making powers at the most appropriate levels and as close to the scene of action as feasible, thereby helping actualise the potential of its employees. Empowerment is an essential concomitant of ITC's first core principle of governance that management must

The cornerstones of ITC's governance philosophy are trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability.

have the freedom to drive the enterprise forward. ITC believes that empowerment combined with accountability provides an impetus to performance and improves effectiveness, thereby enhancing shareholder value.

**Control** ensures that freedom of management is exercised within a framework of checks and balances and is designed to prevent misuse of power, facilitate timely management of change and ensure effective management of risks. ITC believes that control is a necessary concomitant of its second core principle of governance that the freedom of management should be exercised within a framework of appropriate checks and balances.

## THE GOVERNANCE STRUCTURE

The practice of Corporate Governance in ITC takes place at three interlinked levels:

Strategic supervision	by the Board of Directors
Strategic management	by the Corporate Management Committee headed by the Chief Executive Officer of the Company
Executive management	by the Divisional Chief Executive assisted by the Divisional Management Committee

The three-tier governance structure ensures that:

- Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board with objectivity, thereby sharpening accountability of management;
- Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and
- Executive management of the divisional business free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of its business.

The core roles of the key entities flow from this structure. The core roles, in turn, determine the core responsibilities of each entity. In order to discharge such responsibilities, each entity is empowered formally with requisite powers.

The structure, processes and practices of governance are designed to support effective management of multiple businesses while retaining focus on each one of them.

The Governance Document that sets out the structure, policies and practices of governance within the organisation is available on the Company's corporate website [www.itcportal.com](http://www.itcportal.com) for general information.

## ROLES OF VARIOUS ENTITIES

**Board of Directors (Board):** The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic supervision of ITC, its wholly owned subsidiaries and their wholly owned subsidiaries. As trustees, the Board ensures that the Company has clear goals aligned to shareholder value and its growth. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board, as part and parcel of its functioning, annually reviews its role and also evaluates the performance of the Directors and the Board Committees.

**Corporate Management Committee (CMC):** The primary role of the CMC is strategic management of the Company's businesses within Board approved direction / framework and realisation of Company goals. The CMC assesses the performance of the businesses and allocates resources, and operates under the strategic supervision and control of the Board.

**Divisional Management Committee (DMC):** The primary role of the DMC is executive management of the divisional business to realise tactical and strategic objectives in accordance with Board approved plan.

The Executive Committee for Business Vertical is responsible to deliver comprehensive business results under the overall direction and supervision of the Divisional Chief Executive supported by the DMC.

**Chairman:** The primary role of the Chairman of the Company is to provide leadership to the Board. As the Chairman of the Board, he presides over its meetings and leads and assists the Board in setting and realising the Company's strategic vision and related short and long term goals. He is responsible, inter alia, for the working of the Board, for its balance of membership (subject to Board and Shareholder approvals) and for

## Report on Corporate Governance

ensuring that all Directors are enabled and encouraged to play a full part in the activities of the Board. Based on information and feedback from the Chief Executive Officer, the Chairman ensures that all relevant issues are on the Board agenda and the Board is kept informed on all matters of importance. He presides over General Meetings of Shareholders.

The present Chairman, 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, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management. Providing mentorship to the new executive management and support towards management of critical external stakeholders' relationships, accordingly, form part of the role of the present Chairman.

**Chief Executive Officer (CEO):** The CEO carries total responsibility for the strategic management of the Company and accordingly heads the CMC. His primary role is to provide leadership to the CMC for realising Company goals in accordance with the charter approved by the Board. He is responsible, inter alia, for the working of the CMC, ensuring that all relevant issues are on the agenda and that all CMC Members are enabled and encouraged to play a full part in its activities.

**Executive Director:** The Executive Director assists the Board in realising its role of strategic supervision of the Company in pursuit of its purpose and goals. As a member of the CMC, Executive Director contributes to the strategic management of the Company's businesses within Board approved direction / framework. An Executive Director accountable to the Board for a business / shared service, assumes overall responsibility for its strategic management, including governance processes and top management effectiveness. As Director accountable to the Board for a corporate function, the overall strategic responsibility for its performance forms part of the Executive Director's role.

**CMC Member:** The CMC Member contributes to the strategic management of the Company's businesses within Board approved direction / framework as a member of the CMC. A CMC Member accountable for a business / shared service, assumes responsibility for its strategic management, including governance processes and top management effectiveness. Where accountable for a corporate function, the overall strategic responsibility for its performance forms part of the CMC Member's role.

**Non-Executive Director:** Non-Executive Directors, including Independent Directors, play a critical role in imparting balance to the Board processes by bringing an independent judgement on issues of strategy, performance, resources, standards of Company conduct etc.

**Divisional Chief Executive:** The Divisional Chief Executive for a business has the overall executive responsibility for its day-to-day operations and to provide leadership to the DMC in its task of executive management of the business and of the Verticals within the Division.

The Chief Operating Officer - Business Vertical is responsible for providing leadership to the Vertical and realising the tactical and strategic objectives of the respective business area.

### BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of Shareholders.

#### Composition

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. Pursuant to splitting the role of the Executive Chairman between Chairman and CEO, the Company is now required to have at least one-third of the total strength of the Board as Independent Directors. The Non-Executive Directors include the Chairman and independent professionals.

In terms of the Articles of Association of the Company, the strength of the Board shall not be fewer than five nor more than eighteen. The present strength of the Board is fifteen, of which three are Executive Directors, including the CEO, and seven are Non-Executive Independent Directors.

Composition of the Board as on 31st March, 2017:

Category	No. of Directors	Percentage to total no. of Directors
Executive Directors	3	21
Non-Executive Independent Directors	7	50
Other Non-Executive Directors	4	29
<b>Total</b>	<b>14</b>	<b>100</b>



Director	Category	No. of other Directorship(s)	No. of Membership(s)/ Chairmanship(s) of Audit Committee / Stakeholders Relationship Committee of other Indian public limited companies
Y. C. Deveshwar	Chairman & Non-Executive Director	5	Nil
S. Puri	Chief Executive Officer & Executive Director	1	Nil
N. Anand	Executive Director	8	Nil
R. Tandon	Executive Director & Chief Financial Officer	9	6 [including 5 as Chairman]
S. Banerjee	Independent Director	Nil	Nil
A. Duggal	Independent Director	7	5 [including 1 as Chairman]
S. B. Mathur	Independent Director	11	9 [including 5 as Chairman]
P. B. Ramanujam	Independent Director	Nil	Nil
N. Rao	Independent Director	5	2
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
Z. Alam	Non-Executive Director - Representative of General Insurers' (Public Sector) Association of India as Investor	Nil	Nil
S. B. Mainak	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	4	2 [including 1 as Chairman]
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c.	3	Nil

### Meetings and Attendance

The Company's Governance Policy requires the Board to meet at least five times a year. The intervening period between two Board meetings was well within the maximum gap of 120 days prescribed under the Listing Regulations 2015. The tentative annual calendar of meetings is broadly determined at the beginning of each year.

### Board Agenda

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are generally circulated at least seven days prior to the Board meeting.

### Information placed before the Board

In addition to matters required to be placed before the Board under the Governance Policy of the Company, the following are also tabled for the Board's information / review:

- External Audit Management Reports (through the Audit Committee).
- Status of safety and legal compliance etc.
- Status and effectiveness of risk management systems and processes.
- Succession to senior management (through the Nomination & Compensation Committee).
- Show cause, demand, prosecution and adjudication notices, if any, from revenue authorities which are considered materially important, including any exposure that exceeds 1% of the Company's net worth, and their outcome.
- Significant court judgement or order passing strictures, if any, on the conduct of the Company or a subsidiary of the Company or any employee, which could negatively impact the Company's image.
- Product liability claims of a substantial nature, if any.
- Default, if any, in payment of dues to any major creditor.
- Write-offs / disposals (fixed assets, inventories, receivables, advances etc.) on a half-yearly basis.
- Significant development in Human Resources / Industrial Relations.
- Material non-compliance of any regulatory or listing requirements and in relation to shareholders' services.
- All other matters required to be placed before the Board for its information / review under the Listing Regulations 2015 and other statutes.

### Post-meeting follow-up system

The Governance processes in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board, the Board Committees, the CMC and the Divisional and other Management Committees.

## Report on Corporate Governance

### Details of Board Meetings during the financial year

During the financial year ended 31st March, 2017, six meetings of the Board were held, as follows:

Sl. No.	Date	Board Strength	No. of Directors present
1	8th April, 2016	16	15
2	20th May, 2016	16	12
3	21st July, 2016	15	14
4	22nd July, 2016	14	14
5	26th October, 2016	13	11
6	27th January, 2017	13	11

### Attendance at Board Meetings and at Annual General Meeting (AGM) during the financial year

Director	No. of Board meetings attended	Attendance at last AGM
Y. C. Deveshwar	6	Yes
S. Puri	6	Yes
N. Anand	5	Yes
R. Tandon	6	Yes
Z. Alam <sup>1</sup>	1	NA
S. Banerjee	6	Yes
A. Duggal	5	Yes
S. B. Mainak	6	Yes
S. B. Mathur	6	Yes
P. B. Ramanujam	4	Yes
N. Rao <sup>2</sup>	4	Yes
S. S. H. Rehman	5	Yes
M. Shankar	6	Yes
D. R. Simpson <sup>3</sup>	NA	NA
A. Baijal <sup>4</sup>	5	Yes
A. V. Girija Kumar <sup>5</sup>	1	Yes
R. E. Lerwill <sup>6</sup>	1	NA
K. Vaidyanath <sup>7</sup>	4	Yes

1. Appointed Non-Executive Director w.e.f. 26th October, 2016.

2. Appointed Non-Executive Director w.e.f. 8th April, 2016.

3. Appointed Non-Executive Director w.e.f. 27th January, 2017.

4. Ceased to be Non-Executive Director w.e.f. 30th December, 2016 consequent to his appointment as Lt. Governor of Delhi.

5. Ceased to be Non-Executive Director on conclusion of the AGM held on 22nd July, 2016 upon completion of term.

6. Resigned as Non-Executive Director w.e.f. 22nd June, 2016.

7. Ceased to be Non-Executive Director w.e.f. 29th July, 2016 upon completion of term.

### COMMITTEES OF THE BOARD

Currently, there are five Board Committees – the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee, the CSR and Sustainability Committee and the Independent Directors Committee. The terms of reference of the Board Committees are determined by the Board from time to time, other than the Independent Directors Committee, the terms of reference of which have been adopted as prescribed under law. Meetings of each Board Committee are convened by the respective Committee Chairman. Matters requiring the Board's attention / approval, as emanating from the Board Committee meetings, are placed before the Board with clearance of the Committee Chairman. The role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below.

#### I. AUDIT COMMITTEE

The Audit Committee of the Board provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations, both domestic and overseas.
- safeguarding of assets and adequacy of provisions for all liabilities.
- reliability of financial and other management information and adequacy of disclosures.
- compliance with all relevant statutes.

The role of the Committee includes the following:

- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- To recommend the appointment, remuneration, terms of appointment and removal of Statutory Auditors;

- (c) To recommend the appointment, remuneration and removal of Cost Auditors, where necessary;
- (d) To approve transactions of the Company with related parties, including modifications thereto;
- (e) To review and monitor the Statutory Auditors' independence and performance, and effectiveness of the audit process;
- (f) To evaluate the Company's internal financial controls and risk management systems;
- (g) To review with the management the following:
  - (i) Annual financial statements and Auditors' Report thereon before submission to the Board for approval;
  - (ii) Quarterly financial statements before submission to the Board for approval;
- (h) To review the following:
  - (i) Management discussion and analysis of financial condition and results of operations;
  - (ii) Adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board, such review to be done in consultation with the management, Statutory and Internal Auditors;
  - (iii) Reports of Internal Audit and discussion with Internal Auditors on any significant findings and follow-up thereon;
  - (iv) System for storage, retrieval, security etc. of books of account maintained in the electronic form;
  - (v) Functioning of Whistle Blower mechanism in the Company.

### Composition

The Audit Committee presently comprises five Non-Executive Directors, four of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Executive Director & Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit, who reports to the Audit Committee, is the Coordinator, and the Company Secretary is the Secretary to the Committee. The representatives of the Cost

Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. All members of the Committee are financially literate; three members, including the Chairman of the Committee, have accounting and financial management expertise.

The names of the members of the Audit Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

### Meetings and Attendance

#### Details of Audit Committee Meetings during the financial year

During the financial year ended 31st March, 2017, eight meetings of the Audit Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	5th May, 2016	5	4
2	20th May, 2016	5	4
3	21st July, 2016	5	5
4	22nd August, 2016	5	5
5	26th October, 2016	5	4
6	27th January, 2017	4	2
7	7th February, 2017	5	4
8	17th March, 2017	5	3

#### Attendance at Audit Committee Meetings during the financial year

Member	No. of meetings attended
S. B. Mathur	8
Z. Alam <sup>1</sup>	2
A. Duggal	5
P. B. Ramanujam	4
S. S. H. Rehman <sup>2</sup>	4
A. Bajjal <sup>3</sup>	5
K. Vaidyanath <sup>4</sup>	3

1. Appointed Member w.e.f. 27th January, 2017.

2. Appointed Member w.e.f. 23rd July, 2016.

3. Ceased to be Member w.e.f. 30th December, 2016.

4. Ceased to be Member w.e.f. 29th July, 2016.

## II. NOMINATION & COMPENSATION COMMITTEE

The Nomination and Remuneration Committee of the Board, under the nomenclature 'Nomination & Compensation Committee', inter alia, identifies persons qualified to become Directors and formulates criteria for evaluation of the Directors and the Board. The Committee's role also includes recommending to the Board the appointment, remuneration and removal of Directors, CMC Members and managers one level below Director. This Committee also has the responsibility for administering the Employee Stock Option Schemes of the Company.

### Composition

The Nomination & Compensation Committee presently comprises the Chairman of the Company and four other Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

The names of the members of the Nomination & Compensation Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

### Meetings and Attendance

#### Details of Nomination & Compensation Committee Meetings during the financial year

During the financial year ended 31st March, 2017, six meetings of the Nomination & Compensation Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	8th April, 2016	5	5
2	20th May, 2016	5	5
3	21st July, 2016	5	5
4	22nd July, 2016	5	5
5	26th October, 2016	5	5
6	27th January, 2017	5	4

#### Attendance at Nomination & Compensation Committee Meetings during the financial year

Member	No. of meetings attended
S. Banerjee <sup>1</sup>	6
Y. C. Deveshwar	6
S. B. Mainak <sup>2</sup>	2
S. S. H. Rehman	5
M. Shankar	6
K. Vaidyanath <sup>3</sup>	4

1. Appointed Chairman of the Committee w.e.f. 23rd July, 2016.

2. Appointed Member w.e.f. 23rd July, 2016.

3. Ceased to be Member w.e.f. 29th July, 2016.

### Remuneration Policy

ITC's remuneration policy aims at attracting and retaining high calibre talent. The remuneration policy, therefore, is market-led and takes into account the competitive circumstance of each business so as to attract and retain quality talent and leverage performance significantly.

The Policy on remuneration of Directors, Key Managerial Personnel and other employees of the Company is provided in the Annexure forming part of this Report.

### Remuneration of Directors

Remuneration of the CEO and the other Executive Directors is determined by the Board, on the recommendation of the Nomination & Compensation Committee, subject to the approval of the Shareholders. Performance bonus of the CEO for each financial year is up to a maximum of 300% of his basic / consolidated salary and for the other Executive Directors up to a maximum of 200% of their basic / consolidated salary, subject to the approval of the Shareholders. Performance bonus for each year is determined by the Board, on the recommendation of the Nomination & Compensation

Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

Committee. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria.

Non-Executive Directors, including Independent Directors, are entitled to remuneration by way of commission for each financial year, ranging between ₹ 30,00,000/- and ₹ 60,00,000/- individually, as approved by the Shareholders. Non-Executive Directors' commission is determined by the Board based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to reinforce the principle of collective responsibility. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board / Committees thereof, the quantum of which is determined by the Board. The sitting fees to Non-Executive Directors as determined by the Board are ₹ 1,00,000/- for each meeting of the Board, ₹ 50,000/- for each meeting of the Audit Committee, Nomination & Compensation Committee, CSR and Sustainability Committee and Independent Directors Committee, and ₹ 10,000/- for each meeting of the Securityholders Relationship Committee. Non-Executive Directors are also entitled to coverage under Personal Accident Insurance.

Mr. Y. C. Deveshwar, Chairman and Non-Executive Director effective 5th February, 2017, is entitled to, apart from the remuneration as applicable to the other Non-Executive Directors of the Company, additional remuneration as covered in the Explanatory Statement to the Notice convening the 106th AGM of the Company.

### Performance Evaluation of Directors

Performance evaluation of the Board, Board Committees and individual Directors was carried out in accordance with the Policy approved by the Nomination & Compensation Committee in this regard, synopsis of which is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' in the Report and Accounts.

### Details of Remuneration paid to the Directors during the financial year ended 31st March, 2017

(₹ in Lakhs)

Director	Consolidated Salary / Remuneration	Perquisites / other Benefits	Performance Bonus / Commission	Sitting Fees	Total
Y. C. Deveshwar	601.57	651.27	864.00	-	2116.84 <sup>^</sup>
S. Puri	103.43	24.23	41.46	-	169.12 <sup>#</sup>
N. Anand	96.00	65.40	129.60	-	291.00
R. Tandon	96.00	22.87	25.08	-	143.95
Z. Alam <sup>1</sup>	-	-	-	2.00 <sup>*</sup>	2.00
S. Banerjee	-	-	20.00	9.50	29.50
A. Duggal	-	-	20.00	8.00	28.00
S. B. Mainak	-	-	20.00 <sup>*</sup>	8.50	28.50
S. B. Mathur	-	-	20.00	10.50	30.50
P. B. Ramanujam	-	-	20.00	6.60	26.60
N. Rao <sup>2</sup>	-	-	-	4.50	4.50
S. S. H. Rehman	-	-	20.00	10.00	30.00
M. Shankar	-	-	20.00	11.00	31.00
D. R. Simpson <sup>3</sup>	-	-	-	-	-
A. Bajjal <sup>4</sup>	-	-	20.00	8.00	28.00
P. V. Dhobale <sup>5</sup>	-	-	88.49	-	88.49
A. V. Girija Kumar <sup>6</sup>	-	-	19.56 <sup>*</sup>	1.70 <sup>*</sup>	21.26
K. N. Grant <sup>7</sup>	-	-	104.86	-	104.86
S. H. Khan <sup>8</sup>	-	-	15.68 <sup>@</sup>	-	15.68
R. E. Lerwill <sup>9</sup>	-	-	20.00	1.50	21.50
K. Vaidyanath <sup>10</sup>	-	-	20.00	7.90	27.90

<sup>^</sup> ₹ 1,799.18 Lakhs (including ₹ 410 Lakhs towards leave encashment on retirement) paid as Executive Chairman till 4th February, 2017; ₹ 317.67 Lakhs paid as Chairman & Non-Executive Director from 5th February, 2017, which is subject to the approval of the Shareholders.

<sup>#</sup> Includes ₹ 25.68 Lakhs which is subject to the approval of the Shareholders.

<sup>\*</sup> Paid to the Public Financial Institution the Director represents / represented.

<sup>@</sup> Paid to Mrs. M. Khan, spouse of Late S. H. Khan.

1. Appointed Non-Executive Director w.e.f. 26th October, 2016.

2. Appointed Non-Executive Director w.e.f. 8th April, 2016.

3. Appointed Non-Executive Director w.e.f. 27th January, 2017.

4. Ceased to be Non-Executive Director w.e.f. 30th December, 2016.

5. Retired as Executive Director on 6th December, 2015.

6. Ceased to be Non-Executive Director from 23rd July, 2015 upon completion of term; thereafter appointed Additional Non-Executive Director w.e.f. 31st July, 2015, which term completed on conclusion of the AGM held on 22nd July, 2016.

7. Retired as Executive Director on 22nd January, 2016.

8. Expired on 12th January, 2016.

9. Resigned as Non-Executive Director w.e.f. 22nd June, 2016.

10. Ceased to be Non-Executive Director w.e.f. 29th July, 2016.

Note: Disclosure with respect to Non-Executive Directors - Pecuniary relationship or transaction: None.

### Employee Stock Option Schemes

The Company granted 65,79,295 Options during the financial year to the eligible employees and Directors of the Company, other than Independent Directors, and

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eligible employees of some of its subsidiary companies. Pursuant to the Shareholders' approval on 27th June, 2016 to the issue of Bonus Shares in the proportion of One Bonus Share of ₹ 1/- each for every existing Two fully paid-up Ordinary Shares of ₹ 1/- each, adjustment was made to the outstanding Options with respect to the number of Options and the exercise price, in accordance with the Employee Stock Option Schemes of the Company read with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, consequent to which 1,46,86,316 Bonus Options were allocated during the year.

Each Option entitles the holder thereof to apply for and be allotted ten Ordinary shares of the Company of ₹ 1/- each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from the date of such vesting.

The vesting period for conversion of Options is as follows:

On completion of 12 months from the date of grant of the Options	: 30% vests
On completion of 24 months from the date of grant of the Options	: 30% vests
On completion of 36 months from the date of grant of the Options	: 40% vests

### Shares and Options of Directors

Director	No. of Ordinary shares of ₹ 1/- each held (singly / jointly) as on 31st March, 2017	No. of Options granted during the financial year
Y. C. Deveshwar	Nil	2,70,000
S. Puri	75,000	1,35,000
N. Anand	2,32,475	1,35,000
R. Tandon	2,10,000	1,35,000
Z. Alam	Nil	Nil
S. Banerjee	Nil	Nil
A. Duggal	Nil	Nil
S. B. Mainak	Nil	Nil
S. B. Mathur	1,81,500	Nil
P. B. Ramanujam	5,12,034	Nil
N. Rao	Nil	Nil
S. S. H. Rehman	17,732	Nil
M. Shankar	Nil	Nil
D. R. Simpson	Nil	Nil

Note: Options were granted at 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

### Service Contract, Severance Fee and Notice Period

The appointment of the CEO and the other Executive Directors is governed by resolutions passed by the Board and the Shareholders of the Company, which cover the terms and conditions of such appointment read with the service rules of the Company. A separate Service Contract is not entered into by the Company with those elevated to the Board from the management cadre, since they already have a Service Contract with the Company. Letters of appointment have been issued by the Company to the Independent Directors, incorporating their roles, duties, responsibilities etc., which have been accepted by them.

There is no separate provision for payment of severance fee under the resolutions governing the appointment of Executive Directors who have all been drawn from amongst the management cadre. The statutory provisions will however apply. With respect to notice period of Directors, the statutory provisions will also apply.

### III. SECURITYHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee of the Board, under the nomenclature 'Securityholders Relationship Committee', oversees redressal of shareholder and investor grievances and, inter alia, approves transmission of shares, sub-division / consolidation / renewal / issue of duplicate share certificates etc. and allotment of shares upon exercise of Options under the Company's Employee Stock Option Schemes.

#### Composition

The Securityholders Relationship Committee presently comprises four Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

The names of the members of the Securityholders Relationship Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

#### Meetings and Attendance

#### Details of Securityholders Relationship Committee Meetings during the financial year

During the financial year ended 31st March, 2017, seventeen meetings of the Securityholders Relationship

Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	8th April, 2016	4	3
2	5th May, 2016	4	3
3	20th May, 2016	4	4
4	24th June, 2016	4	2
5	4th July, 2016	4	2
6	7th July, 2016	4	2
7	21st July, 2016	4	3
8	22nd August, 2016	3	3
9	22nd September, 2016	3	2
10	19th October, 2016	3	2
11	14th November, 2016	3	2
12	20th December, 2016	3	2
13	18th January, 2017	3	2
14	14th February, 2017	3	2
15	23rd February, 2017	3	2
16	9th March, 2017	3	2
17	31st March, 2017	3	2

#### Attendance at Securityholders Relationship Committee Meetings during the financial year

Member	No. of meetings attended
P. B. Ramanujam <sup>1</sup>	1
S. Puri	16
R. Tandon	17
A. V. Girija Kumar <sup>2</sup>	2
K. Vaidyanath <sup>3</sup>	4

1. Appointed Member and Chairman of the Committee w.e.f. 23rd July, 2016.
2. Ceased to be Member and Chairman of the Committee on conclusion of the AGM held on 22nd July, 2016.
3. Ceased to be Member w.e.f. 29th July, 2016.

#### IV. CSR AND SUSTAINABILITY COMMITTEE

The role of the CSR Committee of the Board, under the nomenclature '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 & monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the Companies Act, 2013.

##### Composition

The CSR and Sustainability Committee presently comprises the Chairman of the Company and six other Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee.

The names of the members of the CSR and Sustainability Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

##### Meetings and Attendance

#### Details of CSR and Sustainability Committee Meetings during the financial year

During the financial year ended 31st March, 2017, three meetings of the CSR and Sustainability Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	8th April, 2016	5	4
2	20th May, 2016	6	4
3	26th October, 2016	4	3

The structure, processes and practices of governance are designed to support effective management of multiple businesses while retaining focus on each one of them.

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### Attendance at CSR and Sustainability Committee Meetings during the financial year

Member	No. of meetings attended
Y. C. Deveshwar	3
Z. Alam <sup>1</sup>	NA
S. B. Mainak	3
N. Rao <sup>2</sup>	0
M. Shankar	3
D. R. Simpson <sup>3</sup>	NA
A. V. Girija Kumar <sup>4</sup>	1
R. E. Lerwill <sup>5</sup>	1

1. Appointed Member w.e.f. 26th October, 2016.

2. Appointed Member w.e.f. 8th April, 2016.

3. Appointed Member w.e.f. 27th January, 2017.

4. Ceased to be Member on conclusion of the AGM held on 22nd July, 2016.

5. Ceased to be Member w.e.f. 22nd June, 2016.

### V. INDEPENDENT DIRECTORS COMMITTEE

The statutory role of the Independent Directors Committee of the Board is to review the performance of non-Independent Directors, the Board and the Chairman of the Company and also to assess the quality, quantity and timeliness of flow of information between the Company management and the Board.

#### Composition

The Independent Directors Committee comprises all the Independent Directors of the Company, whose names are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

#### Meetings and Attendance

##### Details of Independent Directors Committee Meeting during the financial year

During the financial year ended 31st March, 2017, one meeting of the Independent Directors Committee was held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	8th April, 2016	8	8

### Attendance at Independent Directors Committee Meeting during the financial year

Member	No. of meeting attended
S. Banerjee	1
A. Duggal	1
S. B. Mathur	1
P. B. Ramanujam	1
N. Rao <sup>1</sup>	1
S. S. H. Rehman	1
M. Shankar	1
A. Bajjal <sup>2</sup>	1

1. Appointed Member w.e.f. 8th April, 2016.

2. Ceased to be Member and Chairman of the Committee w.e.f. 30th December, 2016.

### CORPORATE MANAGEMENT COMMITTEE

The primary role of the CMC is strategic management of the Company's businesses within Board approved direction / framework and realisation of Company goals. The CMC assesses the performance of the businesses and allocates resources, and operates under the strategic supervision and control of the Board.

#### Composition

The CMC presently comprises the CEO, the other Executive Directors and seven senior members of management. The CEO is the Chairman of the Committee. The composition of the CMC is determined by the Board based on the recommendation of the Nomination & Compensation Committee.

The names of the members of the CMC, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

#### Meetings and Attendance

Matters requiring the Board's attention / approval are placed in the form of notes from the relevant Executive Director / CMC Member, backed by comprehensive background information, alongwith Divisional Management Committee's recommendation / approval, where applicable. Minutes of CMC meetings are placed before the Board for its information.



### Details of Corporate Management Committee Meetings during the financial year

During the financial year ended 31st March, 2017, thirty nine meetings of the CMC were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	18th April, 2016	10	10
2	12th May, 2016	10	9
3	13th June, 2016	10	10
4	12th July, 2016	10	10
5	20th July, 2016	10	8
6	5th August, 2016	10	8
7	23rd August, 2016	10	9
8	15th September, 2016	10	9
9	20th October, 2016	10	10
10	12th November, 2016	10	10
11	2nd December, 2016	10	10
12	16th January, 2017	10	10
13	8th February, 2017	10	10
14	8th February, 2017	10	10
15	8th February, 2017	10	10
16	10th February, 2017	10	10
17	13th February, 2017	10	10
18	17th February, 2017	10	10
19	18th February, 2017	10	10
20	18th February, 2017	10	10
21	23rd February, 2017	10	10
22	23rd February, 2017	10	10
23	24th February, 2017	10	10
24	27th February, 2017	10	10
25	27th February, 2017	10	9
26	2nd March, 2017	10	10
27	2nd March, 2017	10	10
28	3rd March, 2017	10	9
29	11th March, 2017	10	10
30	11th, 12th & 13th March, 2017	10	10
31	16th March, 2017	10	9
32	23rd March, 2017	10	8
33	23rd March, 2017	10	8
34	27th March, 2017	10	9
35	27th March, 2017	10	9
36	29th March, 2017	10	10
37	29th March, 2017	10	10
38	31st March, 2017	10	9
39	31st March, 2017	10	9

### Attendance at Corporate Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri <sup>1</sup>	39
N. Anand	36
R. Tandon	39
B. B. Chatterjee	36
C. Dar	38
S. K. Singh <sup>2</sup>	27
S. Sivakumar	38
R. Sridhar <sup>3</sup>	38
B. Sumant <sup>3</sup>	37
K. S. Suresh	34
Y. C. Deveshwar <sup>4</sup>	10

1. Appointed Chairman of the Committee w.e.f. 5th February, 2017.

2. Appointed Member w.e.f. 27th January, 2017.

3. Appointed Member w.e.f. 1st April, 2016.

4. Ceased to be Chairman of the Committee w.e.f. 5th February, 2017.

### RISK MANAGEMENT COMMITTEE

The role of the Risk Management Committee, constituted pursuant to the Listing Regulations 2015, is inter alia, to approve the strategic risk management framework of the Company, and review the risk mitigation strategies and results of risk identification, prioritisation & mitigation plans for all businesses / functions.

#### Composition

The Risk Management Committee presently comprises the CEO, the other Executive Directors and senior members of management. The CEO is the Chairman of the Committee. The Chief Risk Officer is the Secretary to the Committee.

The names of the members of the Risk Management Committee, including its Chairman, are provided below.

#### Meetings and Attendance

#### Details of Risk Management Committee Meetings during the financial year

During the financial year ended 31st March, 2017, two meetings of the Risk Management Committee

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were held, as follows:

Sl. No.	Date	Committee Strength (including Invitees)	No. of Members & Invitees present
1	11th January, 2017	7	7
2	16th March, 2017	7	4

### Attendance at Risk Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri <sup>1</sup>	2
N. Anand	1
R. Tandon	2
S. Sivakumar	2
B. Sumant	1
Y. C. Deveshwar <sup>2</sup>	1
Invitee	No. of meetings attended
S. K. Singh <sup>3</sup>	0
R. Parasuram	2

1. Appointed Chairman of the Committee w.e.f. 5th February, 2017.

2. Ceased to be Chairman or Member of the Committee w.e.f. 5th February, 2017.

3. Inducted as Invitee to the Committee w.e.f. 5th February, 2017.

### FAMILIARISATION PROGRAMME FOR DIRECTORS

ITC believes that a Board, which is well informed / familiarised with the Company and its affairs, can contribute significantly to effectively discharge its role of trusteeship in a manner that fulfils stakeholders' aspirations and societal expectations. In pursuit of this, the Directors of the Company are updated on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislations & economic environment and on

matters affecting the Company, to enable them to take well informed and timely decisions. Visits to Company facilities are also organised for the Directors. Further details may be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/leadership/board-of-directors.aspx>.

### DISCLOSURES

- Details of non-compliances, penalties, strictures by Stock Exchanges / SEBI / Statutory Authorities on any matter related to capital markets during the last three years:

**None**

- Inter-se relationships between Directors and Key Managerial Personnel of the Company:

**None**

- Materially significant related party transactions which may have potential conflict with the interests of the Company at large:

**None**

- Material financial and commercial transactions of senior management, where they may have had personal interest, and which had potential conflict with the interests of the Company at large:

**None**

- Compliance Officer under the Listing Regulations 2015:

**B. B. Chatterjee, Executive Vice President & Company Secretary**

- Information with respect to 'Commodity Price Risk or Foreign Exchange Risk and Hedging Activities' is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' and in the 'Notes to the Financial Statements'.

The CSR and Sustainability Committee provides strategic direction to the Company's CSR and Sustainability practices towards fulfilling its Triple Bottom Line objectives.

## MEANS OF COMMUNICATION

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end -

- The quarterly results of the Company were announced within a month from the end of the quarter. Audited annual results alongwith the results for the fourth quarter were announced within sixty days from the end of the financial year. These results were published, inter alia, in 'The Times of India' and 'Bartaman' / 'Aajkaal' from Kolkata, and on an all India basis in major newspapers, and also in 'Luxemburger Wort', Luxembourg. As in the past, the Company will publish its quarterly, half-yearly and annual financial results and also post such results on the Company's corporate website [www.itcportal.com](http://www.itcportal.com). The Company's presentations on the results, quarterly results updates alongwith FAQs are made available on the Company's corporate website.
- The Company's corporate website provides comprehensive information on ITC's portfolio of businesses, CSR and Sustainability initiatives, EHS performance, shareholding pattern, key Company Policies, and contact details of Company's employees responsible for assisting investors & handling investor grievances. The website has entire sections dedicated to ITC's profile, history and evolution, its core values, corporate governance and leadership. An exclusive section on 'Shareholder Value' serves to inform and service Shareholders, enabling them to access information at their convenience. The entire Report and Accounts as well as quarterly, half-yearly and annual financial results are available in downloadable formats under the section 'Shareholder Value' on the Company's corporate website as a measure of added convenience to investors. The 'Media Centre' section includes all major media releases from the Company and relevant media reports.
- The Report of the Board of Directors, forming part of the Report and Accounts, includes all aspects of Management Discussion and Analysis as required under the Listing Regulations 2015.

## ITC CODE OF CONDUCT

The ITC Code of Conduct, adopted by the Board of Directors, is applicable to Directors, senior management and employees of the Company. The Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation. The Code covers ITC's commitment to CSR and sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability, legal compliance and the philosophy of leading by personal example. The Code is available on the Company's corporate website.

### Declaration as required under the Listing Regulations 2015

All Directors and senior management of the Company have affirmed compliance with the ITC Code of Conduct for the financial year ended 31st March, 2017.

Kolkata, 26th May, 2017.

S. Puri  
Chief Executive Officer &  
Executive Director

## WHISTLEBLOWER POLICY

Synopsis of the Whistleblower Policy of the Company is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' in the Report and Accounts. The Whistleblower Policy is also available on the Company's corporate website.

## POLICY FOR DETERMINATION OF A MATERIAL SUBSIDIARY

The Policy may be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-material-subsidiaries.aspx>.

## POLICY ON RELATED PARTY TRANSACTIONS

The Policy may be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-rpt.aspx>.

## Report on Corporate Governance

### ITC CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING - 2015

The ITC Code of Conduct for Prevention of Insider Trading - 2015, approved by the Board of Directors, inter alia, prohibits purchase or sale of securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

### DISCRETIONARY REQUIREMENTS UNDER THE LISTING REGULATIONS 2015

The status of compliance with the discretionary requirements under the Listing Regulations 2015 is provided below:

1. **Separate posts of Chairman and Chief Executive Officer:** Pursuant to splitting the role of the Executive Chairman between Chairman and CEO, the Company, effective 5th February, 2017, has a Chairman in non-executive capacity and a CEO.
2. **Chairman's Office:** Chairman's Office is maintained by the Company and expenses towards performance of the Chairman's duties are borne by the Company / reimbursed to him.
3. **Shareholder Rights:** The quarterly, half-yearly and annual financial results of the Company are published in newspapers on an all India basis and are also

posted on the Company's corporate website. Significant events are also posted on this website under the 'Media Centre' section. The complete Annual Report is sent to every Shareholder of the Company.

4. **Audit Opinion:** It has always been the Company's endeavour to present financial statements with unmodified audit opinion. The Statutory Auditors have issued an unmodified audit opinion on the Company's financial statements for the year ended 31st March, 2017.

### GENERAL SHAREHOLDER INFORMATION

Provided in the 'Shareholder Information' section of the Report and Accounts.

### CONFIRMATION OF COMPLIANCE

As required under the Listing Regulations 2015 –

- It is confirmed that the Company has complied with the requirements under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations 2015.
- The Statutory Auditors' Certificate that the Company has complied with the conditions of Corporate Governance is annexed to the 'Report of the Board of Directors & Management Discussion and Analysis'.

#### Notes:

1. Reference to Division / Divisional Business includes Strategic Business Unit (SBU), Business Vertical and Shared Services.
2. Reference to Divisional Management Committee includes SBU Management Committee, Shared Services Management Committee and Executive Committee for Business Vertical.
3. Reference to Divisional Chief Executive includes Heads of SBU, Business Vertical and Shared Services.

The ITC Code of Conduct is derived from three interlinked fundamental principles – good corporate governance, good corporate citizenship and exemplary personal conduct.

**ANNEXURE TO THE REPORT ON CORPORATE GOVERNANCE**

**Remuneration Policy**

ITC's Remuneration Strategy is designed to attract and retain high quality talent, that gives each of its businesses a unique competitive advantage and enables the Company achieve its objectives.

ITC's Remuneration Strategy is a key and integral component of the broader Human Resource Strategy of the Company and, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's Superordinate goal and enables a congruence between individual aspirations and the Company's mission and vision.

**Policy**

It is ITC's policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of each business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore, to link a significant component of remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, combining both cash and non-cash components / benefits, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce ITC's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

**Remuneration of Executive Directors, Key Managerial Personnel and Senior Management**

1. Remuneration of Executive Directors, Key Managerial Personnel and Senior Management is determined and recommended by the Board Nomination & Compensation Committee and approved by the Board. Remuneration of Executive Directors is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. Since the market for Board-level and senior leadership talent is global, remuneration of top management of global corporations as well as Indian corporations of comparable size is considered. The review also cognises for the Company's diverse multi-business portfolio and its unique strategy of organisation.
3. Apart from fixed elements of remuneration and benefits / perquisites, Executive Directors, Key Managerial Personnel and Senior Management are also eligible for Performance Bonus and Employee Stock Options that are linked to their individual performance and the overall performance of the Company. These elements of compensation design, facilitate alignment of the priorities of Executive Directors, Key Managerial Personnel and Senior Management with the long-term interests of stakeholders.

**Remuneration of Non-Executive Directors and Chairman**

Remuneration of Non-Executive Directors is in the form of annual commission, which is determined by the Board within the limit stipulated under the Companies Act, 2013 and approved by the shareholders. Commission is based, inter alia, on Company performance and is generally payable on a uniform basis to reinforce the principle of collective responsibility. Individual performance may be taken into account in exceptional circumstances. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the quantum of which is determined by the Board. Non-Executive Directors, who are not Independent Directors, are also eligible for Stock Options as approved by the shareholders.

The present Chairman, 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, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management, and is entitled to additional remuneration and benefits, as determined by the Board within the limit stipulated under the Companies Act, 2013 and approved by the shareholders.

**Remuneration of Management Staff**

1. Remuneration of Management Staff is business-specific and approved by the Corporate Management Committee on the recommendation of the Business and Corporate Human Resources.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the business, as well as the track record of the individual manager.
3. Variable Pay in the form of Annual Performance Bonus cognises for the performance rating of the individual manager, the performance of the Business and the overall performance of the Company.
4. The Nomination & Compensation Committee may grant Stock Options under the Company's Employee Stock Option Schemes to managers at middle and senior levels, linked to their performance and potential, with benefits vesting in phases over a period of time.

**Remuneration of Non-Management Employees**

1. Remuneration of non-management employees is market-led, business specific, leverages performance and is approved by the Management Committee of the Business.
2. Remuneration of non-management unionised employees is determined through a process of negotiations with the recognised union/s or employee representatives, through a long-term agreement.
3. The collective bargaining process is anchored in mutuality of interests, characterised by industrial democracy and partnership with enlightened trade unions, aimed at enhancing the competitiveness of the unit and business, and thereby improving the quality of life of the workforce through fair and equitable compensation.
4. Remuneration, comprising fixed and variable components, is arrived at based on benchmarking with region-cum-industry practices and cognizing for market dynamics, competitiveness of the unit / plant, overall performance of the business, availability of skills, inflation / cost of living and the impact of cost escalation and productivity gains on present and future competitiveness.

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# Shareholder Information

## AGM Details

Date	Friday, 28th July, 2017
Venue	Science City Main Auditorium JBS Haldane Avenue Kolkata 700 046
Time	10.00 a.m.
Book Closure Dates	Wednesday, 7th June, 2017 to Friday, 9th June, 2017 (both days inclusive)
Dividend Payment Date	Monday, 31st July, 2017

## Registrar & Share Transfer Agents

The in-house Investor Service Centre of the Company (ISC), accredited with ISO 9001:2008 certification for investor servicing, provides share registration and related services. The Company is registered with the Securities and Exchange Board of India (SEBI) as Category II Share Transfer Agent and has been granted a certificate of permanent registration by SEBI.

## Share and Debenture Transfer Committee

The Share and Debenture Transfer Committee of the Company met twenty nine times during the financial year ended 31st March, 2017 to approve share transfers. The processing activities with respect to requests received for share transfers are generally completed within three working days. There were no share transfers pending as on 31st March, 2017.

The Committee presently comprises the following:

- R. Tandon, Executive Director & Chief Financial Officer - Chairman
  - B. B. Chatterjee, Executive Vice President & Company Secretary - Member
  - K. S. Suresh, General Counsel - Member
- A. Bose, Deputy Secretary and Head of ISC, is the Secretary to the Committee and also the Compliance Officer under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

## Shareholder / Investor complaints

The Company attends to Shareholder / Investor complaints within five working days except where constrained by disputes or legal impediments. Pending cases relating to disputes over title to shares in which the Company has been made a party, are not material in nature.

During the financial year, three investor complaints (one relating to change of address and the other two relating to dividend), in terms of the Complaint Identification Policy of the Company approved by the Securityholders Relationship Committee, were received and were promptly resolved.

National Stock Exchange, Bombay Stock Exchange and Calcutta Stock Exchange have confirmed that there were no investor complaints pending against the Company at the end of each quarter as also on 31st March, 2017, which position was also reflected on SCORES, the web based complaint redressal system of SEBI. The e-mail ID earmarked by the Company for this purpose is **isc@itc.in**.

## Dematerialisation of Shares and Liquidity

The shares of the Company are available for trading in the dematerialised form under both the Depository Systems in India - NSDL and CDSL. The International Securities Identification Number (ISIN) allotted to the Company's shares under the Depository System is INE154A01025.

During the year, 1,33,46,715 shares of the Company, covered in 2,475 requests and constituting 0.11% of the issued and subscribed Share Capital of the Company, were dematerialised. The processing activities with respect to requests received for dematerialisation are generally completed within three working days.

The Company's shares are amongst the most liquid and actively traded shares on the Indian Stock Exchanges and consistently rank among the top frequently traded shares, both in terms of number of shares traded as well as in terms of value. The Company's market capitalisation stood at ₹ 3,40,491 crores (US\$ 52.50 billion) on 31st March, 2017, as compared to ₹ 2,64,150 crores (US\$ 39.87 billion) on 31st March, 2016.

**Distribution of Shareholding as on 31st March, 2017**

No. of Shares Slab	No. of Shareholders				No. of Shares					
	Physical	Demat	Total	%	Physical	%	Demat	%	Total	%
1 – 5000	32,399	4,71,613	5,04,012	92.03	2,85,83,623	0.24	18,46,37,229	1.52	21,32,20,852	1.76
5001 – 10000	3,568	13,760	17,328	3.16	2,69,34,037	0.22	10,12,81,517	0.83	12,82,15,554	1.05
10001 – 20000	2,283	9,515	11,798	2.15	3,07,62,251	0.25	13,38,32,030	1.10	16,45,94,281	1.35
20001 – 30000	1,056	4,319	5,375	0.98	2,57,86,974	0.21	10,69,05,920	0.88	13,26,92,894	1.09
30001 – 40000	302	1,921	2,223	0.41	1,02,09,280	0.09	6,64,72,114	0.55	7,66,81,394	0.64
40001 – 50000	220	1,314	1,534	0.28	97,58,218	0.08	5,88,74,949	0.48	6,86,33,167	0.56
50001 – 100000	396	2,370	2,766	0.51	2,77,65,157	0.23	16,47,65,887	1.36	19,25,31,044	1.59
100001 and above	154	2,452	2,606	0.48	3,65,06,98,365	30.05	7,52,01,15,520	61.91	11,17,08,13,885	91.96
<b>Total</b>	<b>40,378</b>	<b>5,07,264</b>	<b>5,47,642</b>	<b>100.00</b>	<b>3,81,04,97,905</b>	<b>31.37</b>	<b>8,33,68,85,166</b>	<b>68.63</b>	<b>12,14,73,83,071</b>	<b>100.00</b>

**Categories of Shareholders as on 31st March, 2017**

Category	No. of Shares held	%
<b>(A) Institutional Shareholding</b>		
Financial Institutions, Insurance Companies, Mutual Funds and Banks	4,33,90,97,491	35.72
Foreign Portfolio Investors and Foreign Institutional Investors	2,43,37,89,792	20.03
Sub-Total (A)	<b>6,77,28,87,283</b>	<b>55.75</b>
<b>(B) Non-Institutional Shareholding</b>		
Foreign Companies	3,62,06,73,627	29.81
NRIs, PIOs and Foreign Nationals	6,72,66,373	0.55
Bodies Corporate	45,97,94,553	3.79
Public and Others	1,20,17,17,106	9.89
Sub-Total (B)	<b>5,34,94,51,659</b>	<b>44.04</b>
<b>Public Shareholding (A+B)</b>	<b>12,12,23,38,942</b>	<b>99.79</b>
<b>Shares underlying Global Depository Receipts</b>	<b>2,50,44,129</b>	<b>0.21</b>
<b>Total</b>	<b>12,14,73,83,071</b>	<b>100.00</b>

**Global Depository Receipts**

Pursuant to the offer of Global Depository Receipts (GDRs) made in 1993 by the Company, 2,50,44,129 GDRs, representing 2,50,44,129 underlying shares of the Company i.e. 0.21% of the issued and subscribed Share Capital, were outstanding as on 31st March, 2017.

The Company's GDRs are listed on the Luxembourg Stock Exchange (Code: 004660919) at Societe de la Bourse de Luxembourg, 35A Boulevard Joseph II, L-1840, Luxembourg. The Listing Fee for the calendar year 2017 has been paid to the said Exchange.

## Shareholder Information

### Listing of Shares on Stock Exchanges with Stock Code

Stock Exchange	Stock Code
<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E) Mumbai 400 051 Telephone nos. : 022-2659 8100 - 14 Facsimile no. : 022-2659 8120 e-mail : ignse@nse.co.in Website : www.nseindia.com	ITC
<b>BSE Limited (BSE)</b> Phiroze Jeejeebhoy Towers, Dalal Street Mumbai 400 001 Telephone nos. : 022-2272 1233/34 Facsimile no. : 022-2272 1919 e-mail : is@bseindia.com Website : www.bseindia.com	500875
<b>The Calcutta Stock Exchange Limited (CSE)</b> 7, Lyons Range Kolkata 700 001 Telephone no. : 033-4025 3000 Facsimile no. : 033-4025 3030 e-mail : cseisc@cse-india.com Website : www.cse-india.com	10000018

The Listing Fees for the financial year 2017-18 have been paid to the Stock Exchanges.

Stock Exchange	Reuters Code	Bloomberg
NSE	ITC.NS	ITC IS
BSE	ITC.BO	ITC IB

### Monthly High and Low Quotes and Volume of Shares traded on NSE, BSE and GDRs on Luxembourg Stock Exchange (LSE)

Year & Month	NSE			BSE			LSE		
	High (₹)	Low (₹)	Volume in 000's (Nos.)	High (₹)	Low (₹)	Volume in 000's (Nos.)	High (US\$)	Low (US\$)	Volume in 000's (Nos.)
2016 APRIL	225.57	208.33	1,85,906	225.60	208.00	12,042	3.38	3.21	13
MAY	242.67	204.00	2,69,414	242.83	204.00	24,812	3.61	3.13	7
JUNE	247.80	230.43	2,29,838	247.60	230.47	14,273	3.64	3.47	5
JULY	259.75	242.20	1,96,407	258.85	242.20	21,818	N.A.	N.A.	Nil
AUGUST	262.00	245.80	1,78,062	262.00	246.00	20,951	N.A.	N.A.	Nil
SEPTEMBER	265.90	240.50	1,78,163	266.00	240.80	17,205	N.A.	N.A.	Nil
OCTOBER	246.55	233.50	1,64,097	246.50	233.60	25,926	N.A.	N.A.	Nil
NOVEMBER	259.65	222.10	2,86,821	259.60	222.25	23,531	N.A.	N.A.	Nil
DECEMBER	242.40	222.00	1,86,837	242.30	222.05	13,956	3.55	3.31	2
2017 JANUARY	266.95	238.60	1,89,741	266.70	238.55	19,447	3.89	3.54	3
FEBRUARY	292.15	257.85	2,21,203	291.95	258.20	22,993	4.16	3.60	11
MARCH	288.90	258.15	2,80,923	289.00	258.40	34,029	4.40	3.92	2

Note: Share Price & Volume adjusted to reflect Bonus Shares issued during the financial year 2016-17.

There was no trading in the Company's shares on CSE during the financial year 2016-17.



### ITC Share Price vis-à-vis Nifty 50



Notes: Indicates monthly closing positions.

Share Price adjusted to reflect Bonus Shares issued during the financial year 2016-17.

During the year, the Company's shares have outperformed the market. While the Nifty 50 has risen by 18.5%, the Company's share price has risen by 28.1%.

### ITC Share Price & Volume traded on NSE



Notes: Indicates monthly high & low price and monthly volume.

Share Price & Volume adjusted to reflect Bonus Shares issued during the financial year 2016-17.

## Shareholder Information

### Dividend History (Last 10 Years)

As one of India's foremost private sector companies, the Company has performed consistently for over a century now and has rewarded Shareholders since inception with uninterrupted dividends.

Financial Year	Dividend per Share (₹)	Dividend (₹ in Crores)	Dividend Distribution Tax (₹ in Crores)	Total Dividend including Dividend Distribution Tax (₹ in Crores)
2016-17	4.75 *	5,770.01	1,174.64	6,944.65
2015-16	8.50 ^	6,840.13	1,392.48	8,232.61
2014-15	6.25	5,009.71	1,019.86	6,029.57
2013-14	6.00	4,771.91	810.99	5,582.90
2012-13	5.25	4,148.46	705.03	4,853.49
2011-12	4.50	3,518.29	570.75	4,089.04
2010-11	4.45 @	3,443.48	558.62	4,002.10
2009-10	10.00 #	3,818.18	634.15	4,452.33
2008-09	3.70	1,396.53	237.34	1,633.87
2007-08	3.50	1,319.02	224.17	1,543.19

\* Subject to approval of Shareholders; on expanded Share Capital arising out of Bonus Shares issued in the ratio of 1:2.

^ Includes special dividend of ₹ 2.00 per share.

@ On expanded Share Capital arising out of Bonus Shares issued in the ratio of 1:1 and includes special dividend of ₹ 1.65 per share.

# Includes special Centenary dividend of ₹ 5.50 per share.

### Financial Calendar

Financial Year 2017-18 (1st April - 31st March)		
1	First Quarter Results	July 2017
2	Second Quarter and Half-Year Results	October / November 2017
3	Third Quarter Results	January / February 2018
4	Fourth Quarter and Annual Results	May 2018

### Particulars of past three AGMs

AGM	Financial Year	Venue	Date	Time	Special Resolutions passed
105th	2015-16	Science City Main Auditorium JBS Haldane Avenue Kolkata 700 046	22/07/2016	10.00 a.m.	—
104th	2014-15		31/07/2015		—
103rd	2013-14		30/07/2014		<ul style="list-style-type: none"> <li>Approval to retain the number of Directors on the Board of Directors at eighteen, in line with the Articles of Association of the Company.</li> <li>Amendment to the Articles of Association of the Company for incorporation of Article 10A with respect to charging of fees for copies of documents / registers / records.</li> </ul>

## Postal Ballot and E-Voting

During the year, the following resolutions were passed by the Members by requisite majority by means of postal ballot and e-voting. The Board of Directors of the Company appointed Mr. R. L. Auddy, Senior Solicitor and Partner, Messrs. Sandersons & Morgans, Advocates & Solicitors, as the Scrutinizer for scrutinizing the postal ballot and e-voting process.

	Resolutions for increase in Authorised Share Capital, amendment to the Articles of Association to reflect the increased Authorised Share Capital and issue of Bonus Shares	Resolution for alteration of the Objects Clause of the Memorandum of Association to include 'Healthcare'
Date of Postal Ballot Notice	20th May, 2016	27th January, 2017
Date of completion of despatch of Postal Ballot Notice	28th May, 2016	14th February, 2017
Voting period	29th May, 2016 to 27th June, 2016	15th February, 2017 to 16th March, 2017
Date of declaration of Results	28th June, 2016	17th March, 2017

The results of the postal ballot and e-voting were as follows:

Resolution	Votes in favour of the Resolution		Votes against the Resolution	
	Number of Shares for which valid votes cast	% of votes to total number of valid votes cast	Number of Shares for which valid votes cast	% of votes to total number of valid votes cast
Ordinary Resolution - Increase in the Authorised Share Capital of the Company	656,23,61,918	99.48	3,43,44,907	0.52
Special Resolution - Amendment to Article 4 of the Articles of Association of the Company	659,60,91,251	99.62	2,49,58,407	0.38
Ordinary Resolution - Issue of Bonus Shares	662,03,27,702	99.99	8,21,019	0.01
Special Resolution - Alteration of the Objects Clause of the Memorandum of Association of the Company to include 'Healthcare'	907,28,23,765	90.68	93,26,23,282	9.32

No special resolution requiring postal ballot is being proposed for the ensuing AGM.

## Shareholder Information

### Plant Locations

#### CIGARETTE FACTORIES

##### Bengaluru

1. Meenakunte Village  
Jala Hobli  
Bengaluru North Taluk  
Karnataka 562 157

##### Kolkata

2. 93/1, Karl Marx Sarani  
Kolkata  
West Bengal 700 043

##### Munger

3. Basdeopur P.O.  
District Munger  
Bihar 811 202

##### Pune

4. Plot No. B - 27, MIDC  
Ranjangaon, Taluka Shirur  
District Pune  
Maharashtra 412 220

##### Saharanpur

5. Sardar Patel Marg  
Saharanpur  
Uttar Pradesh 247 001

#### GREEN LEAF THRESHING PLANTS

##### Anaparti

1. Anaparti  
East Godavari District  
Andhra Pradesh 533 342

##### Chirala

2. Chirala  
Prakasam District  
Andhra Pradesh 523 157

##### Nanjangud

3. Thandya Industrial Area  
Immavu & Adakanahalli Villages  
Nanjangud Taluk, District Mysuru  
Karnataka 571 302

#### PACKAGING & PRINTING FACTORIES

##### Chennai

1. Tiruvottiyur  
Chennai  
Tamil Nadu 600 019

##### Haridwar

2. Plot No. 1, Sector - 11  
Integrated Industrial Estate  
Haridwar  
Uttarakhand 249 403

##### Munger

3. Basdeopur P.O.  
District Munger  
Bihar 811 202

#### PAPER & PAPERBOARD MILLS

##### Bollaram

1. Anrich Industrial Estate  
Bollaram Village, District Medak  
Telangana 502 325

##### Sarapaka

2. Sarapaka Village  
District Bhadradi Kothagudem  
Telangana 507 128

##### Thekkampatty

3. Thekkampatty Village  
Vivekanandapuram Post  
Mettupalayam Taluk  
District Coimbatore  
Tamil Nadu 641 113

##### Tribeni

4. Village & Post Chandrahati  
District Hooghly  
West Bengal 712 504

#### FOODS FACTORIES

##### Dhulagarh

1. F - 26, Howrah Food Park  
Dhulagarh, Sankrail  
Howrah  
West Bengal 711 302

##### Haridwar

2. Plot No. 1, Sector - 11  
Integrated Industrial Estate  
Haridwar  
Uttarakhand 249 403

##### Kamrup

3. NH - 37, Bortejpur  
Mouza Rampur  
Kukurmara, District Kamrup  
Assam 781 134

##### Malur

4. Survey Nos. 15/1 & 15/2  
Madivala Gram Panchayat  
Yeshwanthpura Village  
District Kolar  
Karnataka 563 130

##### Munger

5. Sitakund Industrial Area  
Village Nandlalpur  
District Munger  
Bihar 811 202

##### Nanjangud

6. Survey No. 77/3  
Thandya Industrial Area  
Immavu & Adakanahalli Villages  
Nanjangud Taluk, District Mysuru  
Karnataka 571 302

##### Pune

7. Plot No. D - 1, MIDC  
Ranjangaon, Taluka Shirur  
District Pune  
Maharashtra 412 220

##### Uluberia

8. Mouza Amraberia, J. L. No. 8  
P.S. Uluberia, District Howrah  
West Bengal 711 303

#### PERSONAL CARE PRODUCTS FACTORIES

##### Haridwar

1. Plot No. 1, Sector - 11  
Integrated Industrial Estate  
Haridwar  
Uttarakhand 249 403

##### Kamrup

2. NH - 37, Bortejpur  
Mouza Rampur  
Kukurmara, District Kamrup  
Assam 781 134

##### Manpura

3. Village Manpura  
Tehsil Baddi  
District Solan  
Himachal Pradesh 174 101

## Shareholder Information

### LIFESTYLE RETAILING

#### Design & Technology Centre

##### Manesar

Plot No. 3, Sector - 5  
IMT Manesar  
Gurugram  
Haryana 122 050

### PLANTS UNDER CONSTRUCTION

##### Ambarnath

1. Integrated Consumer Goods Manufacturing Facility  
Off Kalyan Badlapur Road  
Ambarnath  
District Thane  
Maharashtra 421 505

##### Haridwar

2. Food Unit - II  
Plot No. 1, Sector - 11  
Integrated Industrial Estate  
Haridwar  
Uttarakhand 249 403

##### Kapurthala

3. Integrated Foods Manufacturing and Logistics Facility  
A-1-A, Mixed Use Industrial Park  
Village Jhalthikriwal  
District Kapurthala  
Punjab 144 601

##### Khordha

4. Integrated Consumer Goods Manufacturing and Logistics Facility  
IDCO Plot No. 4  
Kholadwara Industrial Area  
District Khordha  
Odisha 752 050

##### Medak

5. Integrated Consumer Goods Manufacturing and Logistics Facility  
Village Manhorabad  
District Medak  
Telangana 502 336

##### Panchla

6. Integrated Packaged Foods Manufacturing Unit  
Mouza Kulai, J. L. No. 26  
P.S. Panchla, District Howrah  
West Bengal 711 322

##### Pudukkottai

7. Integrated Consumer Goods Manufacturing and Logistics Facility  
Vadugapatti & Velur Villages  
Taluk Illupur  
District Pudukkottai  
Tamil Nadu 621 316

##### Pune

8. Integrated Consumer Goods Manufacturing Facility  
Plot No. D - 1, MIDC  
Ranjangaon, Taluka Shirur  
District Pune  
Maharashtra 412 220

##### Sehore

9. Integrated Consumer Goods Manufacturing and Logistics Facility  
Industrial Area Badiya Khedi  
District Sehore  
Madhya Pradesh 466 001

### HOTELS

#### Owned Hotels

##### Agra

1. ITC Mughal\*  
Taj Ganj  
Agra  
Uttar Pradesh 282 001

##### Bengaluru

2. ITC Gardenia\*  
1, Residency Road  
Bengaluru  
Karnataka 560 025
3. ITC Windsor\*  
25, Windsor Square  
Golf Course Road  
Bengaluru  
Karnataka 560 052

4. My Fortune, Bengaluru  
46, Richmond Road  
Bengaluru  
Karnataka 560 025

##### Chennai

5. ITC Grand Chola\*  
63, Mount Road, Guindy  
Chennai  
Tamil Nadu 600 032
6. My Fortune, Chennai  
Cathedral Road  
Chennai  
Tamil Nadu 600 086

##### Jaipur

7. ITC Rajputana\*  
Palace Road  
Jaipur  
Rajasthan 302 006

##### Kolkata

8. ITC Sonar\*  
1, JBS Haldane Avenue  
Kolkata  
West Bengal 700 046

##### Mumbai

9. ITC Maratha\*  
Sahar, Mumbai  
Maharashtra 400 099
10. ITC Grand Central\*  
287, Dr. B. Ambedkar Road  
Parel, Mumbai  
Maharashtra 400 012

##### New Delhi

11. ITC Maurya\*  
Sardar Patel Marg  
Diplomatic Enclave  
New Delhi 110 021
12. Sheraton New Delhi Hotel  
District Centre, Saket  
New Delhi 110 017

#### Licensed Hotels

##### Ahmedabad

13. Fortune Park, Ahmedabad  
Ellis Bridge  
Ahmedabad  
Gujarat 380 006

\* Operating under 'The Luxury Collection' brand under Licence from Starwood Asia Pacific Hotels & Resorts Pte. Ltd.

## Shareholder Information

### Gurugram

14. ITC Grand Bharat\*  
P.O. Hasanpur, Tauru  
District Mewat  
Gurugram  
Haryana 122 105

### Kota

15. WelcomHeritage Umed Bhawan  
Palace  
Palace Road, Kota  
Rajasthan 324 001

### Port Blair

16. Fortune Resort Bay Island  
Marine Hill  
Port Blair  
Andaman & Nicobar Islands 744 101

### Vadodara

17. WelcomHotel Vadodara  
R. C. Dutt Road  
Alkapuri  
Vadodara  
Gujarat 390 007

### Hotels Under Operating Services

#### Aurangabad

18. WelcomHotel Rama International  
R - 3, Chikalthana  
Jalna Road  
Aurangabad  
Maharashtra 431 210

#### Hyderabad

19. ITC Kakatiya\*  
6-3-1187, Begumpet  
Hyderabad  
Telangana 500 016

#### Jodhpur

20. WelcomHotel Jodhpur  
Khasra No. 53  
Uchiyada Village  
Jodhpur  
Rajasthan 342 027

#### Khimsar

21. WelcomHotel Khimsar Fort & Dunes  
P.O. Khimsar  
District Nagaur  
Rajasthan 341 025

### Mamallapuram

22. WelcomHotel Kences Palm Beach  
No. 53, Devaneri Village  
East Coast Road  
District Kanchipuram  
Mamallapuram  
Tamil Nadu 603 104

### New Delhi

23. WelcomHotel Dwarka  
Plot No. 3, Sector - 10  
District Centre, Dwarka  
New Delhi 110 075

### Panchkula

24. WelcomHotel Bella Vista  
SM - 8, City Center, Sector - 5  
Panchkula  
Haryana 134 109

### Visakhapatnam

25. WelcomHotel Grand Bay  
Beach Road  
Visakhapatnam  
Andhra Pradesh 530 002

### CHOUPAL SAAGARS – RURAL SERVICES CENTRES

#### Amravati

1. Old Survey Nos. 12/5A,  
12/6 & 12/7  
Gat No. 19  
Patwari Halka No. 48  
Mouza Degaon  
Pargana Nandgaon Peth  
Taluka & District Amravati  
Maharashtra 444 901

#### Badaun

2. Arazi Nos. 10 & 12/3 (Part)  
Village Khunak  
Tehsil & District Badaun  
Uttar Pradesh 243 601

#### Bahraich

3. Khasra Nos. 475-476, 477 (Part),  
496-kha (Part), 497, 498 (Part),  
500-Mi, 501-505, 507 & 509  
Village Mohammad Nagar  
Tehsil, Pargana & District Bahraich  
Uttar Pradesh 271 801

### Chandouli

4. Khasra Nos. 57-62 & 641  
Village Muhabatpur, Ganj Khwaja  
Pargana Dhoos  
Tehsil Sakaldeeha  
District Chandouli  
Uttar Pradesh 232 104

### Chindwara

5. Survey Nos. 16/1-16/2 & 16/4-16/7  
Settlement No. 7  
Patwari Halka No. 34, R. I. Circle  
Village Imaliya Bohata, Chindwara - I  
Tehsil & District Chindwara  
Madhya Pradesh 480 001

### Dewas

6. Survey Nos. 294/2 & 295  
Patwari Halka No. 26  
Village Lohar Pipliya  
Tehsil & District Dewas  
Madhya Pradesh 455 001

### Dhar

7. Survey No. 438  
Patwari Halka No. 13  
Village Jaitpura  
Tehsil & District Dhar  
Madhya Pradesh 454 001

### Gonda

8. Arazi Nos. 420 (Part),  
421-424, 427-428, 431,  
433-434, 442-446, 447 (Part),  
448 (Part), 450-456,  
456 (kha) & 457 (Part)  
Village Haripur  
Tehsil & District Gonda  
Uttar Pradesh 271 001

### Hardoi

9. Arazi Nos. 658 & 659  
Village Korriyan  
Pargana Gopamau  
Tehsil & District Hardoi  
Uttar Pradesh 241 001

### Hathras

10. Khasra No. 21  
Village Srinagar  
Tehsil Sasni  
District Hathras  
Uttar Pradesh 204 216

\* Operating under 'The Luxury Collection' brand under Licence from Starwood Asia Pacific Hotels & Resorts Pte. Ltd.

#### Itarsi

11. Survey Nos. 309/1, 310/2 & 310/3  
Patwari Halka No. 11  
Village Raisalpur  
Tehsil Itarsi  
District Hoshangabad  
Madhya Pradesh 461 111

#### Jagdishpur

12. Khasra Nos. 2377-2380  
Village Kathura  
Pargana Jagdishpur  
Tehsil Musafirkhana  
District Amethi  
Uttar Pradesh 227 817

#### Mandsaur

13. Survey Nos. 30-33  
Patwari Halka No. 14  
Village Azizkhedi  
Tehsil & District Mandsaur  
Madhya Pradesh 458 001

#### Mhow

14. Survey Nos. 188/2,  
189/1, 189/2, 189/4,  
190/1, 191 & 192/2  
Patwari Halka No. 20  
Village Gawli Palasia  
Vikaskhand Mhow  
Tehsil Mhow  
District Indore  
Madhya Pradesh 453 441

#### Nagda

15. Khasra Nos. 1393 (Part),  
1394 (Part), 1396/1 & 1397/1  
Patwari Halka No. 18  
Village Padliya Kala  
Tehsil Nagda  
District Ujjain  
Madhya Pradesh 456 335

#### Parbhani

16. Gat No. 803  
Village Asola  
Tehsil & District Parbhani  
Maharashtra 431 401

#### Pilibhit

17. Khasra No. 261  
Village Sandiya Mustakil  
Tehsil, Pargana & District Pilibhit  
Uttar Pradesh 262 001

#### Ratlam

18. Survey Nos. 107/1-107/3  
R. I. Circle No. 5, Moondri  
Patwari Halka No. 31  
Village Kharakhedi  
Tehsil & District Ratlam  
Madhya Pradesh 457 001

#### Sehore

19. Khasra Nos. 208-209  
Patwari Halka No. 36  
Village Rafiqganj  
Tehsil & District Sehore  
Madhya Pradesh 466 001

#### Ujjain

20. Survey Nos. 433/3, 456 & 458  
R. I. Circle No. 2  
Patwari Halka No. 19  
Village Kamed  
Tehsil Ghattia, District Ujjain  
Madhya Pradesh 456 001

#### Vidisha

21. New Revenue Survey  
Nos. 18 & 18/2  
Patwari Halka Nos. 35 & 45  
Village Bais  
Tehsil & District Vidisha  
Madhya Pradesh 464 001

#### Wardha

22. Survey Nos. 151/1 & 151/4  
Mouza No. 17, Mouza Inzapur  
Tehsil & District Wardha  
Maharashtra 442 001

#### Washim

23. Survey No. 104  
Patwari Halka No. 10  
Mouza Zakalwadi  
Taluka & District Washim  
Maharashtra 444 505

#### Yavatmal

24. Bhumapan Kramank 15  
Bhumapan Kramank Upvibhag 2A  
Village Parwa  
Taluka & District Yavatmal  
Maharashtra 445 001

## Shareholder Referencer

### Transfer of Dividend and corresponding Ordinary Shares to the Investor Education and Protection Fund

Unclaimed dividend for the years prior to and including the financial year 2008-09 has been transferred to the General Revenue Account of the Central Government / the Investor Education and Protection Fund established by the Central Government (IEPF), as applicable, except where the Company was restrained from such transfer by injunction orders from Courts. Corresponding Ordinary Shares of the Company in respect of which such dividend entitlements were unclaimed for seven consecutive years or more will be due for transfer to the IEPF on 31st May, 2017 or such other date as may be notified, pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

Shareholders / legal heir(s) of deceased Shareholders who have not encashed their dividend warrants relating to the aforesaid financial year(s) may claim such dividend and corresponding shares from the IEPF Authority by applying in the prescribed Form. This Form can be downloaded from the website of the IEPF Authority [www.iepf.gov.in](http://www.iepf.gov.in), the access link of which is also available on the Company's corporate website [www.itcportal.com](http://www.itcportal.com) under the section 'Investor Relations'.

## Shareholder Referencer

### Transfer of Dividend and corresponding Ordinary Shares to the Investor Education and Protection Fund (Contd.)

The unclaimed dividend for the undernoted years and the corresponding Ordinary Shares will be transferred by the Company to IEPF in accordance with the schedule given below. Communication has been sent to the concerned Shareholders advising them to write to the Investor Service Centre of the Company (ISC) to claim their dividend. Notices in this regard have also been published in newspapers. Details of such unclaimed dividend and particulars with respect to corresponding shares are available on the Company's corporate website under the section 'Investor Relations'. Attention is drawn that the unclaimed dividend for the financial year 2009-10 and the corresponding shares will be due for transfer to IEPF on 29th August, 2017.

Financial Year	Dividend Identification No.	Date of declaration of Dividend	Total Dividend (₹)	Unclaimed Dividend as on 31/03/2017		Due for transfer to IEPF on
				(₹)	%	
2009-10	80th	23rd July, 2010	38,18,17,67,900	17,44,70,900	0.46	29th August, 2017 *
2010-11	81st	29th July, 2011	34,43,47,81,921	16,26,61,745	0.47	4th September, 2018
2011-12	82nd	27th July, 2012	35,18,29,33,284	16,96,66,437	0.48	2nd September, 2019
2012-13	83rd	26th July, 2013	41,48,46,73,429	19,79,45,418	0.48	1st September, 2020
2013-14	84th	30th July, 2014	47,71,90,97,700	24,20,12,478	0.51	5th September, 2021
2014-15	85th	31st July, 2015	50,09,70,66,528	25,47,50,709	0.51	5th September, 2022
2015-16	86th	22nd July, 2016	68,40,13,10,170	36,25,45,734	0.53	27th August, 2023

\* It will not be possible to entertain any claim received by ISC after 28th August, 2017.

### Unclaimed Shares

The status of unclaimed shares of the Company transferred to the demat account, 'ITC Limited - Unclaimed Suspense Account', in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations 2015), is as follows:

Particulars	No. of Shareholders	No. of Shares
Aggregate number of Shareholders and outstanding shares held in the Unclaimed Suspense Account as on 1st April, 2016	4,004	84,89,236
Number of Shareholders / legal heirs who approached the Company for transfer of shares from the Unclaimed Suspense Account	93	7,99,662
Number of Shareholders / legal heirs to whom the shares were transferred from the Unclaimed Suspense Account upon receipt and verification of necessary documents	82	6,58,768
Bonus Shares issued during the financial year 2016-17 in respect of the unclaimed shares held in the Unclaimed Suspense Account	3,976	42,11,129
Aggregate number of Shareholders and outstanding shares held in the Unclaimed Suspense Account as on 31st March, 2017	3,922	1,20,41,597

Note: 145 requests for transfer of 6,34,202 shares from the Unclaimed Suspense Account were pending as on 31st March, 2017 for want of necessary documents from the Shareholders / legal heirs of deceased Shareholders.

Voting rights in respect of the aforesaid 1,20,41,597 shares will remain frozen till the time such shares are transferred from the Unclaimed Suspense Account to the concerned Shareholders / legal heirs.

### Service of documents

The Notice, alongwith the Report and Accounts, has been sent in electronic mode to those Shareholders who have registered their e-mail addresses with the Company or with the Depositories and in physical mode to the other Shareholders. Shareholders who wish to update or register their e-mail addresses with the Company or with the Depositories may use the updation / registration Form, which can also be downloaded from the Company's corporate website under the section 'Investor Relations'.



### Remittance of Dividend through Electronic Mode

The Company provides the facility for remittance of dividend to Shareholders through NECS (National Electronic Clearing Service) / RTGS (Real Time Gross Settlement) / NEFT (National Electronic Funds Transfer).

Shareholders, who have not opted for remittance of dividend through electronic mode and wish to avail the same, are required to provide their bank details, including MICR (Magnetic Ink Character Recognition) and IFSC (Indian Financial System Code) to their respective Depository Participants (DPs) or to the ISC, where shares are held in the dematerialised form and in the certificate form, respectively.

### Bank Details

Shareholders holding shares in the certificate form are requested to advise ISC of change in their address / mandate / bank details to facilitate better servicing.

Shareholders are advised that their bank details or addresses, as available with the Company, will be printed on the dividend warrants as required under the Listing Regulations 2015 as a measure of protection against fraudulent encashment.

### Permanent Account Number (PAN)

Attention is drawn that Shareholders holding shares in the certificate form are mandatorily required to furnish copy of PAN Card in the following cases:

- i) Transferees' and Transferors' PAN Cards for transfer of shares,
- ii) Legal heirs' / Nominees' PAN Cards for transmission of shares,
- iii) Surviving joint holders' PAN Cards for deletion of name of deceased Shareholder, and
- iv) Joint holders' PAN Cards for transposition of shares.

### Nomination Facility

Shareholders who hold shares in the certificate form and wish to make any nomination / change nomination made earlier in respect of their shareholding in the Company, should submit to ISC the prescribed Form; this Form can be downloaded from the Company's corporate website under the section 'Investor Relations' or can be furnished by ISC on request.

### Depository Services

Shareholders may write to the respective Depository or to ISC for guidance on depository services.

### Address for Correspondence with Depositories

National Securities Depository Limited  
Trade World, 'A' Wing, 4th & 5th Floors  
Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel  
Mumbai 400 013

Telephone no. : 022-2499 4200  
Facsimile no. : 022-2497 6351  
e-mail : info@nsdl.co.in  
Website : www.nsdl.co.in

Central Depository Services (India) Limited  
Phiroze Jeejeebhoy Towers, 17th Floor  
Dalal Street  
Fort  
Mumbai 400 001

Telephone no. : 022-2272 3333  
Facsimile no. : 022-2272 3199  
e-mail : helpdesk@cdslindia.com  
Website : www.cdslindia.com

### Address for Correspondence with ISC

Investor Service Centre  
ITC Limited  
37 Jawaharlal Nehru Road  
Kolkata 700 071

Telephone nos. : 033-2288 6426 / 0034  
Facsimile no. : 033-2288 2358  
e-mail : isc@itc.in  
Website : www.itcportal.com

Shareholders holding shares in the dematerialised form should address their correspondence to their respective DPs, other than for dividend and Report and Accounts, which should be addressed to ISC.

In all correspondence with ISC, Registered Folio numbers / DP ID & Client ID numbers should be furnished to facilitate prompt response. Shareholders are requested to also provide their e-mail addresses and contact numbers.

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# Report of the Board of Directors

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## Management Discussion and Analysis

For the Financial Year Ended 31st March, 2017

### SOCIO-ECONOMIC ENVIRONMENT

The global economy remained on a decelerating trend in 2016 growing by 3.1% compared to 3.4% in 2015 (as per latest IMF estimates). This marks the slowest pace of expansion since the global financial crisis in 2009 and the fifth successive year that the global economy has grown at a rate lower than its long-term average of 3.6% p.a. The anticipated pick-up in global growth (3.4%) at the beginning of the year did not fructify mainly due to slower growth in the Advanced Economies which grew by 1.7% in 2016 against 2.1% in 2015. Within the Advanced Economies, the US posted a muted growth of 1.6% led by downward adjustments in inventories and contraction in Private Investments, particularly during the first half of the year. The Euro Area also recorded tepid growth, expanding by 1.7% during the year compared to 2.0% in 2015. Emerging Market & Developing Economies witnessed a growth of 4.1% in 2016 against 4.2% in 2015, with Brazil and Russia recording a reduced pace of contraction which was offset by slower growth in the emerging European economies and further slowdown in the Chinese economy from 6.9% in 2015 to 6.7% in 2016.

In spite of the lacklustre performance during the year as aforesaid, green shoots of economic recovery became visible in the latter half of the year. It is anticipated that the global economy will perform better and grow by 3.5% in 2017 and improve further to 3.6% in 2018, on the back of synchronised growth momentum in Advanced as well as Emerging Economies. Within the Advanced Economies, the US economy is projected

to grow at 2.3% in 2017 driven by expectations of a liberal fiscal policy and continued momentum in the manufacturing-led cyclical recovery. The outlook for Euro Area has also improved, though socio-political risks remain a potential downside. The Emerging Market & Developing Economies are also likely to witness improvement in growth at 4.5% in 2017, aided by recovery in commodity prices and Brazil and Russia emerging out of deep recession. Growth in China, however, is projected to slow down further to 6.6% in 2017, reflecting the ongoing rebalancing of the economy towards a more sustainable and broad-based consumption and services led growth. After years of persistently low inflation (even deflation), 2017 is expected to be a year of reflation. Stronger growth momentum, better prospects for oil and other commodities, and the US Dollar's appreciation against other major currencies could cause inflation to return in most major economies. A strong US Dollar, increase in US interest rates, progressive tapering of quantitative easing in the EU and the looming threat of protectionism in the developed world could weigh on the nascent recovery in emerging markets including commodity-exporting emerging economies.

The Indian economy witnessed another challenging year, with Real GDP growth pegged at 7.1% representing a sharp slowdown over 2015-16 (7.9%). The Industry and Services sectors decelerated further during the year, recording the slowest growth in three years. Further, looking beyond the reported numbers, a wide range of economic indicators suggest tepid performance across

The global economy remained on a decelerating trend in 2016. The Indian economy witnessed another challenging year, with Real GDP growth pegged at 7.1% representing a sharp slowdown over 2015-16 (7.9%).

private investments, consumption and manufacturing activity which have contracted significantly. The anticipated pick-up in Consumption and Private Investment remained elusive.

Private Investment is estimated to have grown by a mere 0.6% in 2016-17 - a 5-year low. Indian industry continues to be adversely impacted by low capacity utilisation and stretched balance sheets. Growth in Private Final Consumption Expenditure (PFCE) is estimated at 7.2% for 2016-17 (compared to 7.3% in 2015-16) aided by a rebound in Agriculture on the back of a good monsoon after two consecutive years of sub-par rainfall, partial implementation of recommendations of 7th Pay Commission and 'One Rank One Pension' (OROP) scheme. However, proxy indicators such as subdued performance of two-wheeler sales, marked deceleration in corporate sales growth, weak power demand, decline in cement and oil volumes, point to persistent weakness in Private Consumption and the broader economy.

On the positive side, India remains the fastest growing major economy in the world. During the year, there was significant improvement on the 'twin deficit' front. Fiscal Deficit is estimated to be contained within target at 3.5% of GDP in 2016-17 (against 3.9% in 2015-16) aided by buoyant tax collections and decline in oil subsidies. The Current Account Deficit was also contained within 1.0% of GDP in spite of an increase in oil prices during the year.

Inflation remained largely within the comfort zone of the RBI during the year. While growth in Wholesale Price Index (WPI) for 2016-17 stood at 1.7% compared to a decline of 3.7% in 2015-16, this was mainly attributable to the base effect of low fuel and commodity prices. Consumer Price Index (CPI) for 2016-17 declined to

4.5% against 4.9% in 2015-16 with Core CPI remaining stable at 4.7% in 2016-17 (4.6% in 2015-16). This prompted the RBI to reduce policy interest rates by 50 bps during the year. However, with commodity prices expected to firm up in the ensuing year and Core CPI remaining sticky at around 5% for the past several months, the scope for further reduction in interest rates seems limited.

Foreign capital flows into the country, in the form of Foreign Institutional Investments and Foreign Direct Investment, grew significantly during the year. It was a good year for the capital markets as well, with the Sensex advancing by 17% during the year (after declining by 9% in 2015-16), reflecting the optimism on improvement in the business environment, expected progress on the reforms agenda and anticipated acceleration in corporate earnings going forward.

As per median estimates, based on the Survey of Professional Forecasters conducted by RBI, the Gross Value Added (GVA) of the Indian economy is likely to grow by 7.3% in 2017-18 (6.7% in 2016-17). Timely and smooth implementation of key reforms, low inflation and expectations of a normal monsoon in the ensuing year represent some of the key factors that are likely to positively influence Private Consumption going forward. The pace of growth is expected to gather momentum in the medium-term on the back of favourable global economic tailwinds, pick-up in Private Investment and implementation of key policy reforms such as the Goods and Services Tax (GST).

The proposed implementation of the Goods and Services Tax (GST), with effect from 1st July 2017, is expected to transform the indirect tax landscape in the country and accelerate economic growth in the long run by simplifying the tax structure, enhancing tax compliance

The proposed implementation of the Goods and Services Tax (GST) is expected to transform the indirect tax landscape in the country and accelerate economic growth in the long run by simplifying the tax structure, enhancing tax compliance and facilitating the ease of doing business in a unified common market.

## Report of the Board of Directors

and facilitating the ease of doing business in a unified common market. This augurs well for your Company and each Business is gearing up to ensure a smooth transition to the new indirect tax regime and harness the supply chain and logistics efficiencies that are expected to accrue post implementation of GST. In the near-term, however, the preparedness of your Company's suppliers and service providers, customers, trade channels etc. - especially the small and medium scale enterprises - remains a key factor to ensure a seamless transition to the GST regime with minimal disruption to operations.

While India remains one of the fastest growing major economies in the world, the pace of economic growth in recent years has remained below the desired levels and the country's potential. Stagnation in the manufacturing sector needs to be reversed at the earliest towards the creation of sustainable livelihoods and absorption of millions of Indians entering the job market every year. In this context, the Government's 'Make in India' initiative to turn the country 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. Enhancing 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 8% of its total food production as compared to 23% in China, 65% in USA and 78% in Philippines. 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 would go a long way in creating sustainable livelihoods while simultaneously augmenting the nation's environmental capital.

Given India's disproportionately low share of global natural resources relative to its large population and where millions continue to live in abject poverty, the focus both at the national and corporate level should be on fashioning strategies that foster sustainable, equitable and inclusive growth. 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 in 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 15 years),

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.

‘carbon positive’ (for 12 years), and ‘solid waste recycling positive’ (for 10 years). The focus on creating unique business models that generate substantial livelihoods across the value chains has led to your Company’s Businesses supporting six million sustainable livelihoods, many of whom belong to the weakest in society.

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

### FINANCIAL PERFORMANCE

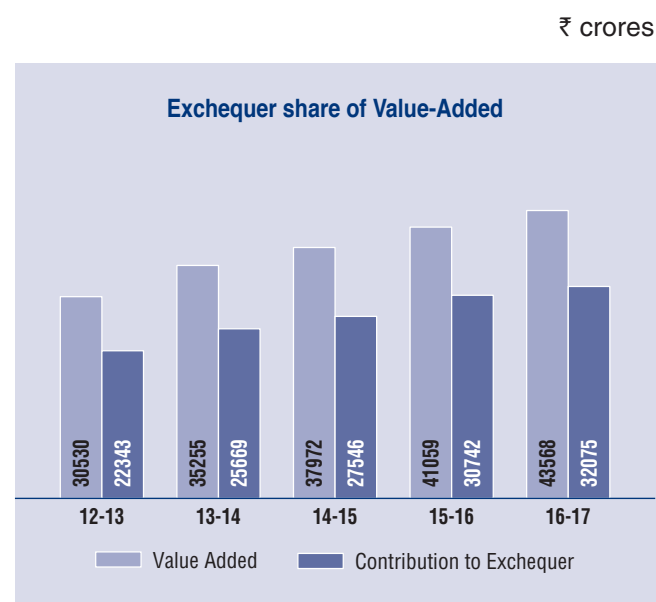
Your Company delivered a steady performance during the year in the backdrop of a persistently sluggish demand environment, continuing pressure on the legal cigarette industry due to the cumulative impact of steep increase in taxation and regulatory pressures, sharp hike in input costs and gestation costs relating to new products/categories especially in the non-cigarette FMCG segment. The operating environment was rendered particularly challenging in the second half of the year with the currency crunch impacting the incipient recovery in demand. The business environment in the Hotels industry also remained subdued, with only a marginal improvement in room rates reflecting the overhang of excess room inventory in key markets. The Paperboards, Paper and Packaging segment also had to contend with a weak demand and pricing environment.

Despite the challenging business environment as aforesaid, Gross Revenue at ₹ 55001.69 crores grew by 6.6% primarily driven by an 8.0% growth in the non-cigarette FMCG segment, 10.8% growth in Agri Business and 5.1% growth in the Cigarettes segment. Profit Before Tax registered a growth of 7.4% to ₹ 15502.96 crores while Profit After Tax at ₹ 10200.90 crores increased by 9.4%. Total Comprehensive Income for the year stood at ₹ 10277.90 crores (previous year ₹ 9261.79 crores). Earnings Per Share for the year stood at ₹ 8.43 (previous year ₹ 7.74). Cash flows from Operations aggregated ₹ 15214.98 crores, compared to ₹ 14039.64 crores in the previous year.

Your Directors are pleased to recommend an Ordinary Dividend of ₹ 4.75 per share (previous year Ordinary Dividend of ₹ 4.33 per share and Special Dividend of ₹ 1.33 per share; adjusted for Bonus Issue) for the year ended 31st March, 2017. Total cash outflow in this regard will be ₹ 6944.65 crores including Dividend Distribution Tax of ₹ 1174.64 crores.

Your Directors approved a transfer of ₹ 1030.00 crores (previous year ₹ 990.00 crores) to General Reserve. Consequently, Retained Earnings as at 31st March, 2017 stands at ₹ 17576.81 crores (previous year ₹ 16589.89 crores).

### VALUE-ADDED AND CONTRIBUTION TO EXCHEQUER



Over the last five years, the Value-Added by your Company, i.e. the value created by the economic activities of your Company and its employees, aggregated ₹ 188384 crores and grew at a compound annual rate (CAGR) of 11.8%. During this period, your Company’s Contribution to the Exchequer aggregated ₹ 138375 crores growing at 12.2% CAGR. It is pertinent to note that 75% of the incremental Value-Added during this period accrued to the Exchequer.

## Report of the Board of Directors

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 80% of its Value-Added during the year.

Your Company remains amongst the Top three 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\$ 7.0 billion, of which agri exports constituted 56%. 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 2016-17, your Company and its subsidiaries earned ₹ 4609 crores in foreign exchange. The direct foreign exchange earned by your Company amounted to ₹ 3961 crores, mainly on account of exports of agri-commodities. Your Company's expenditure in foreign currency amounted to ₹ 1828 crores, comprising purchase of raw materials, spares and other expenses of ₹ 1301 crores and import of capital goods at ₹ 527 crores.

### PROFITS, DIVIDENDS AND RETAINED EARNINGS

(₹ in Crores)

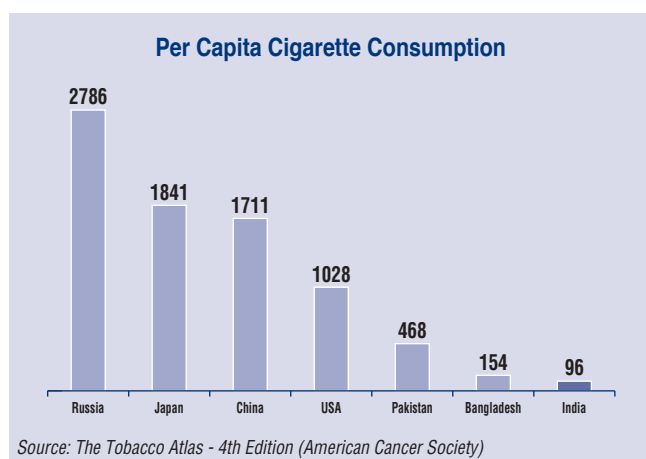
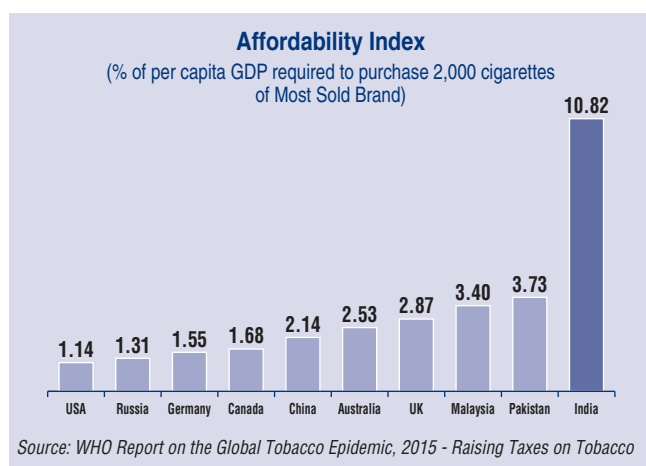
PROFITS	2017	2016
a) Profit Before Tax	15502.96	14434.07
b) Tax Expense		
– Current Tax	5285.65	4896.06
– Deferred Tax	16.41	209.64
c) Profit for the year	10200.90	9328.37
d) Other Comprehensive Income	77.00	(66.58)
e) Total Comprehensive Income	10277.90	9261.79
STATEMENT OF RETAINED EARNINGS		
a) At the beginning of the year	16589.89	14257.63
b) Add: Profit for the year	10200.90	9328.37
c) Add: Other Comprehensive Income (net of tax)	(24.92)	(35.21)
d) Add: Transfer from share option on exercise and lapse	14.58	7.64
e) Less: Dividends		
– Ordinary Dividend of ₹ 6.50 (2016: ₹ 6.25) per share. [Adjusted for Bonus Issue, Ordinary Dividend of ₹ 4.33 (2016 - ₹ 4.17) per share]	5230.68	5009.70
– Special Dividend of ₹ 2.00 (2016: ₹ Nil) per share. [Adjusted for Bonus Issue, Special Dividend of ₹ 1.33 (2016 - ₹ Nil) per share]	1609.44	–
– Income tax on Dividend paid	1333.52	968.84
f) Less: Transfer to General Reserve	1030.00	990.00
g) At the end of the year	17576.81	16589.89

Your Company delivered a steady performance during the year in the backdrop of a persistently sluggish demand environment, continuing pressure on the legal cigarette industry due to the cumulative impact of steep increase in taxation and regulatory pressures, sharp hike in input costs and gestation costs.

### FMCG Cigarettes

The legal cigarette industry continues to be severely impacted due to the cumulative impact of steep increase in taxation, intense regulatory pressures and the tight liquidity conditions - especially in the wholesale channel - prevailing in the market during the latter half of the year. While legal cigarette industry volumes remain under pressure, illegal trade continues to grow unabated resulting in significant revenue loss to the Exchequer.

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



cumulatively by 131% and 157% respectively, thereby exerting severe pressure on legal industry volumes. Due to the steep hike in taxation over the past several years, at levels well above the rate of inflation, duty-paid cigarettes have become less affordable in the country, leading to a drop in volumes.

Research indicates that a significant number of cigarette consumers in India are dual consumers, in that they also consume some other tobacco product. The high incidence of taxation and a discriminatory regulatory regime on cigarettes in India have over the years only served to divert consumption of tobacco to lightly taxed or tax-evaded tobacco products like bidis, chewing tobacco, guthka and illegal cigarettes. In fact, India's per capita cigarette consumption is amongst the lowest in the world and is significantly lower in comparison to Russia, Japan, China, United States, and even neighbouring countries like Pakistan and Bangladesh.

Thus, while tobacco consumption has been growing steadily in the country over the years, the share of legal cigarettes in total tobacco consumption has been on the decline as would be apparent from the figures given in the table below.

Year	Total Domestic Consumption including Illegal Cigarettes (Million Kgs)	Legal Cigarette Consumption (Million Kgs)	% Share of Legal Cigarettes in Total Tobacco Consumption
1981/82	406	86	21%
2009/10	499	73	15%
2014/15	562	62	11%

Source: USDA and Industry Estimates

Although legal cigarettes account for only about 11% of total tobacco consumption in the country, they

Legal cigarettes account for only about 11% of total tobacco consumption in the country and they contribute more than 87% of tax revenue from the tobacco sector.

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contribute more than 87% of tax revenue from the tobacco sector. The other types of tobacco products contribute barely 13% of tax revenue from the tobacco sector despite accounting for 89% of total tobacco consumption. Since these products are predominantly manufactured in a fragmented manner in the unorganised sector, there is rampant tax evasion. Moreover, most of these products escape regulatory oversight as well and tend to be manufactured in unhygienic conditions with ingredients of questionable quality. Consequently, most of these products are of inferior quality and their growing volumes undermine the health objectives of tobacco control.

Further, the high rates of tax on cigarettes also provide attractive tax arbitrage opportunities to unscrupulous players. Consequently, the illegal cigarette market, consisting of duty-evaded cigarettes manufactured within the country and offered to consumers at ₹ 1 / ₹ 2 per stick and the contraband international brands of cigarettes have been growing rapidly over the years. The illegal cigarette segment is the only segment that has been growing year on year and currently accounts for one-fifth of the market. According to an independent study conducted by Euromonitor International, India is today the 4th largest market for illegal cigarettes in the world. It is estimated that almost 68% of the tobacco consumed in the country remains outside the tax net on account of evasion<sup>1</sup>. The proliferation of these tax-evaded products have resulted in significant losses to the Exchequer, in excess of ₹ 9000 crores per annum according to an independent study conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI). Seizures of large quantum of smuggled cigarettes by enforcement agencies across the country over the past couple of years confirm the growing menace of illegal cigarette trade in the country. A conducive policy framework, which effectively reduces the huge tax arbitrage opportunity enjoyed by

<sup>1</sup> Report on the impact of current tax framework on the tobacco sector in India and suggestions for its improvements - 2014, by ASSOCHAM and KPMG.

unscrupulous players presently, is critical to arrest the unabated growth of illegal cigarette trade in the country.

As reported last year, the significant decline in legal cigarette volumes and the consequent reduction in the utilisation of Indian Flue-cured Virginia (FCV) tobacco has adversely impacted the livelihoods of over 45 million tobacco farmers, farm workers and others dependent on the tobacco sector. Besides, the soft demand for Indian FCV tobacco has prompted consecutive reductions in the authorised tobacco crop size in 2015-16 and 2016-17. This, in turn, has also led to lower exports of tobacco. Consequently, the acute distress of the tobacco farming community continues unabated, particularly in Andhra Pradesh with an estimated drop of over ₹ 900 crores in earnings in 2016-17. This distress is expected to be aggravated by the unprecedented drought in Andhra Pradesh during the year.

Unfortunately, the taxation policy of the country is largely cigarette centric and based on western models of tobacco taxation. This policy is not suitable for India since duty-paid cigarettes account for only about 11% of tobacco consumption in the country as compared to the global average of more than 90%. Your Company continues to engage with policy makers for a tobacco taxation policy that is non-discriminatory, helps combat the problem of illegal cigarettes and addresses the issues of all stakeholders, particularly tobacco farmers, Exchequer and consumers. Such a policy will not only help maximisation of the revenue potential of tobacco even in a shrinking basket of tobacco consumption but also address the tobacco control and health objectives of the Government.

The Goods and Services Tax (GST) is expected to be implemented with effect from 1st July 2017. The Government has enunciated the principle of revenue neutrality for all products including cigarettes while transitioning to the GST regime. In this context,

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as per the schedule of rates published pursuant to the GST Council's meeting on 18th May 2017, cigarettes are likely to be taxed at the peak rate of 28%. Additionally, a GST Compensation Cess, comprising a 5% ad-valorem component and a specific component based on cigarette length, is likely to be imposed.

It may be noted that the GST Council is yet to finalise the GST rate applicable for bidis. It would be imperative to implement an appropriate taxation structure for bidis under the GST framework, rectifying the discriminatory treatment meted out to the legal cigarette industry under the present tax regime. A level playing field for the legal cigarette industry would go a long way in realising the revenue potential of the tobacco sector and supporting the millions of livelihoods that are dependent on it.

In addition to the punitive taxation landscape, the legal cigarette industry in India continues to grapple with an increasingly stringent regulatory framework. As reported last year, the proposal for increasing the size of the 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 cigarette package with effect from 1st April 2015 was kept in abeyance pending the recommendations of the Parliamentary Committee on Subordinate Legislation (PCOSL), which had been entrusted with the responsibility of examining the issues consequent to introduction of a larger GHW. However, even before the PCOSL submitted their final report on the matter, the larger health warnings were notified for implementation with effect from 1st April 2016. In the interim, on 15th March, 2016 the PCOSL, in its final report recommended that the size of the GHW should be restricted to 50% on both sides of the cigarette package and not 85% as proposed by the Government. Pursuant to the order of the Honourable Supreme Court, the Honourable High Court of Karnataka has heard your

Company's and other writ petitions challenging the revised GHW and has reserved its judgement.

The 85% GHW is excessively large, extremely gruesome and unreasonable. There is no evidence that cigarette smoking would cause the diseases depicted in the pictures or that large GHW will lead to reduction in consumption. As reported last year, this inadequacy of evidence prompted an appeals court in USA to hold the US FDA's proposal for introduction of similar GHW in that country as unconstitutional. It is pertinent to note that the global average size of GHW is only about 30% coverage of the principal display area. Further, over 100 countries representing 60% of the signatories to the Framework Convention on Tobacco Control (FCTC) have not adopted GHW<sup>2</sup>. In fact, the three countries that account for about 51% of the world's cigarette consumption viz. USA, Japan and China, have not adopted pictorial / graphic warnings and have prescribed only text-based warnings on cigarette packages. Moreover, several major tobacco producing countries, including the USA, are either not parties to the FCTC or are very recent signatories. These countries have taken into consideration the interests of their tobacco farmers in deciding whether or not to adopt large or excessive pictorial warnings.

The excessively large GHWs prevent consumers from making an informed choice in a competitive market, since they are denied adequate information about the brand on the cigarette packages. Your Company believes that such GHW also devalues the Intellectual Property Rights of brand owners and sub-optimises the large investments made over the years in creating and nurturing the brands. Additionally, studies by independent market research agencies show that consumers tend to prefer the smuggled brands of international cigarettes which do not carry the GHWs mandated by Indian Laws. The absence of GHWs on packages of such contraband

<sup>2</sup> Canadian Cancer Society – Cigarette Package Health Warnings, International Status Report, Fourth Edition, September 2014.

The significant decline in legal cigarette volumes and the consequent reduction in the utilisation of Indian Flue-cured Virginia (FCV) tobacco has adversely impacted the livelihoods of over 45 million tobacco farmers, farm workers and others dependent on the tobacco sector.

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cigarettes makes consumers perceive them to be a 'safer alternative' notwithstanding the fact that the origins and age of such contraband stocks are not determinable. The absence of GHWs along with the significantly lower cost of these contraband cigarettes, due to reasons of tax evasion, only serve to accelerate the growth of the illegal cigarette segment.

The unintended consequences of the extant tobacco taxation and regulatory framework may be summarised as follows:

- Progressive decline in legal cigarette volumes in favour of lightly taxed and tax-evaded tobacco products resulting in sub-optimisation of the revenue potential of the tobacco sector and significant loss to the Exchequer.
- About 68% of the tobacco consumption in the country remaining outside the tax net.
- Availability of illegal cigarettes and other tobacco products of dubious quality and hygiene to consumers at extremely affordable prices.
- Adverse impact on the livelihood of tobacco farmers and others dependent on tobacco for their livelihood.
- Fillip to the growth of illegal cigarettes in the absence of statutory GHW on smuggled international brands.

Your Company continues to represent to the Government for the implementation of an equitable, evidence based and pragmatic tobacco taxation and regulatory framework that cognises for the economic imperatives of the country whilst, simultaneously, supporting the tobacco control objectives of the Government.

Despite the extremely challenging operating environment, your Company retained its leadership position in the industry and improved its standing in key competitive markets across the country. This demonstrates the resilience of your Company's strong

portfolio of brands, superior execution of competitive strategies, relentless focus on value creation through innovation and deep consumer insights. Some of the strategic initiatives during the year include the launch of Gold Flake Kings Blue Tropical Switch, Classic Citric Burst, Classic Tanga Burst, Classic Fine Taste Plus Low Smell, American Club, Players Fruity Cool Flavour, Flake Mint Capsule, Silk Cut Mint Capsule and Navy Cut Mint Capsule.

The Business continued to make investments in manufacturing facilities towards sustaining its competitive advantage. State-of-the-art, on-line quality oversight systems and cutting-edge technology for innovative packaging were inducted during the year. Long Term Agreements with the unionised workforce were concluded successfully for the Kidderpore and Munger cigarette factories during the year. In addition to grant of patents in previous years, the ongoing initiatives in research and development have resulted in your Company being granted two more international patents during the year in respect of cigarettes.

It is a matter of deep satisfaction that the Business won several awards during the year for its focus on manufacturing excellence, commitment to sustainability and superior standards in Environment, Health and Safety (EHS) in line with your Company's commitment to the 'Triple Bottom Line'. The Ranjangaon cigarette factory was awarded 'Platinum Rating' at the India Manufacturing Excellence Awards 2016 (IMEA) by Frost & Sullivan, a global consulting firm. This highly acclaimed award acknowledges Indian manufacturing capability and its global competitiveness. The Munger cigarette factory was awarded 'Eminent Supply Chain and Logistics Unit' at CII National Supply Chain and Logistics Excellence Awards 2016 in recognition of its consistent achievement of benchmark performances in

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supply chain and logistics. The Business received industry recognition and several accolades for its commitment towards excellence in sustainability. With the Kidderpore cigarette factory receiving the Indian Green Building Council (IGBC) Platinum Rating under Green Factory Building certification during the year, all cigarette factories of your Company are today IGBC Green Platinum rated. The Bengaluru and Munger factories also received the 'Excellent Energy Efficiency Unit' award under the CII National Awards for Excellence in Energy Management 2016 whilst the Saharanpur cigarette factory received the first prize in FICCI Water Awards under 'Industrial Water Use Efficiency' category.

In recognition of the growing trend of consumers seeking alternative sources of nicotine like Electronic Vaping Devices (EVD), your Company expanded its EON brand of EVDs to several new markets during the year. The rechargeable variant, 'EON Charge', launched in the previous year was extended to several new markets and a disposable variant, 'EON ZIP', was launched during the year. Initial consumer response to this variant has been positive. The market for this category is, however, at an embryonic stage globally and, as reported last year, the regulatory oversight is still evolving. Accordingly, your Company remains engaged with policy makers for an apposite regulatory framework for this emerging category.

In the Nicotine Gum category, the Business extended the KwikNic brand to several new markets and has received encouraging response from consumers.

The operating environment for the legal cigarette industry, marked by a punitive taxation and discriminatory & increasingly stringent regulatory regime, will undoubtedly test the resilience of all legitimate players in the industry. Your Company is, however, confident that the trust

reposed on it by consumers together with its strong brand portfolio and robust strategic initiatives - based on excellence in product quality and innovation in manufacturing and operations - will enable it to sustain its leadership position in the market.

### FMCG - Others

The FMCG industry witnessed further deceleration in growth rate during the year with demand conditions remaining subdued for the fourth successive year. The much anticipated pick-up in consumption expenditure on the back of good monsoons in 2016, low inflation and implementation of the recommendations of the 7th Pay Commission did not play out fully. The incipient recovery in demand witnessed during the middle of the year was adversely impacted by the cash crunch especially during the third quarter. Further, the industry had to contend with sharp escalation in the cost of major commodities in the midst of heightened competitive intensity, leading to compression in margins.

Subdued demand conditions and high commodity prices are expected to weigh on the FMCG industry in the near-term. The prospects of the FMCG industry over the long run, however, remain attractive in view of the favourable demographics of the country, increasing affluence and consumer aspirations, and rapid urbanisation amongst others.

Your Company's FMCG-Others Businesses Segment Revenue growth during the year was relatively subdued due to reasons as aforesaid. While most categories recovered progressively after severe disruption in operations in the initial period of the cash crunch, the impact on the Lifestyle Retailing and Education & Stationery Products Businesses was more amplified and prolonged. This, inter alia, led to heavy discounting, earlier 'end of season sales' and rebalancing of inventory

The FMCG industry in the country witnessed further deceleration in growth rate during the year with demand conditions remaining subdued for the fourth successive year. The much anticipated pick-up in consumption expenditure did not play out fully.

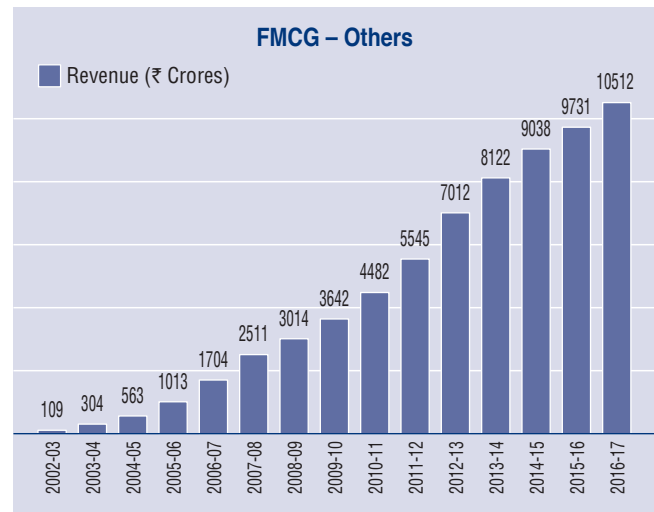
## Report of the Board of Directors

pipelines by trade in these Businesses. Consequently, Segment Revenue at ₹ 10511.83 crores grew by 8.0% over the previous year. Segment Results also reflect the impact of sustained investment in brand building and gestation costs of new categories viz. Juices, Dairy, Chocolates and Coffee, sharp increase in input cost (particularly of Wheat, Maida, Sugar, Cashew, Soap Noodles) besides disruption in sales momentum due to the cash crunch.

Your Company continued to make investments during the year towards enhancing brand salience and consumer connect while simultaneously implementing strategic cost management measures across the value chain. Several initiatives were also implemented during the year towards leveraging the rapidly growing e-commerce channel with a view to enhancing the reach of your Company's products and harnessing digital and social media platforms for deeper consumer engagement.

During the year, three Company-owned units were commissioned to cater to the requirements of the Branded Packaged Foods and Personal Care Products 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 to secure capacity and enable the FMCG businesses to rapidly scale up in line with long-term demand forecast. 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.



Today, your Company's vibrant portfolio of brands represents an annual consumer spend of nearly ₹ 14000 crores in aggregate. These brands 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 ₹ 3500 crores and ₹ 3000 crores respectively; Classmate, YiPPee! & Bingo! are over ₹ 1000 crores each and Vivel, Mangaldeep & Candyman are over ₹ 500 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.

Your Company's FMCG brands have achieved impressive market standing in a relatively short span of time. Today, Aashirvaad is No. 1 in Branded Atta, Classmate is No. 1 in Notebooks, Sunfeast is No. 1 in the Cream Biscuits segment, YiPPee! is No. 2 in Noodles, Bingo! is No. 2 in Snack foods, Engage is No. 2 in Deodorants and Mangaldeep is No. 2 in Agarbattis.

The Indian FMCG market is at an inflection point and your Company continues to remain extremely agile and

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responsive to the emerging trends shaping the future of the industry. Some of the noteworthy consumer trends include the emergence of health and wellness products as a key consumer need; increasing preference for products rooted to 'Indianness' and with regional/cultural connects; rising importance of high quality, hygienic and environmentally sustainable products; increasing need for customised products and bespoke experiences; growth in demand for 'on-the-go' consumption formats and rising influence of social media and digitalisation on consumer preferences and shopping behaviour. Similarly, the FMCG market construct is likely to undergo rapid change driven by exponential growth in middle and rural India and the emergence of relatively new channels such as Modern Trade and e-commerce.

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 and focus on consumer insight discovery 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 and rural demand remaining tepid. While signs of recovery were visible in the first half of the year, the second half reflected significant deceleration in growth rates across most categories largely due to the cash crunch. Industry

players intensified consumer promotions and trade schemes in a bid to garner volumes. The year also witnessed a sharp rise in the prices of major raw materials such as wheat, sugar, maida, gram meal and cashew, the impact of which was partially offset through a calibrated pricing approach adopted by most players.

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, a range of differentiated products customised to address regional tastes and preferences along with an efficient supply chain and distribution network that ensures benchmark levels of visibility, availability and freshness of products in the market. The Business implemented several initiatives encompassing cost management, supply chain optimisation, smart procurement and recipe optimisation, which helped in partially mitigating the impact of higher raw material costs.

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, Chocolates and Coffee.

Relentless focus on delivering superior quality products to consumers remains a key source of competitive advantage for the Branded Packaged Foods Businesses. In this context, the 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 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 hygiene norms.

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Several innovative, differentiated and first-to-market products were launched during the year leveraging the robust product development processes of the Business along with Life Sciences and Technology Centre, Bengaluru and the cuisine expertise resident in your Company's Hotels Business.

During the year, the Business launched a luxury range of chocolates under the 'Fabelle' brand at exclusive 'Fabelle Chocolate Boutiques' set up in seven ITC Hotels across the country. Fabelle offers a range of exquisite chocolate creations such as 'Fabelle Elements' - intricately crafted pralines inspired by the elements of nature; 'Fabelle Ganache' - velvety soft cubes of exotic cocoas delicately churned with butter & fresh cream; 'Fabelle As You Like It' - personalised chocolate cup creations offering myriad possibilities of fillings and toppings; 'Fabelle Gianduja' - an Italian delicacy made with fine Ghana cocoas and Turkish hazelnuts; 'Fabelle Single Origin Cacaos' - assortment of six dark chocolate bars each made from cocoa sourced from a different country and Fabelle Gift Hampers - a special collection of delectable chocolates. In addition, the chocolate boutiques offer a range of exquisitely crafted desserts and cocoa beverages, created live by Fabelle Master Chocolatiers. Made from impeccable cocoas sourced from the best growing regions in Africa & South America and combined with unique ingredients, Fabelle is set to redefine the luxury chocolate segment in India. Within a short span of time, Fabelle Chocolate Boutiques have won several accolades including the Times Food Award for the 'Best Dessert destination'.

The Business also launched two exquisitely crafted blends of gourmet coffee during the year, under the 'Sunbean' brand. The brand is currently available at all ITC Hotels. While 'Sunbean Nicamalai' - a blend of the choicest coffee beans from Nicaragua and Anamalai in

Tamil Nadu - is a fruity-sweet aromatic coffee with a creamy expression, 'Sunbean Panagiri' - a blend of select coffee varieties from Panama and Baba Budangiri in Chikkamagaluru, Karnataka - is an intensely fragrant coffee with a pleasant roasted nutty taste and a hint of chocolate. The products have met with excellent response from discerning consumers and plans are on the anvil to scale up presence in the ensuing year.

Several manufacturing units of your Company's Branded Packaged Foods Businesses, competing with both the best within and outside the industry, received several awards and accolades during the year bearing testimony to your Company's focus on manufacturing excellence, safety and quality.

Your Company continues to make investments 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, three new own manufacturing facilities - Uluberia in West Bengal, Mysuru in Karnataka and Guwahati in Assam - were commissioned. The manufacturing units at Kapurthala (Punjab) and Panchla (West Bengal) are at an advanced stage of completion and are expected to be commissioned in the ensuing year.

- The Staples Business posted robust performance during the year, growing well ahead of the industry. In the Staples category, 'Aashirvaad' atta further consolidated its position as India's No. 1 Atta brand while maintaining its price leadership position in the market. The value-added product portfolio, comprising Multigrains, Select and Sugar Release Control atta, continued to record robust growth. Aashirvaad Salt grew at a steady pace during the year, supported by a new positioning, 'Created by Sun and Sea - pure just like nature intended it to be' and new pack

Despite 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, a range of differentiated products along with an efficient supply chain and distribution network.

design. In the branded spices category, your Company launched ITC Master Chef ‘Super Safe Spices’, which are tested for over 470 pesticide residues in accordance with European standards as compared to only nine required under Indian regulations. The recently launched range of blended spices under the ‘ITC Master Chef’ brand garnered good traction amongst target consumers.

- In the Snacks and Meals Business, the ‘Bingo!’ range of finger snacks recorded robust growth during the year driven by the Tedhe Medhe and Mad Angles sub-brands. Yumitos Original Style potato chips was extended to target markets during the year, posting impressive growth in sales. The finger snacks portfolio was augmented with the launch of Tedhe Medhe Achaari Masti and Tangles Cheese variants while the Yumitos potato chips portfolio was revamped with an improved product and a new vibrant pack.

The Instant Noodles industry saw a steady recovery during the year after significant disruption caused by regulatory issues in the previous year largely pertaining to a competitor’s product. The recovery was largely led by metro cities and large towns while rural demand remained sluggish. YiPPee! noodles, which had garnered significant volumes in the previous year on the strength of superior quality and safety, sustained its robust growth momentum during the year despite the entry of several regional discount players and relaunch of products by the lead competitor. The year also saw the launch of ‘Power Up Atta Noodles’ - a differentiated product with vegetable additions – which received good consumer response.

- The Confections Business scaled up operations and improved its market standing during the year. In the

Biscuits category, the Business continued to focus on premiumising its product portfolio. The ‘Sunfeast Mom’s Magic’ range of premium cookies sustained its strong growth momentum driven by superior product attributes and investment in brand building. The recently launched ‘Sunfeast Farmlite All Good Digestive’ – ‘No maida & No added sugar’ cookie made from Aashirvaad whole-wheat atta – was well received by target consumers. ‘Sunfeast Marie Light’ biscuit doubled its sales in focus geographies, while Bounce strengthened its market leadership position in the creams segment. Your Company leveraged its recently commissioned biscuits manufacturing unit owned by North East Nutrients Private Limited, a joint venture company, to record impressive gains in market standing in the Northeast markets.

The Confectionery category continued with its portfolio premiumisation strategy by increasing the salience of ‘Re. 1 & above’ products in the sales mix. During the year the Business launched ‘Candyman Jellicious Jelimals’ – a soft fruit bear shaped jelly, ‘Candyman Jellicious DubbleZ’ – an innovative twin flavoured jelly and ‘Candyman Tadka’ in the hard boiled candy segment. These products have received encouraging consumer response.

- In the Dairy & Beverages Business, the B Natural range of juices continue to gain traction amongst its target consumers aided by a clutter-breaking media campaign, on-ground trial generation initiatives and visibility & availability enhancement drives. During the year, your Company launched another unique and first-to-market offer – ‘B Natural 100% Pomegranate Juice; Not from Concentrate’. Unlike most other packaged fruit juices available in the market which are made from fruit concentrates, B Natural 100% Pomegranate Juice is made directly

During the year, ITC launched a luxury range of chocolates under the ‘Fabelle’ brand at exclusive ‘Fabelle Chocolate Boutiques’ set up in seven ITC Hotels. The Company also launched two exquisitely crafted blends of gourmet coffee during the year, under the ‘Sunbean’ brand.

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from the fruit pulp and has no added sugar, colour, preservatives or flavour. The year also witnessed the launch of 'Punjab Da Kinnow' variant catering to the taste and preference of the North markets. These products have been well received by consumers. Aashirvaad Svasti Ghee was extended to other focus markets during the year, gaining consumer franchise.

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, consumer insight discovery, R&D 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 in the years ahead.

### Personal Care Products

Your Company's Personal Care Products Business delivered a resilient performance during the year against a backdrop of sluggish demand conditions, consumers curbing discretionary spending and seeking value-for-money offers and sharp uptick in input costs. Most industry players adopted a calibrated pricing strategy despite sharp escalation in input costs towards supporting volume growth, thereby impacting margins. Your Company's Personal Care Products Business responded proactively to these challenges by pursuing a balanced approach to deliver steady growth and improvement in market standing. This was driven largely by enriching the product portfolio, expanding distribution, proactive cost management and enhancing supply chain responsiveness.

The Business launched several differentiated products during the year in the Soaps, Shower Gel, Skin Care and Fragrance categories under the 'Fiama', 'Vivel', 'Engage' and 'Superia' brands. The Business also strengthened its presence in the Health & Hygiene space leveraging the 'Savlon' and 'Shower to Shower' brands. Within a short span of time, Savlon has strengthened its equity around the core value proposition of germ protection. During the year, the Business launched new variants in the Hand Wash and Antiseptic Liquid categories under the Savlon brand thereby expanding its product portfolio and gaining access to new consumer segments and markets. Engage Perfume Sprays continued to gain consumer franchise in the 'No Gas' segment with the launch of several new variants both for men and women. The Business also augmented its skin care portfolio with the launch of 'Vivel Cell Renew – Aqua Quench Cleansing Mousse'.

Innovation has been the bedrock of your Company's Personal Care Products Business. Affordability and convenience were the two key vectors of innovation during the year which marked the introduction of 'Engage ON Pocket Perfume' in six exciting variants and two differentiated variants of Savlon Hand Wash in 10 ml. multi-use sachets. These first-to-market offers are available in select markets and have received encouraging consumer response.

The Business also deployed several innovative brand campaigns and leveraged social media platforms with a view to deepening consumer engagement. Fiama broke the category clutter with its new 'Dil Ko De Lift' campaign by highlighting product benefits anchored around destressing and rejuvenation benefits. For the Vivel brand, the Business rolled out a highly innovative and original creative communication - 'Ab Samjhauta Nahin' - in collaboration with content partner Blush with

The year marked the introduction of 'Engage ON Pocket Perfume' in six exciting variants and two differentiated variants of Savlon Hand Wash in 10 ml. multi-use sachets. The Personal Care Products Business also augmented its skin care portfolio with the launch of 'Vivel Cell Renew – Aqua Quench Cleansing Mousse'.



Bollywood actor Mr. Amitabh Bachchan playing the voice of society. The 'Ab Samjhauta Nahin' campaign has expanded Vivel's appeal beyond its functional attributes to addressing the larger issues of gender-typecasting and attitudes towards women. By provoking discussion around age-old prejudices, the brand has inspired young women to question the idea of compromise. The campaign has received excellent response and has enhanced consumer connect with Vivel's new brand purpose of Women Empowerment.

Your Company's brands viz. Essenza Di Wills, Fiamma, Vivel, Superia, Engage, Savlon and Shower To Shower continue to garner consumer franchise and win industry recognition. During the year, in a survey conducted by afaqs! - a leading media portal - Vivel, Engage and Fiamma were ranked amongst the Top five brands in the personal care segment while Savlon was ranked second in the OTC category. Vivel also featured amongst the Top 10 'Buzziest brands' across categories in this survey. Savlon's advertising campaign featuring brand ambassador Ms. Saina Nehwal, seeking to inspire parents to encourage their children to push their limits and realise their true potential, was rated as the Top Ad of 2016 by Brand Equity readers. The Advertising Age rated Vivel's Ab Samjhauta Nahin campaign and the Savlon Healthy Hands Chalk Sticks creative as the top ads.

On the supply chain front, the Business commissioned a state-of-the-art facility at Guwahati, Assam for in-house manufacture of soaps. This facility, which was commissioned in March 2017, will enable servicing of proximal markets in a highly responsive and efficient manner.

The year saw a sharp increase in commodity prices, particularly of crude and vegetable oils. The Business

mitigated the impact of such cost escalation through selective price increases in the midst of intense competitive pressures and cost management interventions including proactive sourcing, alternative vendor development and recipe optimisation to partly mitigate the steep hike in input costs.

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, the Education & Stationery Products Business had to contend with a very challenging operating environment marked by subdued demand and tight liquidity conditions exacerbated by the cash crunch in the latter half. This led to significant disruption in the wholesale channel. Consequently, the trade channel maintained leaner inventory pipelines and shifted the timing of purchase closer to the consumer buying cycle thereby impacting revenue growth during the year. Despite these challenging conditions, the Business sustained its leadership position in the Indian Education and Stationery Products industry by leveraging a portfolio of world-class products and brands.

The Business continued to focus on delivering innovative and superior products through its dedicated product development cell working along with your Company's Life Sciences & Technology Centre. During the year,

In a survey conducted by a leading media portal - Vivel, Engage and Fiamma were ranked amongst the Top five brands in the personal care segment while Savlon was ranked second in the OTC category. Vivel also featured amongst the Top 10 'Buzziest brands' across categories in this survey.

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the Business further enriched its product portfolio by launching several new products including educative board games (puzzles), innovative products in the notebook category under the Classmate brand, premium Paperkraft notebooks with paper having 100 years archival life, pens with enhanced writing experience and several premium offerings in the scholastics category.

The Business continued to focus on enhancing brand affinity by leveraging the 'Classmate Spellbee' and 'Classmate Handwriting Olympiad' platforms besides other interventions across mass and digital media. These events collectively reach out to nearly a million school children across 1000 schools in 30 cities.

On the supply chain front, several technology initiatives were implemented during the year towards delivering superior product quality and enhancing operational efficiency. The supply chain network was further optimised by leveraging demand and production planning tools, thereby reducing the total cost of servicing demand. During the year, the Business continued to expand its distribution reach 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. Classmate notebook leverages your Company's world-class fibre line at Bhadrachalam which is India's first ozone treated elemental chlorine free facility. In order to provide Indian consumers with world-class products, the Business launched the Paperkraft range of notebooks using Forest Stewardship Council (FSC) certified paper, made at your Company's paper mill, which match the best quality paper in the world.

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 strong brands and robust product portfolio, and collaborative linkages with small & medium enterprises is well poised to strengthen its leadership position in the Indian stationery market.

### Lifestyle Retailing Business

The Branded Apparel industry witnessed severe pressure during the year in the wake of consumers cutting back on discretionary spends, heavy discounting by industry players and emergence of value retailing by e-commerce majors. Squeeze in liquidity during the third quarter further impacted consumer spending in the apparel category. While sales recovered progressively after significant disruption in the immediate aftermath of the currency shortage, the industry had to contend with a significantly shorter window for the Autumn – Winter season leading to build-up of unsold inventory. In addition, industry players resorted to early rollout of 'End of Season Sales' besides offering additional special discounts. The performance of your Company's Lifestyle Retailing Business was significantly impacted by the challenging environment as aforesaid.

During the year, the Business initiated several structural interventions across channels and processes including restructuring the retail foot print and modifying the design language of its offerings with a view to enhancing consumer experience and garnering larger consumer franchise.

Positioned at the premium end of the market, the Wills Lifestyle brand continues to fulfil lifestyle aspirations by offering elegant designs in high quality premium fabrics and styles. The premium imagery of the 'Wills Lifestyle' range stood sharpened during the year

The Education and Stationery Products Business further enriched its product portfolio by launching several new products including educative board games (puzzles), innovative products in the Classmate notebook category, premium Paperkraft notebooks with paper having 100 years archival life and several premium offerings in the scholastics category.

with the introduction of several differentiated and first-to-market offers across men's and women's collections. Sales of Wills Lifestyle products to Club ITC members sustained its strong growth momentum during the year, reaffirming the salience of the brand amongst discerning consumers. The Wills Lifestyle brand is currently available in 400 outlets across 56 cities including six exclusive boutique stores across ITC Hotels.

In the 'Youth fashion' segment, John Players enhanced its market standing by driving fashion imagery anchored on bold and edgy fashion. The brand is available in over 350 exclusive stores and 750 outlets in leading national and regional department stores and multi-brand outlets. During the year, the John Players range was made more youthful and trendy by widening the offerings in casual fashion knits and introduction of linen & linen blends. John Players Jeans continued to gain consumer franchise with the standardisation of washes across shirts and bottoms for a consistent consumer experience and the introduction of a more fashionable denim range incorporating latest trends such as 'Do-It-Yourself', laser printing and premium stretch knit fabrics.

The brands continued to win industry recognition during the year - Wills Lifestyle was recognised at the 2016 DMAi CREATEFFECT Awards for creativity in 'Interactive Experiential Marketing' for the 'Mannequins on a break' campaign while John Players won top awards at Goa Fest 2016 (Creative ABBY Awards) for innovative use of image/design and social media content.

The Business will continue to drive brand engagement and advocacy amongst the target customers while continuously enhancing shopping experience, sharpening design focus, increasing market representation and improving supply chain responsiveness.

### Incense Sticks (Agarbattis) and Safety Matches

The Agarbatti category sustained its growth momentum during the year anchored on a robust product portfolio and enhanced distribution reach. Mangaldeep fortified its market standing in the Agarbatti and Dhoop segment during the year. Investments in media coupled with on-ground activation activities were made during the year towards enhancing Mangaldeep's salience as the most preferred brand in the devotional space.

Towards playing a deeper role in the devotional life of consumers, the Business launched a unique and highly innovative mobile app with an extensive collection of devotional content. Currently available in seven languages, the app's content caters to the everyday devotional needs of consumers by providing detailed information and guidelines on how to perform various pujas and innovative features such as a collection of popular devotional songs, a panchang (Hindu calendar and almanac), an innovative chant counter and temple locator amongst others. Launched in September 2016 on both Android & iOS platforms, the app has been developed by the Business in partnership with several subject matter experts and carefully curated to cater to regional nuances. In a relatively short span of time, the app has received excellent response with over 1,00,000 installations with more than 50% of the users belonging to the age group 'below 35 years'.

The agarbatti industry continues to import raw battis primarily from Vietnam and China, although bamboo and charcoal – the principal raw materials – are available in India in plenty. This is resulting in loss of livelihood creation opportunities for women and tribals in rural areas, particularly in the North-East. In this regard, the Business has implemented several measures including facilitating the mechanisation of agarbatti manufacturing

The Wills Lifestyle brand is currently available in 400 outlets across 56 cities. The John Players brand is available in over 350 exclusive stores and 750 outlets in leading national and regional department stores and multi-brand outlets.

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at vendor locations and backward integration by vendors into raw batti manufacturing using indigenous inputs in line with your Company's commitment to enhancing the competitiveness of Indian value chains linked to its operations. Suitable changes in fiscal policy are required to encourage indigenous raw batti manufacturing and facilitate the creation of sustainable livelihood opportunities for the weakest sections of society.

In the Safety Matches category, your Company sustained its market leadership position by leveraging a robust portfolio of offerings across market segments. 'AIM' continues to be the largest selling brand in the industry. The Business continues to focus on enriching product mix by expanding the share of value-added products in the portfolio.

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 remains a key imperative to trigger the required investments for modernising and enhancing the competitiveness of this industry.

### Trade Marketing & Distribution

Your Company's Trade Marketing & Distribution (TM&D) vertical has over the years developed critical insights into customer behaviour and channel-specific trends in the FMCG industry. Given the diverse needs of your Company's FMCG businesses, the TM&D vertical has crafted a differentiated and comprehensive market / outlet specific strategy to address the opportunities in the FMCG industry.

During the year the TM&D vertical strengthened its formidable distribution network covering over 1 lakh markets and over four million retail outlets (directly and

indirectly) across various trade channels. This further enhanced the reach and availability of your Company's large and diverse FMCG product portfolio comprising several world-class brands and hundreds of SKUs. In urban markets, your Company rolled out customised servicing / engagement programmes for the top outlets through dedicated infrastructure. This resulted in enhancing trade relationships and improving the market standing of your Company's FMCG products. In rural markets, while demand pick-up was dampened by the cash crunch especially in the wholesale channel, your Company continued to roll out market specific interventions including augmentation of supervision structure and increase in direct coverage, to achieve higher growth rates and support enhanced scale of operations going forward.

During the year, your Company sustained its clear leadership position in the convenience channel while consolidating its market standing as the benchmark supplier in premium grocery outlets. TM&D's trade loyalty programmes – 'First Club' for retail outlets and 'Shubh Laabh' for the wholesale channel – continued to gain traction with these outlets contributing significantly to the growth of the FMCG portfolio. Sales of your Company's FMCG products in the Modern Trade channel recorded robust growth on the strength of extensive deployment of in-store merchandisers, consumer connect programmes coupled with joint business planning during large-scale customer activation drives, channel specific SKUs, extensive sampling initiatives etc. Significant progress was made during the year in scaling up presence of your Company's FMCG portfolio in the Chemist channel. Your Company also strengthened its presence in the fast growing e-Commerce channel by enhancing engagement with major e-tailers.

Towards playing a deeper role in the devotional life of consumers, the Incense Sticks Business launched a unique and highly innovative Mangaldeep mobile app with an extensive collection of devotional content. The app has received excellent response with over 1,00,000 installations.

The scale and diversity of your Company's distribution network continues to be a critical lever to enhance market presence, gain valuable consumer/trade insights and facilitate seamless execution of new product/category launches. During the year, TM&D executed nearly 50 product launches across geographies apart from extending distribution reach of several existing products in the portfolio. Technology enablement in the form of customised mobility solutions, data analytics comprising insightful visualisation tools & predictive analysis are being leveraged increasingly towards enabling quick and accurate data capture, informed decision making in real time and scientifically designing trade promotion schemes.

TM&D's supply chain and logistics function continues to play a vital role in enabling superior market servicing while continuously reducing cost of market servicing. During the year, several initiatives were undertaken to enhance supply chain responsiveness and cost competitiveness. These include reducing distance to market, enhancing flexibility to cater to new launches and contingencies, and reconfiguring market servicing infrastructure. In addition, innovative distribution models were implemented to optimise inventory holding and improve distribution efficiency of trade channel partners, and reduce transit time by increasing direct market servicing. Your Company is also in the process of setting up several state-of-the-art warehouses co-located with the Integrated Consumer Goods Manufacturing facilities. These modern warehouses are expected to provide long-term benefits by improving operating efficiency and enhancing product freshness in the market.

The TM&D vertical continues to invest in augmenting the depth and width of your Company's distribution network while adopting a differentiated approach to

address the unique needs of your Company's diverse FMCG product portfolio, market segments and trade channels. With its best-in-class systems and processes, agile and responsive supply chain and synergistic relationship with trade, TM&D's distribution highway is a source of sustainable competitive advantage for your Company's FMCG Businesses and is well poised to support the rapid scale up of operations in the ensuing years.

### HOTELS

The operating environment in the hospitality sector remained challenging during the year. While second half initially indicated signs of pick-up in the Hotels industry, collateral impact on the economy on account of currency crunch limited the recovery. Segment Revenue recorded a growth of 4.3% during the year driven by improvement in average room rates and higher Food & Beverage sales. While Segment Results improved significantly as compared to the previous year, profitability remained relatively muted due to the challenging business context as aforesaid and gestation costs of the recently commissioned ITC Grand Bharat, Gurugram.

Your Company's Hotels business remains amongst the fastest growing Indian hospitality chains with around 100 properties across the country under four distinct brands – 'ITC Hotel' in the Luxury segment, 'WelcomHotel' in the Upper-Upscale segment, 'Fortune' in the Mid-market to Upscale space and 'WelcomHeritage' in the Leisure & Heritage segment. The Business continues to focus on strengthening the equity and differentiation of the ITC Hotels brand anchored on unique and path-breaking 'Responsible Luxury' initiatives, culinary excellence and personalisation of guest services.

During the year the Trade Marketing & Distribution vertical strengthened its formidable distribution network covering over 1 lakh markets and over four million retail outlets (directly and indirectly) across various trade channels.

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The Business also extended several 'Responsible Luxury' themed culinary initiatives and promotions under the 'Kitchens of India' banner.

'Club ITC', your Company's pan-ITC consumer loyalty programme with a current membership base of around 3.5 lakh premium consumers, continues to gain franchise amongst the premium clientele of ITC hotels Business and Wills Lifestyle. During the year, the Business entered into a strategic partnership for integration of Club ITC with Starwood Preferred Guest (SPG), global loyalty programme of Starwood, enabling members to redeem points at over 1200 hotels worldwide. The 'Club ITC Culinaire' dining loyalty programme is also gaining popularity.

During the year, the Business augmented its digital presence towards enriching online experience of users along with superior e-commerce capabilities. This resulted in enhancing customer engagement, increasing traffic and improving the share of direct conversions. Towards strengthening the online presence of ITC Hotels, the Business hosted the 'IndiaInstameet' in collaboration with 'Beautiful Destinations' - the world's largest online social community for luxury travel. The event registered over 100 million online global impressions.

The world-class ambience of your Company's luxury hotels was leveraged effectively during the year for the launch of gourmet luxury chocolates under the 'Fabelle' brand at select ITC Hotels across India. In addition to selling premium packaged chocolates from the Branded Packaged Foods Business, the Fabelle chocolate boutiques offer a range of exquisitely crafted desserts and cocoa beverages, created live by Fabelle Master Chocolatiers. The initiative has received encouraging response and will go a long way in establishing the Fabelle brand at the luxury end of the market.

The year also marked the launch of 'Sunbean' gourmet coffee across all ITC Hotels. Meticulously crafted by master blenders and served by expert baristas, this intervention encompassed all customer touch points including sale of coffee beans at custom designed retail counters, in-room sachets and a la carte services in all restaurants.

Your Company's Hotels Business continues to receive accolades for its world-class properties and service excellence. ITC Grand Bharat was recognised as #1 amongst the 'Top Resorts in Asia' on the coveted Conde Nast Traveler U.S. Readers' Choice Awards for the second consecutive year, while ITC Grand Chola was the winner in the 'Sustainable Operations' category at the HICAP Sustainable Awards.

The Food & Beverage segment continues to be a major strength of your Company with some of the most iconic brands in the country. The 'Bukhara' restaurant at the ITC Maurya, New Delhi continues to receive international recognition and remains a favourite in India. Bukhara was recognised amongst the 'Greatest Restaurants around the Globe' by Conde Nast Traveler U.S., 'Favourite Restaurant in an Indian Hotel' by Conde Nast Traveller Readers' Travel Awards India, and the 'Best Culinary Heritage Delhi in Fine Dining' at the Times Food Awards. 'Ottimo', 'EDO', 'Tian' and 'Pan Asian' continued to win accolades at the Times Food Awards. Your Company's internationally acclaimed spa brand, 'Kaya Kalp', won several accolades. The spa at ITC Grand Bharat was adjudged the 'Most Luxurious Spa' in the Resort category at the 'GeoSpa asiaSpa India Awards', while the one at ITC Mughal was listed in the 'Hall of Fame'.

Your Company's Hotels Business continuously strives to reduce water and energy consumption and enhance the usage of renewable energy to meet its overall energy

Your Company's Hotels business remains amongst the fastest growing Indian hospitality chains with around 100 properties across the country. The Business made steady progress during the year in the construction of luxury hotels at Hyderabad, Kolkata, Ahmedabad and Srinagar.

requirements. Such commitment to the Triple Bottom Line is manifest in the Business's 'Responsible Luxury' ethos and has enabled it to position itself as the greenest luxury hotel chain in the world. It is pertinent to note that over 50% of the total electrical energy consumption of the Business is currently met through renewable sources.

Your Company remains committed to building world-class hotel properties in view of the long-term potential of the Indian hospitality sector. The Business made steady progress during the year in the construction of luxury hotels at Hyderabad, Kolkata, Ahmedabad and Srinagar. In addition, your Company's wholly-owned subsidiary in Sri Lanka made good progress towards setting up a luxury hotel christened 'ITC One' and a super-premium residential apartment complex, 'Colombo One – Private Residences', situated at a strategic location in Colombo. Excavation and allied works have been completed and the main construction activity is underway.

The Business is progressing growth plans towards enhancing its presence in the Upper-Upscale segment under the WelcomHotel brand. Construction of WelcomHotel Coimbatore is nearing completion with the hotel expected to be commissioned in the first quarter of 2017-18. During the year, the Business also commenced construction of WelcomHotels at Guntur and Bhubaneswar and entered into a management contract with 'WelcomHotel Kences Palm Beach' Mamallapuram. With this, nearly a 1000 rooms are under management contract and plans are on the anvil to expand presence through this route.

The 'Fortune' brand strengthened its leadership position and expanded its presence with the addition of two new hotels during the year. The number of operational hotels under the Fortune brand presently stands at 46 across

34 cities. The 'WelcomHeritage' brand remains the country's most successful and largest chain of heritage hotels with 35 operational hotels.

As reported last year, 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.

#### **PAPERBOARDS, PAPER AND PACKAGING**

The domestic Paperboards, Paper and Packaging industry continued to be impacted by sluggish demand conditions prevailing in the FMCG and legal Cigarette industry. This, coupled with zero duty imports under ASEAN Free Trade Agreement, cheap imports from China and capacity ramp up by other industry players adversely impacted Segment Revenue during the year. Segment Results, however, improved on the back of benign input costs and product mix enrichment. Consequently, while Segment Revenue grew by 0.7%, Segment Profits grew at a faster pace of 6.4% during the year.

During the year, your Company sustained its leadership position in the Value-Added Paperboards segment and consolidated its preferred supplier status amongst leading end-use customers and brands.

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### Paperboards & Specialty Papers

Global demand for Paper & Paperboard in 2016 remained muted at appx. 406 million MT. During the period 2011-2016, global demand has grown marginally at 0.4% CAGR primarily driven by moderate growth of appx. 1.5% CAGR in the paperboard segment. Going forward, global demand for Paper & Paperboard is projected to grow at 1% CAGR driven by Asia - particularly China and India. The Writing & Printing and Newsprint segments, on the other hand, are expected to witness relatively muted growth, largely due to increasing adoption of digital media and proliferation of smartphones usage.

Domestic demand for Paperboards remained impacted during the year due to slowdown in the FMCG industry and severe pressure on legal Cigarette industry volumes as highlighted earlier in this Report. Pricing power of industry players was also impacted with significant capacity addition by industry players in recent years. The Writing & Printing paper segment witnessed supply disruptions during the year primarily on account of shut down of capacity by a major player, leading to higher prices and increase in imports.

Over the next five years, overall domestic demand is projected to grow at 6% CAGR with the Paperboard (46% of the market) and Writing & Printing paper (30% of the market) segments estimated to grow at 7% CAGR and 4% CAGR respectively. Within Paperboards, demand for Value-Added Paperboards (VAP) in India is projected to grow at a healthy rate of appx. 12% CAGR driven by increasing requirements of the FMCG, Pharma, Publishing, and Food & Beverages industries. In the Writing & Printing paper segment, demand for copier papers is expected to grow faster at appx. 10% CAGR on the back of traditional consumption

segments (offices, schools / colleges) and higher corporate spending especially in the service industry.

Imports from ASEAN countries have been growing at a rapid pace since the implementation of zero duty on such imports, w.e.f. 1st January, 2014, under various trade agreements. Disruption in domestic supplies, as aforesaid, provided further impetus to imports during the year. Consequently, 2016-17 witnessed a marked acceleration in imports of coated & uncoated papers, which grew by appx. 30% over last year.

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. The economic viability of domestic manufacturers has been severely impacted leading to the closure of several paper mills in the recent past. There is clearly a need to review the current import duty structure and re-examine the existing Free Trade Agreements (FTAs) and the new ones under formulation towards providing a level playing field to the domestic industry and encourage commercial farming of wood in India. Legislative changes along with appropriate environmental safeguards need to be implemented to enable private sector participation in commercial forestry on drylands and wastelands.

During the year, your Company sustained its leadership position in the VAP segment and consolidated its preferred supplier status amongst leading end-use customers and brands. The Business fortified its product portfolio by upgrading select variants and introducing value-added offers such as moisture resistant, grease resistant, medical grade peel-clean paper etc., thereby maintaining its lead over competition. The Specialty Papers portfolio was also expanded with the launch of new grades to service the needs of customers. The

During the year, the Paperboards and Specialty Papers Business clocked its highest ever saleable production of about seven lakh tonnes – a reflection of its relentless focus on operational excellence and quality.



Business sustained its leadership position in the sale of eco-labelled products, volumes of which grew by appx. 8% during the year.

The Business continues to be a leading quality player in Writing & Printing paper segment, leveraging strong forward linkages with your Company's Education and Stationery Products Business. In the Specialty Papers segment, your Company sustained its leadership position in the pharma leaflets and thin printing segments.

During the year, the Business clocked its highest ever saleable production of appx. seven lakh tonnes – a reflection of its relentless focus on operational excellence and quality. The Business continues to make investments in capacity augmentation, quality and efficiency enhancement, wastage reduction and productivity improvement, benchmarked with international standards.

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.

The Ministry of Road Transport and Highways, Government of India has promulgated the Green Highways (Plantation, Transplantation, Beautification and Maintenance) Policy – 2015, to develop green corridors along national highways through plantation and allied activity on median, avenue and other available nearby land patches. During the year, your Company was chosen as the knowledge and implementation partner of National Green Highways Mission under

National Highway Authority of India (NHAI), which has been entrusted with the task of planning, implementing and monitoring roadside plantations along one lakh kilometres of national highways. In this regard, during the year your Company signed an agreement with the NHAI to green around 200 hectares of land along NH-44 and NH-40 on a pilot basis. Plans are on the anvil to expand this commendable initiative, which would go a long way in enhancing the green cover of the nation and generate employment opportunities for rural communities.

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 33,500 hectares of plantations involving over 30,000 farmers. During the year, nearly 55,000 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 complied with all requirements during the year, thereby sustaining your Company's position as the leading supplier of FSC-certified paper and paperboard in India.

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 close to 1,24,000 tonnes of waste paper during the year, thereby sustaining your Company's overall positive solid waste recycling footprint.

**ITC has commissioned India's first Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at the Bhadrachalam unit, which will reduce dependence on imports and reduce cost.**

## Report of the Board of Directors

The manufacturing facilities at Bhadrachalam and Kovai continue to receive industry recognition for their green credentials and safety standards in line with your Company's focus on sustainable business practices. During the year, the Bhadrachalam unit became the first integrated pulp & paperboard mill to receive the 'GreenCo Platinum' certification from Confederation of Indian Industry, Green Business Centre (CII GBC). The Bhadrachalam unit also received the Excellent Energy Efficiency Unit 2016 award from CII GBC. The Kovai unit received National Safety Award (2nd prize) from National Safety Council of India (NSCI) Mumbai and Green Award (2nd Prize) from Tamil Nadu Pollution Control Board.

The Business successfully commissioned a 46 MW wind energy project in Andhra Pradesh in July 2014, which has been generating wind power since then. As reported in previous years, permission for inter-state wheeling of power was not granted by the authorities post bifurcation of the State of Andhra Pradesh. Consequently, the majority of the intended benefits from this large investment did not fructify with only a minor portion of the wind power generated by the project being used by your Company's units in Andhra Pradesh and the balance being sold to the state power grid at nominal rates. After several representations and discussions with the concerned authorities on the matter, your Company received permission during the year for wheeling of power from Andhra Pradesh to Telangana, thereby enabling the Bhadrachalam mill to utilise wind energy to meet its energy requirements. While clearances required for inter-state wheeling of power are now in place, the regulatory framework for levy of charges, banking of power and deviation settlement are still evolving. Consequently, your Company continues to bear charges/levies at multiple points which have adversely impacted the attractiveness of the investment.

Your Company continues to engage with State and Central regulatory authorities towards seeking relief from such additional levies/charges and remains hopeful of an expeditious resolution of the matter.

In line with your Company's objective of meeting 50% of its energy requirements from renewable sources, the Business has implemented several initiatives including investments in a green boiler, soda recovery boilers, high pressure & efficiency circulating fluidised bed boiler, solar & wind energy and increased usage of bio-fuel. With these initiatives, renewable sources presently account for over 50% of total energy consumed at the Bhadrachalam and Kovai units.

The Business continues to make structural interventions in the areas of strategic cost management and import substitution. Some of the key interventions in this regard include augmentation of in-house pulp manufacturing capacity and developing alternative sources of supply for key inputs on an ongoing basis. In line with this approach, the Business has commissioned India's first Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at the Bhadrachalam unit, which will reduce dependence on imports and reduce cost. The Business has also commissioned a 36 MW high pressure energy efficient power plant at the Bhadrachalam unit which will reduce coal consumption and consequently, your Company's carbon footprint.

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

Your Company's Packaging and Printing Business is a leading provider of superior value-added packaging for the consumer packaged goods industry. The Business also provides strategic support to your Company's FMCG Businesses.

## Packaging and Printing

Your Company's Packaging and Printing Business is a leading provider of superior value-added packaging for the consumer packaged goods industry. The Business also provides strategic support to your Company's FMCG Businesses by facilitating faster turnaround for new launches, design changes, ensuring security of supplies and delivering benchmarked international quality at competitive cost.

The Business caters to the packaging requirements of leading players across several industry segments viz. Food & Beverage, Personal Care, Home care, Apparel, Consumer Electronics, Pharma, Liquor and Tobacco. With its comprehensive capability-set across multiple platforms, coupled with in-house cylinder making and blown film manufacturing lines, the Business continues to provide innovative solutions to several key customers in India and overseas.

In line with its strategy of consolidating its position as a 'one-stop shop for packaging solutions', during the year the Business invested in new product lines viz. rigid boxes and flexo corrugated packaging, and augmented capacity in the carton and flexibles packaging segments with the addition of state-of-the-art lines at its facility at Tiruvottiyur.

As in previous years, the Business won several awards for operational excellence and creative packaging. 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, continues to provide clean energy to the Tiruvottiyur facility, contributing towards reducing your Company's carbon footprint.

The manufacturing facilities 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 Haridwar unit received the CII North Zone award for '5S excellence' while the Munger unit won the Suraksha Puraskar from the National Safety Council of India. The Risk Management Framework of the Business was re-certified under ISO 31000:2009 during the year.

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

## AGRI BUSINESS

### Leaf Tobacco

Global production of Flue Cured Virginia (FCV) tobacco registered a decline of 8.5% in 2016, with crop output in Brazil degrowing by nearly 20%. Indian FCV crop production declined for the second successive year,

Despite challenging market conditions, ITC reinforced its leadership position as the largest Indian exporter of unmanufactured tobacco with further improvement in market standing.

## Report of the Board of Directors

dropping by nearly 20% during 2016 to 217 million Kgs., mainly due to lower Andhra crop consequent to the Tobacco Board's decision to reduce the authorised crop size by 50 million Kgs. over 2015. Consequently, FCV farm prices recorded a sharp increase during the year.

Whilst the reduction in global FCV output as aforesaid resulted in bringing down uncommitted inventory levels, Indian leaf tobacco exports were impacted by contraction in global demand, lower domestic crop production and significant currency depreciation in competing origins. Consequently, Indian leaf tobacco exports fell to an eight-year low of 200 million Kgs. thereby adversely impacting the earnings of the tobacco farming community.

Despite such challenging market conditions, your Company reinforced its leadership position as the largest Indian exporter of unmanufactured tobacco with further improvement in market standing. This was achieved through new business development and enhanced value delivery to existing customers by leveraging the Business's expertise in crop development, superior leaf procurement processes 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.

Your Company's leadership in sustainability was reinforced by the first ever Global Sustainability Audit (Sustainable Tobacco Programme - STP) conducted by AB Sustain – an independent third party on behalf of international manufacturers. In STP, a leaf tobacco supplier's operation is measured for sustainability performance covering areas such as governance, processing units, agronomy, natural resource and farm labour management. The Division has been placed

amongst the best leaf tobacco suppliers in the world in the first ever STP Audit conducted in 2016.

Cost management across the value chain continues to be a key for the Business. Accordingly, the Business implemented several initiatives during the year including improvement in yield, enhancement of manufacturing efficiencies, reduction in specific consumption of power and logistics optimisation to continuously drive down costs. Several Lean and 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 three units at Chirala, Anaparti and Mysuru are meeting a significant portion of their energy needs from renewable sources.

The Business remains committed to the highest standards of EHS and quality and continues to win recognition in these areas. During the year, the Chirala and Anaparti units received the 'Best Management Award – 2016' from the Labour Department, Government of Andhra Pradesh, the Anaparti GLT received the 'National Energy Management Award 2016' from CII in the 17th National Energy Management Award and the 'Par Excellence' award in the National Convention on Quality Concepts 2016 competition organised by Quality Circle Forum of India.

Your Company's deep rural linkages and expertise in agri-commodity sourcing, coupled with differentiation through value-added services of identity & traceability and certification is a critical source of competitive advantage for the Branded Packaged Foods Businesses.

The Business will continue to extend strategic sourcing support to your Company's Cigarette Business even as it sustains its leadership position as a major exporter of quality Indian tobacco thereby catalysing the multiplier impact of increased farmer incomes to benefit the rural economy. With its strong R&D capability, modern processing facilities, crop development and extension expertise, and deep understanding of customer and farmer needs, your Company is well poised to sustain its position as a world-class leaf tobacco organisation.

### Other Agri Commodities

Domestic food grain production for 2016 crop year stood at 252 million tonnes, representing a marginal growth over the previous year. While wheat production grew by 6.7% to 92.3 million tonnes, rice production was lower by 1% at 104.4 million tonnes and coarse cereals production dropped by 10.1% at 38.5 million tonnes. Oilseed production increased by 33% to 33.6 million tonnes mainly due to higher soybean output, which increased by 65% to 14.1 million tonnes due to good monsoon. Based on current expectations of a normal monsoon in 2017 year, food grain production is projected to increase by 8% to 272 million tonnes.

During 2016-17, world wheat production increased by 16 million tonnes to about 751 million tonnes mainly due to higher production in Australia and Russia. While higher global production led to surplus inventory in the international markets, India had to contend with lower wheat crop availability during the year as the 2015 crop output (marketed in 2016) was adversely impacted due to unfavourable weather conditions. In order to alleviate the shortage of supplies and rising prices in the domestic market, the Food Corporation of India scaled down procurement levels and released higher quantum of

wheat from its buffer stocks. In addition, the Government reduced Customs Duty on wheat leading to the import of over five million tonnes from Ukraine and Australia during the year. The Business leveraged its wide geographical sourcing network, multiple sourcing models including imports, to secure supplies of critical grades with benchmark quality towards meeting the growing requirements for Aashirvaad atta. The Business delivered substantial savings to your Company through efficient logistics management and other cost-optimisation initiatives. The Business also leveraged its strong network comprising suppliers, millers and customers to supply significant quantities of imported wheat in the domestic market.

The Business continues to collaborate with reputed research organisations such as Indian Agricultural Research Institute, Directorate of Wheat Research, Punjab Agricultural University and Agarkhar Research Institute towards scaling up wheat sourcing from areas that are in close proximity of atta manufacturing plants and increasing crop production in non-traditional areas. As part of its wheat crop development programme, the Business has facilitated the introduction of location-specific new and improved seed varieties along with appropriate package of practices in over 1,47,000 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 deepening capabilities in proprietary crop intelligence, scaling up the sourcing & delivery network and developing blends based on customer requirements.

Your Company's deep rural linkages and expertise in agri-commodity sourcing, coupled with differentiation through value-added services of identity & traceability

ITC continues to focus on providing a range of value-added services in rural areas towards enhancing the competitiveness of Indian agriculture and playing a critical enabling role for farmers.

## Report of the Board of Directors

and certification 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 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 developing capabilities and vectors of differentiation for potential foray into branded consumer and institutional segments while increasing the overall efficiency of procurement and logistics operations by consistently pursuing cost optimisation initiatives and eliminating non value-adding activities.

Towards meeting the requirements of your Company's Yumitos range of potato chips, the Business is working closely with farmers towards improving quality, yield and introducing chip stock in newer geographies proximal to manufacturing centres. Further, the Business continues to focus on identifying suitable varieties, sourcing locations and establishing strict protocols for storage, handling & dispatch with a view to enhancing potato conversion efficiency in manufacturing operations.

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. The key interventions in this area include strategic plantation development for key fruits, varietal segregation at source for improved colour and taste, customised fruit collection systems for identified

fruits, establishing suitable processing protocols and product standardisation. 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 five states in building scale and sourcing options.

Your Company's Spices Business continued its expansion in Food Safe Markets viz. US, EU and Japan, leveraging its strong backward integration and customer focused strategies. All major industry players witnessed a substantial drop in food safe chilli exports due to sharp escalation in domestic chilli prices which touched a historical high during the year. However, your Company's chilli exports grew at a healthy pace driven by the addition of new customers and foray into new markets such as Brazil and Mexico. It is pertinent to note that over the last two years there has been a significant increase in rejection of Indian chilli exports to the EU due to issues relating to product quality and safety. However, your Company's Spices Business has maintained an unblemished track record on food safety parameters leveraging its superior processes and custody of supply chain, thereby consolidating its position as a preferred supplier for food safe customers. In the domestic market, the Business provided strategic sourcing support to the Branded Packaged Foods Business for the launch of ITC Master Chef range of blended and 'Super Safe' spices. Your Company's range of 'Super Safe' spices adhere to stringent EU standards, which require the products to be tested for over 470 pesticide residues as compared to nine under Indian regulations.

During the year, the Business scaled up its 'Integrated Pest Management' crop development programme for

ITC Master Chef range of blended and 'Super Safe' spices adhere to stringent EU standards, which require the products to be tested for over 470 pesticide residues.

chilli and cumin. Leveraging its crop development capabilities, the Business continues to partner with the Government of Andhra Pradesh for food safe chilli production covering 400 farmers across 1000 acres. The processing unit in Guntur is certified to 'AA' grade – the highest level of global food safety standards under the British Retail Consortium Food certification regime.

Your Company believes that it is imperative to take an integrated and holistic view of the agricultural value chain. This requires a joint participatory approach from all the stakeholders such as farmers, input vendors, traders, processors and government agencies. In this regard, the Government's initiative to develop a uniform and suitable legal framework to undertake reforms in marketing of agricultural produce through a Central Agricultural Produce Market Committee (APMC) Act as well as introduction of e-auctions to facilitate transparency of transactions and superior price discovery at the Mandis are welcome steps towards stimulating agricultural growth in the country.

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 a range of value-added services in rural areas towards enhancing the competitiveness of Indian agriculture and playing a critical enabling role in integrating farmers, input vendors and government agencies besides facilitating the necessary market linkages.

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 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 Indian Accounting Standard 110. 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 divested the entire equity shareholding in King Maker Marketing, Inc., (KMM), New Jersey, USA. Consequently, effective 16th November 2016, KMM ceased to be a subsidiary of your Company. Pursuant to Pyxis Inc., merger with ITC Infotech (USA), Inc., with effect from 1st April, 2016, Pyxis has ceased to be a 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.

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of ITC Infotech India Limited and that of ITC Limited with effect from that date. During the year ITC Infotech (USA), Inc., a wholly-owned subsidiary of ITC Infotech India Limited, subscribed to the entire share capital of Indivate Inc. a company incorporated in USA. Consequently, Indivate Inc., became a wholly-owned subsidiary of ITC Infotech Inc., USA with effect from 18th November 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, 2016.

The Policy for determining Material Subsidiaries, adopted by your Board, in conformity with Regulation 16, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, 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.

### Surya Nepal Private Limited

During the year under review, the economic environment in Nepal remained weak due to slowdown in inward remittances, subdued government expenditure, political unrest and the continuing impact of the catastrophic earthquakes in April 2015 and May 2015. At the same time, inflation ruled high in the backdrop of supply disruptions, tight liquidity position and higher interest rates. Consequently, GDP grew at record low of 0.8% (previous year 2.3%) with the Industry sector degrowing by 6.3%.

The newly constituted government in Nepal has been making concerted efforts to get the economy back on a growth path. Several significant and enabling policies have been implemented to boost economic activity in the country. Prospects of a favourable monsoon, growth in Services sector and pick-up in expenditure on reconstruction activities are expected to provide a fillip to economic growth in the near-term.

The legal cigarette industry in Nepal faced severe pressure during the year due to the dramatic slowdown in the economy as aforesaid. Besides, the industry continues to be adversely impacted by a harsh regulatory regime and discriminatory tobacco taxation policy. 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 undeterminable origin & age and of questionable quality credentials. It is pertinent to note that while the legal cigarette industry contributes 81% of Government's revenue from tobacco products, its share in the country's tobacco consumption is merely 16%.

During the year, the company's Revenue from Operations at Nepalese Rupees (NRs.) 2873 crores (Previous Year – NRs. 2483 crores) and Profit After Tax at NRs. 736 crores (Previous Year – NRs. 624 crores) recorded a growth of 16% and 18% respectively. The company continues to be one of the largest contributors to the Government Exchequer, accounting for about 3% of the total revenues of the Government of Nepal. The company was recognised as the largest tax payer during the year by the Inland Revenue Department of 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 factory in Seratar, Nepal delivered an impressive performance across all parameters and has been fully stabilised in terms of induction of new technologies, building skill levels of the team and operational efficiencies. During the year, a long-term agreement valid for a period of two years, has been signed with the workmen of the company's cigarette factory in Simara.

In the Branded Apparel business, 'John Players' has established itself as a leading brand in the premium segment of the branded menswear segment, and has a significant presence across markets through exclusive



branded outlets, departmental chains and multi-brand outlets. In the Safety Matches business, the company's brand 'Tir' strengthened its market leadership in the industry, leveraging its superior trade marketing & distribution reach. The company is now the largest domestic player in the wooden matches segment. In the Agarbatti business, the company significantly improved its market standing through a strategy of deploying a diverse portfolio of offerings targeting all consumer segments.

The company continues to support and invest in initiatives aimed at enhancing the social and economic capital of the nation. All the initiatives are woven around and are in alignment with the sustainable development goals of the Government of Nepal. Accordingly, the company continues to:

- assist farmers, proximate to the Simara factory, in agro forestry through high quality Poplar plantation promoting 'Grow Wood Grow Food' concept through inter cropping;
- support animal husbandry extension services covering animal breeding, health and nutrition that will drive milk yield improvement and higher returns for underprivileged farmers;
- focus on providing community health services through various programmes such as periodic health camps and awareness programmes in the vicinity of the manufacturing units;
- 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. 298/- per equity share of NRs. 100/- each for the year ended 16th July, 2016 (31st Ashad, 2073) amounting to NRs. 600.77 crores.

#### **ITC Infotech India Limited and its subsidiaries**

The IT Services industry is undergoing rapid change driven by technological shifts, emergence of new models of customer value delivery, enhanced focus on

experience journeys and automation. As per a recent NASSCOM report, the Indian IT industry is feeling the impact of the slowdown in global economic activity and political uncertainties as clients go slow on their decision-making and investment processes. It is pertinent to note that the Banking, Financial services and Insurance (BFSI) segments, which constitute a major share of global IT spends, is yet to witness any revival of discretionary spending by clients.

The challenging operating environment for the Indian IT industry is manifest in the marked deceleration in growth rates reported during the year by a majority of the Indian IT majors. The Indian IT industry is also facing headwinds on account of protectionist measures announced by governments in key markets. The outlook for the Indian IT industry remains relatively muted with NASSCOM, for the first time in 25 years, deferring its revenue growth guidance for 2017-18 in the wake of various global uncertainties, especially the proposed regulatory changes in USA.

Technology spending is witnessing a clear shift in favour of digital technologies, which are estimated to account for 80% of incremental IT spends. With traditional lines of businesses and business models coming under increasing pressure, the fragmented IT services market is gearing up to meet these challenges by strengthening alternative delivery models and accelerating investments in digital capabilities.

In this context, ITC Infotech continues on its journey to become a specialised, global scale, full service provider led by business and technology consulting. During the year, the company strengthened its offerings in the digital space by incubating a new service line 'Interactive Marketing' in addition to existing service lines of 'Digital supply chain' and 'Internet of Things (IOT)'. Recognising the need to differentiate and establish unique competitive positioning in the fast changing technology landscape, the company also introduced the concept of 'Digitaligence@work' to enhance customer experience and serve as a disruptor to existing business processes.

The company's 'Innovation Lab', established last year, has built several 'proofs of concept' in emerging areas such as Augmented Reality, Virtual Reality, Internet of

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Things, Artificial Intelligence, BOTs etc. These have generated additional leads from target customers for the company.

During the year, the company's consolidated Total Income at ₹ 1554.38 crores (previous year ₹ 1550.36 crores), while Net Profit stood at ₹ 37.95 crores (previous year ₹ 36.16 crores). As stated in the previous year, the company's financial performance 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 steady growth in revenue, driven by new client additions in USA and Europe and sustained growth momentum in the India, Asia-Pacific, Middle East and Africa regions.

On 18th November 2016, ITC Infotech (USA), Inc., a wholly-owned subsidiary of the company, subscribed to the entire share capital of M/s. Indivate Inc., a company incorporated in the USA, to provide business development, consulting and other advisory services. Consequently, Indivate Inc. became a wholly-owned subsidiary of ITC Infotech (USA), Inc. and that of ITC Infotech India Limited and your Company with effect from 18th November, 2016.

For the year under review:

- a) ITC Infotech India Limited recorded Revenue from Operations of ₹ 911.99 crores (previous year ₹ 932.44 crores) and Net Profit of ₹ 17.89 crores (previous year ₹ 54.94 crores);
- b) ITC Infotech Limited, UK, (ITC Infotech UK), a wholly-owned subsidiary of the company, recorded Revenues of GBP 37.00 million (previous year GBP 31.19 million) and Net Profit of GBP 1.17 million (previous year GBP 0.39 million). For the year under review, ITC Infotech UK declared a dividend of GBP 2.50 (previous year GBP 2.20) per Ordinary Share of GBP 1/- each on 685,815 shares, amounting to GBP 1,714,538 (previous year GBP 1,508,793);
- c) ITC Infotech (USA), Inc., (ITC Infotech USA), a wholly-owned subsidiary of the company, together with its wholly-owned subsidiary Indivate Inc., recorded Revenue of US\$ 91.44 million (previous

year US\$ 86.44 million) and Net Profit of US\$ 1.21 million (previous year US\$ (-) 0.31 million).

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 continues to earn global recognition. During the year, the company was recognised by Information Services Group (ISG) as a 'Leader' in the archetype 'Enabling Digital' in the ISG Insights Index for Application Development & Maintenance. The company also featured in the leader's category of '2017 Global Outsourcing 100' by the International Association of Outsourcing Professionals (IAOP) for the 11th consecutive year. The company won the Aecus Innovation Awards 2016 for providing an innovative customer experience solution to a leading health retailer in UK. Besides those relating to service delivery, a notable recognition was in winning the Asia Pacific HRM Congress Awards 2016 aimed at recognising the best talent and HR practices across industries.

With enhanced focus on newer technologies and innovation backed by deep domain expertise & delivery excellence, the company is confident of establishing itself as a differentiated and specialised player focused on services and supply chain based industries.

### 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® seed to global customers produced at the facilities of its subsidiaries in China and Canada and Technico Agri Sciences Limited, India (TASL), a wholly-owned subsidiary of your Company. The Canadian subsidiary of the company is also engaged in field multiplication of seeds.

For the year under review:

- a. Technico Pty Limited, Australia registered a turnover of Australian Dollar (A\$) 2.46 million (previous year

A\$ 2.31 million) and a Net Profit of A\$ 1.36 million (previous year A\$ 10.95 million).

On 22nd March, 2016, the company sold its entire shareholding in Technico Agri Sciences Limited (TASL) to your Company for a consideration of A\$ 23.84 million. Consequently, Net Profit for the previous year included a net gain of about A\$ 10 million on sale of investment in TASL.

During the year, the company aligned its capital structure with its business requirements by reducing its share capital by A\$ 24.5 million (from A\$ 43.99 million to A\$ 19.49 million) and returned the said amount to your Company, its sole shareholder.

- 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 aforestated companies.

#### Technico Agri Sciences Limited

The company's leadership in the production of early generation seed potatoes and strength in agronomy continues to support the 'Yumitos' range of potato chips of your Company and in servicing the seed potato requirements of the farmer base of your Company's Agri Business.

Potato prices ruled firm in the domestic market in first half of 2016-17 on the back of lower crop output. While this had all the settings for a promising year for seed potato sales, currency crunch at the time of the peak season for seed potato sales adversely impacted demand. The situation was exacerbated by high unsold potato inventory levels, built up as a result of lower offtake during the year due to firm prices and lack of potato export opportunities on account of imposition of Minimum Export Price of potato.

Despite such difficult circumstances, the company leveraged the strength of its brand, superior product quality, better on-field performance and strong trade and customer relationship to register a Revenue from Operations of ₹ 108.35 crores (previous year ₹ 95.27 crores) and Profit After Tax of ₹ 14.52 crores (previous year ₹ 16.89 crores) for the financial year

ended 31st March, 2017. Total Comprehensive Income for the year stood at ₹ 14.48 crores (previous year ₹ 16.91 crores).

During the year, the company declared a dividend of ₹ 31.98 crores (including Dividend Distribution Tax of ₹ 5.41 crores).

#### 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') comprising a luxury hotel christened 'ITC One' and a super-premium residential apartment complex, 'Colombo One – Private Residences', situated on 5.86 acres of prime sea-facing land in Colombo.

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. The excavation and allied works were completed and the construction activity for the main complex was commenced during the year. Design development work by major consultants was also completed during the year.

Your Company's investment in WLPL stood at US\$ 115 million as at 31st March, 2017.

#### Landbase India Limited

The company owns 'ITC Grand Bharat' – a 104 key all suite luxury hotel at Gurugram, which has been licenced to your Company. ITC Grand Bharat, an ultimate expression of unhurried luxury, is co-located with the company's prestigious Classic Golf & Country Club, a 27-hole Jack Nicklaus Signature Golf Course.

ITC Grand Bharat received several accolades and awards, establishing itself amongst the top luxury resort destination hotels in the world. During the year, the hotel was recognised as #1 amongst the 'Top Resorts in Asia' on the coveted Conde Nast Traveler U.S. Readers' Choice Awards for the second consecutive year.

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During the year, the Classic Golf & Country Club hosted various tournaments and events and garnered the highest market share in the corporate tournament segment. The Club enjoys strong brand equity with its members, guests and the golfing fraternity and continues to receive the patronage of professional and amateur golfers in the country.

During the year ended 31st March, 2017, the company recorded Total Income of ₹ 21.75 crores (previous year ₹18.86 crores) and Net Profit of ₹ 2.10 crores (previous year ₹ 0.92 crores). Total Comprehensive Income for the year stood at ₹ 2.10 crores (previous year ₹ 0.82 crores).

### Srinivasa Resorts Limited

The company's hotel 'ITC Kakatiya' in Hyderabad continued to face sluggish demand conditions during the year. While room occupancy rates and average room rates remained under pressure, Food and Beverages recorded robust growth.

The company recorded Total Income of ₹ 54.43 crores (previous year ₹ 54.32 crores) for the year ended 31st March, 2017 with Net Loss of ₹ 1.52 crores (previous year ₹ 1.93 crores). Total Comprehensive Income for the year stood at (-) ₹ 1.50 crores (previous year (-) ₹ 1.92 crores).

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

The company's 100-key full service hotel in Amritsar, located on a land parcel assigned to the company by ITC Limited, is under development. While civil and structural works are nearing completion, other works including interiors are progressing according to schedule.

### Fortune Park Hotels Limited

During the year ended 31st March, 2017, the company recorded Total Income of ₹ 29.53 crores (previous year ₹ 28.77 crores), Net Profit of ₹ 2.44 crores (previous

year ₹ 2.15 crores). Total Comprehensive Income for the year stood at ₹ 2.39 crores (previous year ₹ 1.86 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 5,000 rooms spread over 64 properties of which 46 are operating hotels. Of the balance 18 properties, six hotels are slated to be commissioned in the ensuing year and 12 hotel projects are in various stages of development.

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.

During the year, the company bagged Today's Traveller Award 2016 for the 'Best First Class Business Hotel Chain', and Hospitality India & Explore The World Annual International Travel Award 2016 for 'Best First Class Business Hotel Chain'.

The Board of Directors of the company has recommended a dividend of ₹ 12.50 per Equity Share of ₹ 10/- each for the year ended 31st March, 2017.

### 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. A comprehensive renovation and expansion programme towards enhancing the market standing of the hotel is currently underway.

During the year ended 31st March, 2017, the company recorded Total Income of ₹ 1.98 crores (previous year ₹ 1.75 crores), Net Profit of ₹ 0.76 crore (previous year ₹ 1.10 crores). Total Comprehensive Income for the year was ₹ 0.76 crore (previous year ₹ 1.10 crores).

The Board of Directors of the company has recommended a dividend of ₹ 70/- per Equity Share of ₹ 100/- each for the year ended 31st March, 2017.

### King Maker Marketing, Inc.

During the year, your Company divested the entire equity shareholding (100% of paid-up capital) in King Maker Marketing, Inc. (KMM), New Jersey, USA, along with assignment of certain trademarks owned by the company. Consequently, effective 16th November 2016, KMM ceased to be a subsidiary of your Company.

### Wimco Limited

The company's business activities are mainly focused on fabrication and assembly of filling and cartoning 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. The company's Revenue from Operations for the year stood at ₹ 16.15 crores (previous year ₹ 14.85 crores) with a Net Loss of ₹ 0.07 crore (previous year ₹ 0.35 crore). Total Comprehensive Income for the year stood at (-) ₹ 0.09 crore (previous year (-) ₹ 0.41 crore).

The company is focussing 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 three biscuit manufacturing lines in August 2015.

In the first full year of its commercial operations, the company recorded Revenue from Operations of ₹ 138.05 crores (previous year ₹ 28.84 crores) and Net Loss of ₹ 1.81 crores (previous year ₹ 11.98 crores). The performance for the year reflects gestation costs associated with the initial phase of operations.

### Russell Credit Limited

During the year, the company registered Total Revenue of ₹ 59.67 crores (previous year ₹ 70.64 crores)

and Net Profit of ₹ 34.22 crores (previous year ₹ 45.01 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.

### Gold Flake Corporation Limited

During the year, the company registered Total Income of ₹ 3.46 crores (previous year ₹ 3.42 crores) and Net Profit of ₹ 2.55 crores (previous year ₹ 2.64 crores).

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

### Greenacre Holdings Limited

During the year, the company recorded Total Income of ₹ 6.34 crores (previous year ₹ 4.90 crores) and Net Profit of ₹ 2.25 crores (previous year ₹ 1.63 crores). The company continues to provide maintenance services for commercial office buildings.

### 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 ₹ 0.07 crore) and Net Profit of ₹ 0.05 crore (previous year ₹ 0.04 crore).

### 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 Income 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

## Report of the Board of Directors

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 ₹ 0.20 crore (previous year ₹ 0.07 crore) and Net Loss of ₹ 0.32 crore (previous year ₹ 0.44 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 Income of ₹ 0.05 crore (previous year ₹ 0.07 crore) and Net Loss of ₹ 0.06 crore (previous year ₹ 0.17 crore). During the year, the company reduced its Share Capital from ₹ 12.80 crores comprising 1.28 crore equity shares of ₹ 10 each to ₹ 1.28 crores comprising 1.28 crore equity shares of ₹ 1 each.

### 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, Singapore ('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 that the said claims are not sustainable and that your Company does not accept any liability in this regard. The proceedings are pending.

## NOTES ON JOINT VENTURES

### ITC Essentra Limited

The relentless pressure on volumes of the legal cigarette industry on account of the harsh taxation and regulatory burden continue to adversely impact the demand for cigarette filters. However, the company retained its leadership position of being the preferred supply chain partner for several well-known national and international brands leveraging its core strengths – strong customer relationships, access to world-class innovation, superior execution, consistent delivery and best-in-class quality.

In line with the provisions of the Companies Act, 2013 requiring companies to adopt a uniform financial year, the company had changed its financial year last year from January – December to April – March. Consequently, the financial statements of the company for the year under review for the 12 months ended 31st March, 2017 are not strictly comparable with the previous 15-month period ended 31st March, 2016.

During the year ended 31st March, 2017, the company recorded Revenue from Operations of ₹ 270.07 crores (Previous 15-month period ended 31st March, 2016 – ₹ 404.31 crores) and Net Profit after tax of ₹ 9.94 crore (Previous 15-month period ended 31st March, 2016 – ₹ 14.53 crore).

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 year ended 31st March, 2017.

### 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 13 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, 2017, the company recorded Total Income of ₹ 3.49 crores (previous year ₹ 3.73 crores) and Net Loss of ₹ 0.77 crore (previous year ₹ 0.45 crore). Total Comprehensive Income for the year was a Loss of ₹ 0.78 crore (previous year Loss at Total Comprehensive Income level was ₹ 0.45 crore).

The 'WelcomHeritage Hotels' brand was awarded the 'Best Heritage Hotel Chain' by Today's Traveller Awards 2016.

#### **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, 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, 2017.

#### **Logix Developers Private Limited**

Logix Developers Private Limited (LDPL) is a joint venture between your Company and Logix Estates Private Limited for developing 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, upon commissioning of the hotel by LDPL.

Your Company's total investment in LDPL stood at ₹ 41.95 crores as at 31st March, 2017 and it currently owns 27.91% of the equity capital of the company.

As reported in the previous year, your Company reiterated its position with the JV partner that it was committed to 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 proposed by the JV partner. However, the JV partner refused to progress the project and instead expressed its intent to exit from the JV by selling its stake to your Company.

Subsequently the JV partner proposed that both parties should find a third party to sell the entire shareholding in LDPL. In view of these developments, your Company had filed a petition before the Company Law Board (CLB) submitting that the affairs of the JV entity were being conducted in a manner that was prejudicial to the interest of your Company and the JV entity. The matter is currently before the National Company Law Tribunal (which replaced the erstwhile CLB). The JV partner had also filed a petition before the Honourable Delhi High Court for winding up the JV company. The National Company Law Tribunal, while hearing the matter, was of the view that your Company's petition should be heard before the winding up petition was heard by the Honourable High Court.

Notwithstanding the above, both the venturers have confirmed that necessary measures would be undertaken to meet the liabilities of the company (as and when required) so as to protect the leasehold rights over the land.

During the year ended 31st March, 2017, the company recorded a Net Loss of ₹ 22.75 crores (previous year ₹ 19.60 crores).

#### **NOTES ON ASSOCIATES**

##### **International Travel House Limited**

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.

## Report of the Board of Directors

During the year ended 31st March, 2017, the company recorded Total Income of ₹ 205.74 crores (previous year ₹ 200.04 crores) and Net Profit of ₹ 11.17 crores (previous year ₹ 9.61 crores). Total Comprehensive Income for the year stood at ₹ 10.46 crores (previous year ₹ 9.48 crores).

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, 2017.

### Gujarat Hotels Limited

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

During the year ended 31st March, 2017, the company recorded Total Income of ₹ 5.12 crores (previous year ₹ 5.29 crores), Net Profit and Total Comprehensive Income of ₹ 3.86 crores (previous year ₹ 3.25 crores).

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, 2017.

### 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 ₹ 21.03 crores (previous year ₹ 22.85 crores) and Net Profit of ₹ 0.22 crore (previous year ₹ 0.32 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

#### Russell Investments Limited

During the year, the company recorded Total Revenue of ₹ 3.72 crores (previous year ₹ 3.22 crores) and Net Profit of ₹ 2.78 crores (previous year ₹ 2.25 crores).

The company continues to explore opportunities to make investments.

### Divya Management Limited

During the year, the company recorded Total Revenue of ₹ 0.52 crore (previous year ₹ 0.42 crore) and Net Profit of ₹ 0.20 crore (previous year ₹ 0.15 crore).

The company continues to explore opportunities to make investments.

### Anrang Finance Limited

During the year, the company recorded Total Revenue of ₹ 0.30 crore (previous year ₹ 0.31 crore) and Net Profit of ₹ 0.09 crore (previous year ₹ 0.10 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, 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.

## Report of the Board of Directors

- 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 plans with agreed timelines and accountabilities. 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 price. 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 design, 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 strengthened for enhanced effectiveness and productivity including the deployment of best-in-class tools for analytics in the Audit domain, certification as complying with ISO 9001:2015 Quality Standards in its processes, ongoing knowledge improvement programmes for staff, etc. The Audit methodology is also designed to validate effectiveness of critical IT controls that are embedded in the business systems, leading to greater alignment with the business process environment.

The Audit Committee of your Board met eight 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 of statutory mandates.

### HUMAN RESOURCE DEVELOPMENT

Human Resource Development practices in your Company are guided by the principles of relevance, consistency and fairness. Several initiatives are being implemented across Businesses to strengthen talent management, capability development and performance management processes. Taken together, these interventions are making a positive impact on talent attraction, retention and commitment.

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 and 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. Your Company's capability development agenda is geared to make organisational learning one of the key levers for improved business performance. These capability platforms are also designed to strengthen organisational systems to facilitate quick 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. The Performance Management System in your Company encompasses all activities undertaken to identify, measure, and enhance the performance of individuals, teams and the

businesses. It also serves to align individual and team performance with the strategic goals of the organisation. Your Company's Performance Management System and processes contribute immensely towards enhancing the level of Business performance as well as that of consistency and fairness that employees perceive, which in turn result in improved employee contribution and retention. Your Company continues to define sharp performance criteria along with commensurate reward mechanisms.

Your Company launched a companywide engagement survey, iEngage, in 2016. The survey provides a framework for capturing the pulse of the employees on a comprehensive set of parameters – Employee Engagement, Performance Enablement, Managerial Effectiveness, Trust, Growth & Development, Compensation & Benefits and Work Life Balance. The findings of the survey indicate a very high degree of pride and affinity amongst the employees with your Company's Vision, Mission and Core Values. Insights gained from the survey are being leveraged to further strengthen employee engagement and enhance performance levels.

Dedicated to nurturing sustainable Employee Relations, your Company 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. To meet employee expectations, all Businesses appropriately acknowledge the demographic diversity of their factories and adopt a commitment based segmented approach. Adopting a progressive Employee Relations approach has enabled a harmonious atmosphere to be maintained across all units. This in turn has been a vital element in ensuring that HR systems and practices remain world-class.

## Report of the Board of Directors

Your Company has been able to galvanize its human resource to become more agile, leverage change, stay ahead of competition and win in the market. Your Company's interventions in the area of Talent Management and Employee Relations continue to receive accolades and industry recognition. Over 25,000 employees of your Company 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. 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

Your 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 your 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 your 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 your 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 six 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 carbon positive (for 12 consecutive years), water positive (for 15 years in a row) and solid waste recycling positive (for 10 years in succession).

To contribute to the nation's efforts in combating 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 48% of your Company total energy requirements are met from renewable energy sources - an outstanding performance given its large manufacturing base. Further, premium luxury hotels, several office complexes and factories of your Company are certified at the highest level by the US Green Building Council / Indian Green Building Council and the Bureau of Energy Efficiency (BEE).

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 mitigating the impacts along the value chain of each Business.

Your Company's 13th Sustainability Report, published during the year detailed the progress made across all dimensions of the 'Triple Bottom Line' for the year 2015-16. 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 14th Sustainability Report, covering the sustainability performance of your Company for the year 2016-17, is being prepared in accordance with the GRI-G4 guidelines and will be made available shortly.

In addition, the Business Responsibility Report (BRR), as mandated by the Securities and Exchange Board of India, was brought out as an annexure to the Report and Accounts 2016, mapping the sustainability performance of your Company against the reporting framework suggested by Securities and Exchange Board of India. 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, your Company adopted a comprehensive CSR policy in 2014-15 outlining programmes, projects and activities that 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:

- Deepen engagement in identified core operational geographies to promote holistic development, designed to respond to the most prominent development challenges of your Company's stakeholder groups.

- Strengthen capabilities of Non-Government Organisations (NGOs) / Community Based Organisations (CBOs) in all the project catchments for participatory planning, ownership and sustainability of interventions.
- Drive the Development agenda in a manner that benefits the poor and marginalised communities in our factory and agri-catchments thereby significantly improving Human Development Indices (HDI).
- Move beyond mere asset creation to behaviour change through focus on demand generation for all interventions thereby enabling participation, contribution and asset creation for the community.
- Continue to strive for scale by leveraging government partnerships and accessing the most contemporary knowledge / technical know-how.

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 projects is spread over 26 States / Union Territories covering 182 districts.

### Social Forestry

Your Company's pioneering afforestation initiative through the Social Forestry programme is currently spread across 19 districts in six States covering 2.55 lakh acres in 4,809 villages, impacting over 96,500 poor households. Together with your Company's Farm Forestry programme, this initiative has greened over 6.20 lakh acres till date, and generated over 113 million person days of employment for rural households, including poor tribal and marginal farmers. Integral to the Social Forestry programme is the Agro-Forestry initiative, which currently extends to over 82,255 acres and ensures food, fodder and wood security. .

Besides enhancing farm level employment, generating incomes and increasing green cover, the Social and Farm Forestry initiative of your Company, through a

## Report of the Board of Directors

multiplier effect, 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 sinks for tackling climate change.

During the year, your Company's Social Forestry programme was extended to West Tripura district and Malkangiri district (Odisha). In Tripura, your Company plans to promote bamboo plantations covering an area of 5,000 acres over the next five years, which would benefit around 2,000 families. In addition, your Company aims to promote 10,000 acres under Agro-Forestry in Malkangiri district of Odisha in order to provide livelihood opportunities to small and marginal farmers.

### 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 45 districts across 12 States. During the year, the area under watershed increased by 1.36 lakh acres taking the cumulative coverage area till 2016-17 to over 7.76 lakh acres. 2,101 water harvesting structures were built during the year, taking the total number of water harvesting structures to 10,099.

### Biodiversity

The focus of the programme is on reviving ecosystem services provided to agriculture by nature, comprising natural regulation of pests, pollination, nutrient cycling, soil retention and genetic diversity, which have witnessed considerable erosion in recent decades. During the year, your Company's biodiversity conservation initiative covered 2,060 acres, in seven States and 15 districts, taking the cumulative area under biodiversity conservation to 11,803 acres. While the conservation work is being carried out in select plots of village commons, this intervention significantly benefits agricultural activity in the vicinity of these plots through soil moisture retention, carbon sequestration and by acting as hosts to insects and birds.

### Sustainable Agriculture

The Sustainable Agriculture programme attempts to de-risk farmers from erratic weather events through the promotion of climate smart agriculture premised on dissemination of relevant package of practices, adoption of appropriate mechanisation and provision of institutional services. Spread in 60 districts across 16 States, 1,280 Farmer Field Schools (FFS) disseminated advanced agri-practices covering over 1.50 lakh acres under different crops. 326 Agri Business Centres (ABCs) delivered extension services, arranged agri-credit linkages and established collective input procurement and agricultural equipment on hire. In pursuit of your Company's long-term sustainability objective of increasing soil organic carbon, a total of 3,931 compost units were constructed during the year taking the total number till date to 34,799 units. In addition, the 'Choupal Pradarshan Khet' programme promoted field demonstrations of improved seed varieties and effective production practices covering around 1.5 lakh acres and directly benefitting more than 69,000 farmers with a multiplier effect of 10X in terms of adoption by the farming community.

With the addition of 23 model villages during the year, the 'Village Adoption Programme' pioneered by your Company's Leaf Tobacco Business presently covers 108 model villages. This initiative comprises several focused farm level interventions towards enhancing quality and productivity, promoting sustainable agriculture practices and community empowerment. The programme has resulted in generating significant economic surplus for the farming community including creating sustainable rural livelihoods.

### Livestock Development

The programme provides an opportunity for farmers to convert an existing asset into a substantial supplementary income with the potential of growing into a sustainable source of livelihood. The programme provided extension services, including breeding, fodder propagation and training of farmers in order to increase their incomes through enhanced productivity of milch animals across 25 districts in seven States. During the year, 2.28 lakh Artificial Inseminations (AIs) were carried

out which led to the birth of 1.01 lakh cross-bred progeny. Cumulatively, the figures for AI and calving stand at 20.19 lakh and 6.72 lakh respectively.

In addition, pilot projects on indigenous breed promotion were initiated during the year in Madhya Pradesh in partnership with 13 existing gaushalas. Your Company has also implemented a project in Punjab to demonstrate to dairy farmers the commercial viability of having cattle farms with indigenous breeds with the intent of encouraging them to preserve indigenous cattle varieties.

### Women Empowerment

This initiative is designed to provide a range of gainful entrepreneurial opportunities to poor women supported with financial assistance by way of loans and grants. Strong market linkages are attempted to ensure long-term sustainability.

Currently spread across eight districts in six States, the programme covers over 10,200 ultra-poor women who have been trained in entrepreneurial skills and provided with assets for income generation, taking the cumulative number of women impacted to 13,800. In addition, during the year 496 Self-Help Groups (SHGs) with 6,398 members were formed, in 11 states and 28 districts. Over 46,000 women were linked to individual bank accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) and life insurance schemes under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY).

### Education

The Primary Education Programme aims to provide children from weaker sections of society access to education with focus on learning outcomes and retention in your Company's factory catchment areas in 19 districts across 11 States. Over 49,000 children were covered during the year under this initiative comprising 'Read India Plus' programme and 210 Supplementary Learning Centres to mainstream out-of-school children into regular schools. Till date, these programmes have reached out to over 5.14 lakh children in aggregate. In addition, 160 government primary schools were provided infrastructure support comprising boundary walls, additional classrooms, sanitation units, and

furniture, taking the total number of government primary schools covered till date to 1,482. To ensure sustainable operations and maintenance of infrastructure provided, School Management Committees were strengthened in 276 schools and 215 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, 12,338 youth were enrolled for training under different courses like Hospitality, Bedside Assistance, Electricals, Industrial Sewing Machines etc., offered as part of this programme. Of the total students enrolled, 11,344 (92% of enrolled) completed training and 8,084 (71% of trained) students were provided placement. The students trained included a healthy mix of women and SC/ST candidates. The initiative is spread across 29 districts covering 17 States and has enrolled over 43,700 youth cumulatively.

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, 63 trainee chefs in five 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, 8,550 household toilets were constructed during the year in collaboration with the Government's Swachh Bharat

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Abhiyan. With this, a total of 23,979 low-cost sanitary units have been constructed so far in your Company's catchment areas covering 22 districts in 14 States. In areas with water quality problems, 85 Reverse Osmosis plants have been installed providing safe drinking water to nearly 1 lakh rural households in Andhra Pradesh.

Efforts to enhance awareness on various health issues continued through 'Swasthya Choupal', your Company's e-Choupal Rural Health initiative. A network of 300 women Village Health Champions (VHCs) across seven Districts in Uttar Pradesh and three in Madhya Pradesh reached out to nearly two lakh women, adolescent girls and school children during the year. The VHCs conducted over 5,000 village meetings and participated in over 2,000 group events apart from making door-to-door visits focusing on aspects like sanitation, menstrual and personal hygiene, family planning, diarrhoea prevention and nutrition.

Through your Company's 'Savlon Swasth India Mission', a mix of audio-visual aids, games and practical training was leveraged to encourage healthy hygiene habits. More than nine lakh children from around 1,900 schools in 23 cities were covered during the year. Under the 'First Cry Programme', 60,000 mothers were made aware of hygienic practices in 1,500 hospitals.

### Solid Waste Management

Your Company's solid waste recycling programme, 'WOW – Well Being Out of Waste', helps in the creation of a clean and green environment through awareness and education of citizens on source segregation and recycling of dry waste. It also promotes sustainable livelihoods for ragpickers and waste collectors. During the year, in addition to Hyderabad, Coimbatore, Chennai and Bengaluru, the programme was expanded to Delhi, Tirupati and Muzaffarpur. The quantum of dry waste collected aggregated 33,982 MT from 417 wards. The programme covers over 64 lakh citizens, 25 lakh school children and 2,000 Corporates and creates sustainable livelihoods for 13,500 ragpickers and waste collectors by propagating source segregation and facilitating effective collection in collaboration with municipal corporations. Besides, the intervention has also created

over 60 social entrepreneurs who are involved in maximising value capture from the dry waste collected.

In addition, another programme on solid waste management under the Mission Sunehra Kal initiative has spread to 10 districts of seven states covering 61,200 households and collected 6,033 MT of waste during the year. This programme focuses on home composting in addition to recycling of dry waste. Under this programme, 4,161 MT wet waste was composted and 459 MT of dry waste recycled in 2016-17.

### 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, WASH Institute 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 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 verified 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 50% of its total energy requirements from renewable sources by 2020.

Significant progress has been made in enhancing the renewable energy portfolio and during 2016-17 over 48% of your Company's total energy requirements was met from carbon neutral fuels such as biomass, and wind and solar. Your Company has 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 an integrated water management approach that includes 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 interventions to improve water use efficiencies by adopting latest technologies and increasing reuse and recycling practices within the fence while also working with farmers and other community members towards improving agricultural water use efficiencies. The supply side interventions include enhanced capture and storage of rainwater (in soil and storage ponds) and recharging aquifers. These initiatives, have resulted in the creation of rainwater harvesting potential that is over three times the net water consumption of your Company's operations.

### Greenhouse Gases and Carbon Sequestration

The greenhouse gas (GHG) inventory of your Company for the year 2016-17 compiled as per the ISO 14064 standard, has been assured, as in the earlier years, at the highest 'Reasonable Level' by a third party assurance provider. During the year, your Company was determined as having achieved 'Leadership' position in the Climate Change disclosure of CDP. The CDP Global Climate Change Report 'Out of the Starting Blocks', has commended your Company for decoupling emission growth with financial growth (having reduced 10% or more GHG emission over five years while simultaneously growing revenue by 10%).

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

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'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 also incorporated in existing hotels, manufacturing units, warehouses and office complexes.

Your Company's Social and Farm Forestry initiatives enabled 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 the associated problems of 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% of the total waste generated in your Company, recycling 99.9% of the total waste generated by its operations. During the year, this Business also recycled around 1,15,074 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 customised risk assessment programmes

to strengthen their safety culture. Your Company continuously strives to improve on safety performance by incorporating best-in-class engineering standards in the design and project execution phase itself for all investments in the built environment, besides optimising costs. During the year, the total number of on-site lost time accidents (LTA) reduced by 11.1% over the last year. 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 endeavour to promote sustainable business practices amongst Indian enterprises. The major highlights during the year include the 11th Sustainability Summit held on 14th-15th September 2016 in New Delhi. Some eminent personalities who addressed the delegates included Late Mr. Anil Madhav Dave, Minister for Environment, Forests and Climate Change, Mr. Piyush Goyal, Minister for Power, New & Renewable Energy, Coal and Mines, Mr. Amitabh Kant, CEO, NITI Aayog, Mr. Yuri Afanasiev, UN Resident Coordinator & UNDP Resident Representative in India.

The 11th CII-ITC Sustainability Awards were handed over by Mr. Prakash Javadekar, Union Minister of Human Resources to 23 winning companies for excellence in sustainable business in different categories. Your Company participated in the Business and Biodiversity Forum organised by Convention on Biological Diversity (CBD) COP 13, Mexico on 2nd – 3rd December 2016. The India Business & Biodiversity Initiative (IBBI) also released a case study publication 'Reimagining Business for Biodiversity Enhancement: Case Studies from Indian Industry' which featured your Company.

### 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 and is presently resourced with nearly 350 highly qualified scientists, world-class measurement systems and state-of-the-art facilities to conduct experimental research, rapid prototyping and process development. Several Centres of Excellence have been established over the past few years in these areas in LSTC. In addition, a number of areas centred around these capabilities have secured global quality certifications of the highest order.

The Agrisciences R&D team continues to engage in evaluating and introducing several germplasm lines of identified crops including Casuarina and Eucalyptus to increase the genetic and trait diversities in these species. This intervention would facilitate the development of new varieties with higher yields, better quality and other traits relevant 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 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. The Agrisciences team continues to focus on delivering world-class solutions using contemporary technologies in crops such as wheat, soya, potato and rice.

Recognising the unique construct of your Company in terms of its strong presence in Agri, Branded Packaged Foods and Personal Care Product 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 skin care and hair care.

LSTC has a clear vision and road map for long-term R&D, backed by a well-crafted Intellectual Property strategy. With scale, speed, science and sustainability considerations, LSTC is poised to deliver long-term competitive advantage 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

## Report of the Board of Directors

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).

### PROCEEDINGS INITIATED BY THE ENFORCEMENT DIRECTORATE

In the proceedings initiated by the Enforcement Directorate in 1997, 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. In respect of some of the remaining memoranda, your Company, has filed writ petitions before the Honourable Calcutta High Court challenging their validity. These petitions are pending. 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.

During the year, Reserve Bank of India (RBI), reduced policy interest rates by 50bps. This coupled with the surplus banking system liquidity, post demonetisation of Specified Bank Notes, led to decline in market interest rates. Consolidation in Fiscal / Current Account Deficits and persistent decline in headline inflation during the year also contributed to the positive sentiment in Debt Markets.

All investment decisions relating to deployment of surplus liquidity continued to be guided by the tenets of Safety, Liquidity and Return. Proactive rebalancing of portfolio

mix during the year in line with the evolving interest rate environment helped improve treasury performance. 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.

The foreign exchange market remained stable for most part of the year barring periods of heightened volatility induced by global / domestic events such as the surprise outcome of UK referendum to exit the European Union, escalation of geo-political tensions with Pakistan, US Presidential elections and demonetisation of Specified Bank Notes. These events led to depreciation of the Indian Rupee (INR) to a lifetime low of ₹ 68.86 per US\$ in November 2016. However, the INR recovered significantly in February and March 2017 to close the year at ₹ 64.84 per US\$. During the year, INR outperformed most of its emerging market peers and appreciated by 2.1% vs. the US Dollar on the back of stability in domestic macro-economic and political environment and sharp increase in capital inflows mainly from foreign institutional investors. In this scenario, your Company adopted a proactive forex exposure management strategy, which included the use of foreign exchange forward contracts and plain vanilla options, to protect business margins and reduce risks / costs.

As in earlier years, commensurate with the large size of the temporary surplus liquidity under management, treasury operations continue to be supported by appropriate control mechanisms, including 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, 2017, there were no deposits due for repayment except in respect of two 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. Yogesh Chander Deveshwar shed his executive role on completion of term as Chairman and Wholetime Director on 4th February, 2017. Mr. Deveshwar's period of Executive Chairmanship witnessed transformation of your Company into one of India's most admired and valuable corporations. His vision to make your Company an engine of growth for the Indian economy, keeping societal value creation as an integral part of business purpose, has led to the creation of multiple drivers of growth, world-class Indian Brands and recognition of your Company as a global exemplar in Sustainability. Your Directors would like to place on record their deep appreciation for Mr. Deveshwar's invaluable contribution in the transformation of your Company under his leadership as Executive Chairman.

It may be recalled that Mr. Deveshwar, at the request of the Nomination & Compensation Committee and the Board of Directors of your Company ('the Board'), recognising the need for orderly transition in a company of ITC's size and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management. Mr. Deveshwar was appointed 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, as approved by the Members at the 105th Annual General Meeting ('AGM') held on 22nd July, 2016.

On the recommendation of the Nomination & Compensation Committee, the Board at the meeting held on 27th January, 2017 appointed Mr. Sanjiv Puri, Wholetime Director, also as Chief Executive Officer of the Company with effect from 5th February, 2017 to take independent charge of the executive leadership of your Company.

Mr. Robert Earl Lerwill [representing Tobacco Manufacturers (India) Limited ('TMI'), a subsidiary of British American Tobacco p.l.c.] resigned from the Board

on medical grounds with effect from 22nd June, 2016. Mr. Angara Venkata Girija Kumar [representing General Insurers' (Public Sector) Association of India ('GIPSA')], on completion of his term, ceased to be Non-Executive Director of your Company on conclusion of the 105th AGM. Mr. Krishnamoorthy Vaidyanath, on completion of his term, also ceased to be Non-Executive Director of your Company with effect from close of business on 28th July, 2016. Mr. Anil Baijal ceased to be an Independent Director of your Company with effect from 30th December, 2016, consequent to his appointment as Lt. Governor of Delhi. Your Directors would like to record their appreciation for the services rendered by Messrs. Lerwill, Girija Kumar, Vaidyanath and Baijal.

On the recommendation of the Nomination & Compensation Committee, Mr. Zafir Alam (representing GIPSA), Mr. David Robert Simpson (representing TMI), and Mr. Ashok Malik (representing Specified Undertaking of the Unit Trust of India), were appointed by the Board as Additional Non-Executive Directors with effect from 26th October, 2016, 27th January, 2017 and 11th April, 2017, respectively.

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. Alam, Simpson and Malik will vacate office at the ensuing AGM of your Company.

On the recommendation of the Nomination & Compensation Committee, your Board at the meeting held on 26th May, 2017 recommended for the approval of the Members, the appointment of Messrs. Alam, Simpson and Malik as Non-Executive Directors of your Company, liable to retire by rotation.

Requisite Notices under Section 160 of the Act have been received for the appointment of Messrs. Alam, Simpson and Malik, 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 106th 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

## Report of the Board of Directors

the Company, Mr. Suryakant Balkrishna Mainak will retire by rotation at the ensuing AGM and being eligible, offers himself for re-election. Your Board has recommended his re-election.

### Number of Board Meetings

Six meetings of the Board were held during the year ended 31st March, 2017.

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

As reported in earlier years, criteria for determining qualifications, positive attributes and independence of Directors were approved by the Nomination & Compensation Committee pursuant to the Act and the Rules thereunder, in respect of Directors, including Independent Directors. The Corporate Governance Policy also, inter alia, requires that Non-Executive Directors be drawn from amongst eminent professionals with experience in business / finance / law / public administration & enterprises. The Board 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 and as may be determined by the Board from time to time. 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 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company's Policy on 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

As reported in earlier years, the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation was approved by the Nomination & Compensation Committee. 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 before the Board by the Committee Chairmen.

### 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. On the recommendation of the Audit Committee and pursuant to Section 139 of the Act, the Board recommended for the ratification of the Members, the appointment of DHS from the conclusion of the ensuing AGM till the conclusion of the 107th AGM. On the recommendation of the Audit Committee and pursuant to Section 142 of the Act, the Board also recommended for the approval of the Members, the remuneration of DHS for the financial year 2017-18. Appropriate resolution for the purpose is appearing in the Notice convening the 106th AGM of the Company.

### Cost Auditors

Your Board, as recommended by the Audit Committee, appointed for the financial year 2017-18:

- (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 in respect of all applicable products of the Company, other than 'Paper and Paperboard' and 'Nicotine Gum' products.

Pursuant to Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, appropriate resolutions seeking your ratification to the remuneration of the said Cost Auditors are appearing in the Notice convening the 106th AGM of the Company.

### Secretarial Auditor

Your Board appointed Messrs. S. M. Gupta & Co., Company Secretaries, to conduct secretarial audit of the Company for the financial year ended 31st March, 2017. The report of Messrs. S. M. Gupta & Co. is provided in the Annexure forming part of this Report, pursuant to Section 204 of the Act.

### CHANGES IN SHARE CAPITAL

During the year, the following changes were effected in the Share Capital of your Company:-

- a) Increase in Authorised Share Capital

The Authorised Share Capital of your Company was increased from ₹ 1000 crores to ₹ 2000 crores

divided into 2000,00,00,000 Ordinary Shares of ₹ 1/- each, with effect from 27th June, 2016.

- b) Issue of Bonus Shares

402,66,57,100 Ordinary Shares of ₹ 1/- each, fully paid-up, were issued and allotted as Bonus Shares, in the proportion of 1 (One) Bonus Share of ₹ 1/- each for every existing 2 (Two) fully paid-up Ordinary Shares of ₹ 1/- each held on 4th July, 2016, being the Record Date determined by the Board for the purpose. The Bonus Shares were allotted on 7th July, 2016.

- c) Issue of Shares under ITC Employee Stock Option Schemes

7,35,18,980 Ordinary Shares of ₹ 1/- each, fully paid-up, were issued and allotted during the year upon exercise of 73,51,898 Options under the Company's Employee Stock Option Schemes.

Consequently, the Issued and Subscribed Share Capital of your Company, as on 31st March, 2017, stands increased to ₹ 1214,73,83,071/- divided into 1214,73,83,071 Ordinary Shares of ₹ 1/- each.

The Ordinary Shares issued during the year rank pari passu with the existing Ordinary Shares of your Company.

### EMPLOYEE STOCK OPTION SCHEMES

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 Employee Stock Option Schemes of the Company have been implemented in accordance with the Regulations and the resolutions passed by the Members in this regard.

## Report of the Board of Directors

### INVESTOR SERVICE CENTRE

The Investor Service Centre of your Company ('ISC'), registered with Securities and Exchange Board of India as Category II Share Transfer Agent for providing in-house share registration and related services, maintains its position as an exemplar in investor servicing. ISC with its experienced team of professionals, supported by contemporary infrastructure, continues to provide best-in-class services to the investors.

During the year, the ISO 9001:2008 Quality Management System certification for investor servicing by ISC was renewed by Messrs. Det Norske Veritas, accredited agency for ISO certification, up to 15th September, 2018. ISC achieved the highest 'Level 5' rating for the eighth consecutive year - a testimony to the excellence achieved by ISC in providing quality investor services.

### 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures if any;
- b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 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 ('the Group'), Associates and Joint Venture entities, in terms of the requirements of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act.

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 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 from your Company's Auditors, Messrs. Deloitte Haskins & Sells, confirming compliance of the conditions of Corporate Governance as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 provided in the Annexure forming part of this Report.

### 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 4, 5, 6, 9 and 27 (v) (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, 2017 stood at 25,883.

There were 59 employees, who were employed throughout the year and were in receipt of remuneration aggregating ₹ 102 lakhs or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakhs per month or more during the financial year ended 31st March, 2017. 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.

## Dividend Distribution Policy

The Dividend Distribution Policy of the Company, adopted by your Board pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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

Inspired by the superordinate purpose to serve national priorities, your Company redefined its Vision two decades ago to transform itself into a vibrant engine of growth

## Report of the Board of Directors

that would make a substantial contribution to the Indian economy, whilst rewarding shareholders by creating growing value for the Indian society.

Over the last 21 years, your Company has created multiple drivers of growth by developing a portfolio of world-class businesses across all sectors of the national economy spanning agriculture, manufacturing and services. Your Company ranks amongst the top three in the private sector in terms of Contribution to the Exchequer. Over the last 21 years, your Company's Value Addition aggregated ₹ 3.6 lakh crores of which nearly 75% accrued to the Exchequer at the Central and State levels. During this period, your Company's Gross Revenue and Post-tax profit have recorded an impressive compound annual growth of 12.0% and 19.1% respectively. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have grown at a compound rate of 23.6% per annum during this period, placing your Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

Your Company's non-cigarette businesses have grown over 18-fold since 1996 and presently constitute 58% of net segment revenue. In aggregate, the non-cigarette businesses account for nearly 80% of your Company's operating capital employed, about 90% of the employee base and over 80% of annual investments.

Your Company today, is the leading FMCG marketer in India, a pre-eminent hotel chain and a globally acclaimed icon in green hoteliering, the clear market leader in the Indian Paperboard and Packaging industry, a pioneering trailblazer in farmer and rural empowerment through its Agribusiness and a global exemplar in sustainable business practices. Additionally, its wholly-owned

subsidiary, ITC Infotech India Limited, is a player of promise in the field of Information Technology.

Aligned with the Government's Make in India Vision, your Company is building national assets in the manufacturing and tourism sector. As stated earlier in this Report, around 20 world-class Integrated Consumer Manufacturing & Logistics facilities are being built to deliver sustainable competitive advantage to your Company's FMCG businesses. In total, 65 projects with an outlay of ₹ 25,000 crores are in various stages of implementation / planning across the length and breadth of the country facilitating regional and national economic development. Recognising that tomorrow's world will belong to those who create, own and nurture intellectual capital, your Company continues to invest in augmenting the capability of its globally benchmarked Life Sciences and Technology Centre to ensure that its Businesses are future-ready and contribute to building intellectual property assets for the nation.

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 anchored on 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

26th May, 2017  
Kolkata  
India

Y. C. DEVESHWAR *Chairman*  
S. PURI *Chief Executive Officer & Director*  
R. TANDON *Director & Chief Financial Officer*

# Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2017

## 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 formulate, 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 the Company's 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 VHCs.
- **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 the 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 ragpickers 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 poor and needy who are provided with garments as a part of the implementation agency's 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:** Provide food, fuel and fodder security through plantations to small farmers.
- **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. Composition of the CSR and Sustainability Committee as on 31st March, 2017:

Mr. Y. C. Deveshwar	Chairman
Mr. Z. Alam	Member
Mr. S. B. Mainak	Member
Ms. N. Rao	Member
Ms. M. Shankar	Member
Mr. D. R. Simpson	Member
Mr. B. B. Chatterjee	Secretary to the Committee

3. **Average Net Profit of the Company for last three financial years:** ₹ 13763.29 crores.

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above):** ₹ 275.27 crores for FY 2016-17.

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

The total CSR expenditure for the financial year 2016-17 stood at ₹ 275.96 crores. Please refer attached statement for details.

## 6. Details of implementing agencies:

- a. The Company's CSR projects are implemented through partner implementing agencies which were identified and selected through a comprehensive due diligence process. The 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 CSR Policy and Objectives of the Company.

On behalf of the Board

Y. C. DEVESHWAR	<i>Chairman – CSR Committee</i>
S. PURI	<i>Chief Executive Officer &amp; Director</i>
R. TANDON	<i>Director &amp; Chief Financial Officer</i>

Kolkata  
26th May, 2017

Statement of details of CSR spends during the financial year 2016-17

₹ 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 programme wise	Amount spent on the projects or programmes		Cumulative expenditure up to the reporting period	Amount spent: Direct or through Implementing Agency
					1. Direct expenditure on projects or programmes	2. Overheads		
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, Assam, Chhattisgarh, Gujarat, Meghalaya, Odisha, Rajasthan, Punjab, New Delhi, Jharkhand	8672	10064	480	10544	**Through Project Implementing Agencies, Government & 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, Chandigarh, Chhattisgarh, Jammu & Kashmir, Goa, Kerala	5573	2309 1295 506 154	95 95 39 0	2404 1390 545 154	**Through Project Implementing Agencies & 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, Maharashtra, Odisha, Punjab, Uttarakhand	1882	1196	89	1285	**Through Project Implementing Agencies & 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, Uttar Pradesh, Tripura, Chhattisgarh, Odisha	7852	5673 1310	310 106	5983 1416	**Through Project Implementing Agencies & 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	151	218	0	218	**Through Project Implementing Agencies & Direct
6	Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports	Sports	-	1	0	0	0	Direct
7	Rural Development projects.	Agri Development	Local *Bihar, West Bengal, Odisha, Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Madhya Pradesh, Maharashtra, Uttar Pradesh, Rajasthan, Gujarat, Punjab, Chhattisgarh, Assam, Uttarakhand, Jharkhand, Jammu & Kashmir	3469	3553	104	3657	**Through Project Implementing Agencies & Direct
<b>Total</b>				<b>27600</b>	<b>26278</b>	<b>1318</b>	<b>27596</b>	

\* The CSR programmes are carried out primarily in the following districts of the States / Union Territories as mentioned below:  
 Bihar – Munger, Bhagalpur, Begusarai, Lakhisarai, Buxar, Sasaram, Samastipur, Banka, Chhapra, Katheri, Muzaffarpur, Patna, Khatgaria  
 West Bengal – Hooghly, Kolkata, Murshidabad, South 24 Parganas, Howrah, Paschim Medinipur, Purba Medinipur, Birbhum, Darjeeling, Bankura, Cooch Behar, Malda, North 24 Parganas, Purulia, Jalpaiguri, Durgapur, Jhargram, Paschim Bardhaman  
 Odisha – Ganjam, Khordha, Malkangiri, Puri, Bhubaneswar  
 Assam – Kamrup, Darrang, Guwahati, Cachar, Tinsukia, Sonitpur, Karimganj  
 Jharkhand – Deoghar, Jamtara, Ranchi, East Singhbhum, Hazaribagh  
 Tripura – West Tripura  
 Meghalaya – East Khasi Hills  
 Uttar Pradesh – Allahabad, Bulandshah, Meerut, Ghazipur, Saharanpur, Hardoi, Hathras, Pilibhit, Etah, Mathura, Ghazipur, Lucknow, Kanpur, Varanasi, Bareilly, Agra, Meerut, Mirzapur, Fatehpur, Unnao, Ghazipur, Gautam Buddha Nagar, Aligarh, Gorakhpur  
 Madhya Pradesh – Agar, Bhopal, Chhindwara, Guna, Indore, Vidisha, Sehore, Ujjain, Hoshangabad, Mandla, Dewas, Shivpur, Mhow, Balaghat  
 Uttarakhand – Haridwar, Champawat, Dehradun  
 New Delhi  
 Himachal Pradesh – Solan, Una  
 Maharashtra – Ahmednagar, Pune, Parbhani, Satara, Amravati, Wardha, Mumbai, Ratnagiri, Yavatmal, Chandrapur, Nagpur, Nandgaon, Raichur, Thane  
 Rajasthan – Baran, Bhilwara, Pratapgarh, Jhalawar, Bundi, Kota, Barmer, Jaipur, Nimbahera, Jhunjhunu, Banswara, Pali  
 Andhra Pradesh – East Godavari, Guntur, West Godavari, Prakasam, Nellore, Krishna, Srikakulam, Visakhapatnam, Kurnool, Anantapur, Chittoor  
 Telangana – Khammam, Nalgonda, Warangal, Hyderabad, Bhadrachalam, Kothagudem, Mahbubnagar, Adilabad

Karnataka – Mysuru, Chikballapur, Hassan, Mandya, Chamaraajpet, Kolar, Tumkur, Bengaluru Urban, Bengaluru Rural, Udipi (Mangal), Kodagu, Bellary, Dakshina Kannada  
 Tamil Nadu – Coimbatore, Krishnagiri, Tiruvallur, Vrudhunagar, Sivagangai, Theni, Madurai, Chennai, Nilgiris, Yellore, Salem, Ramnathapuram  
 Jammu & Kashmir – Jammu, Pulwama, Srinagar  
 Kerala – Kozhikode, Ernakulam, Pathanamthitta  
 Punjab – Kapurthala, Ludhiana, Amritsar, Jalandhar  
 Chandigarh

Gujarat – Navsari, Rajkot, Ahmedabad  
 Haryana – Gurugram (Gurgaon)  
 Chhattisgarh – Raipur, Kabirham, Sukma  
 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

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017  
[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 31.03.2017 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 31.03.2017 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. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder in respect 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 (SEBI Act) 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 (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 - **The in-house Investor Service Centre of the Company, registered with SEBI as a Category II Share Transfer Agent, provides share registration and related services.**
6. Certain other laws specifically applicable to the Company:
  - a) The Tobacco Board Act, 1975 and the Rules made thereunder;
  - b) The 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 and other laws relating to manufacture and sale of Tobacco;
  - c) The Food Safety and Standards Act, 2006 and the Rules made thereunder;
  - d) The 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;
- ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards 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 before the meeting and 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 7,35,18,980 Ordinary Shares of ₹ 1/- each, fully paid-up, upon exercise of Stock Options under the Employee Stock Option Schemes of the Company, from time to time.
2. Increase in Authorised Share Capital from ₹ 1,000 Crores to ₹ 2,000 Crores and consequential amendment to the Articles of Association of the Company.
3. Issue and allotment of 4,02,66,57,100 Ordinary Shares of ₹ 1/- each, fully paid-up, as Bonus Shares.
4. Divestment of the Company's entire shareholding in King Maker Marketing, Inc. USA (KMM), consequent to which KMM ceased to be a subsidiary of the Company with effect from 16.11.2016.
5. In the context of splitting the role of the Executive Chairman between Chairman and Chief Executive Officer, Mr. Sanjiv Puri, Wholetime Director, was also appointed as Chief Executive Officer of the Company with effect from 5.02.2017. Mr. Y. C. Deveshwar was appointed as Chairman and Non-Executive Director of the Company with effect from the said date.
6. Alteration of the Objects Clause of the Memorandum of Association of the Company to include 'Healthcare'.

(S. M. Gupta)

Partner

S. M. Gupta & Co.

Company Secretaries

Place: Kolkata

Date: 26.05.2017

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 Account 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: 26.05.2017

Firm Registration No.: P1993WB046600

FCS No.: 896

CP No.: 2053

# Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2017

## 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	Technico Pty Limited, Australia, a wholly-owned subsidiary
(b) Nature of contracts / arrangements / transactions	Return of capital by Technico Pty Limited to its sole shareholder, ITC Limited
(c) Duration of the contracts / arrangements / transactions	N.A.
(d) Salient terms of the contracts or arrangements or transactions including the value, if any	Return of capital of Australian Dollar (AUD) 24.50 million by Technico Pty Limited by reduction of its share capital from AUD 43.99 million to AUD 19.49 million and consequent cancellation of 1,25,90,563 shares.
(e) Justification for entering into such contracts or arrangements or transactions	Technico Pty Limited returned capital to its sole shareholder, ITC Limited, in order to align its capital employed with the business requirements. The transaction has been carried out under the 'average capital per share' method as applicable under Australian laws. Further, since the transaction is between the Company and its wholly-owned subsidiary, there is no potential conflict with the interests of the Company and its shareholders.
(f) Date(s) of approval by the Board	21st July, 2016
(g) Amount paid as advances, if any	N.A.
(h) Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	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

Y. C. DEVESHWAR

Chairman

S. PURI

Chief Executive Officer & Director

R. TANDON

Director & Chief Financial Officer

Kolkata  
26th May, 2017



# 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, 2017**  
 [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 no. : 033-2288 2358 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 etc.	12003, 46307	61.82%	46.77%
	- Branded Packaged Food Products	10501, 10502, 10504, 10611, 10795, 10798, 10712, 10733, 10735, 10740, 10750, 10308, 10304, 10732	14.61%	20.59%
	- Others (Apparel, Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis etc.)	46496, 46909, 47711, 20231, 20236, 20237, 20234, 46497	4.48%	6.25%
2	<b>Hotels</b>			
	- Hotels Sales / Income from Hotel Services	55101, 56101, 56210, 56301, 74909	2.42%	3.41%
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	9.73%	13.73%
4	<b>Paperboards, Paper &amp; Packaging</b>			
	- Paperboards and Paper	17016	5.85%	7.76%
	- Printed Material	17022, 17029, 22203	1.09%	1.49%

### 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	Technico Agri Sciences Limited 25, Community Centre Basant Lok, Vasant Vihar New Delhi 110 057	U01111DL1999PLC098646	Subsidiary	100%	2(87)
4	Technico Pty Limited Gillespies, Suite 5, 20 Bundaroo Street BOWRAL NSW 2576 Australia	NA	Subsidiary	100%	2(87)
5	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. 4	–	2(87)
6	Technico Asia Holdings Pty Limited Gillespies, Suite 5, 20 Bundaroo Street BOWRAL NSW 2576 Australia	NA	Wholly owned subsidiary of Technico Pty Limited, referred to in Sl. No. 4	–	2(87)
7	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. 6	–	2(87)
8	Srinivasa Resorts Limited 6-3-1187, Begumpet Hyderabad 500 016	U74999TG1984PLC005192	Subsidiary	68%	2(87)
9	Fortune Park Hotels Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurugram 122 001	U55101HR1995PLC052281	Subsidiary	100%	2(87)
10	Bay Islands Hotels Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurugram 122 001	U74899HR1976PLC052282	Subsidiary	100%	2(87)
11	ITC Infotech India Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U65991WB1996PLC077341	Subsidiary	100%	2(87)
12	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. 11	–	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
13	ITC Infotech (USA), Inc. 12 Route, 17 North Suite 303, Paramus New Jersey 07652 United States of America	NA	Wholly owned subsidiary of ITC Infotech India Limited, referred to in Sl. No. 11	–	2(87)
14	Indivate Inc. 820, Bear Tavern Road West Trenton New Jersey 08628 United States of America	NA	Wholly owned subsidiary of ITC Infotech (USA), Inc., referred to in Sl. No. 13	–	2(87)
15	Gold Flake Corporation Limited Virginia House 37 J. L. Nehru Road Kolkata 700 071	U16003WB1935PLC008314	Subsidiary	100%	2(87)
16	Landbase India Limited ITC Green Centre 10 Institutional Area, Sector - 32 Gurugram 122 001	U74899HR1992PLC052412	Subsidiary	100%	2(87)
17	Wimco Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U24291MH1923PLC001082	Subsidiary	98.21%	2(87)
18	Pavan Poplar Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U01100MH1995PLC128849	Subsidiary	100%	2(87)
19	Prag Agro Farm Limited Indian Mercantile Chambers R. K. Marg, Ballard Estate Mumbai 400 001	U01100MH1997PLC128846	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	WelcomHotels Lanka (Private) Limited 216, De Saram Place, Colombo 10 Sri Lanka	NA	Subsidiary	100%	2(87)
24	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
25	Gujarat Hotels Limited WelcomHotel Vadodara R. C. Dutt Road, Alkapuri Vadodara 390 007	L55100GJ1982PLC005408	Associate	45.78%	2(6)
26	International Travel House Limited Travel House, T-2 Community Centre Sheikh Sarai, Phase I New Delhi 110 017	L63040DL1981PLC011941	Associate	3.60%	2(6)
27	Russell Investments Limited 21 Prafulla Sarkar Street Kolkata 700 072	U65993WB1987PLC043324	Associate of Russell Credit Limited, referred to in Sl. No. 1	–	2(6)
28	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)
29	Antrang Finance Limited 4 Ripon Street Kolkata 700 016	U65993WB1993PLC060271	Associate of Russell Credit Limited, referred to in Sl. No. 1	–	2(6)
30	ATC Limited 35, Rajaji Nagar Hosur 635 126	U16000TZ1973PLC018100	Associate of Gold Flake Corporation Limited, referred to in Sl. No. 15	–	2(6)
31	Maharaja Heritage Resorts Limited 25, Community Centre Basant Lok, Vasant Vihar New Delhi 110 057	U74899DL1995PLC099649	Joint Venture	25%	2(6)
32	Espirit Hotels Private Limited 810-818, Swapnalok Complex 92/93 S. D. Road Secunderabad 500 003	U55101TG2009PTC063757	Joint Venture	26%	2(6)
33	Logix Developers Private Limited 85, World Trade Centre Barakhamba Lane, Barakhamba New Delhi 110 001	U70101DL2010PTC207640	Joint Venture	27.90%	2(6)
34	ITC Essentra Limited Survey No. 29 & 30, Doddajala Post Yarthiganahalli Bettahalasur Post Bengaluru North 562 157	U85110KA1993PLC014278	Joint Venture of Gold Flake Corporation Limited, referred to in Sl. No. 15	–	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	21,35,21,919	90,724	21,36,12,643	2.66	48,28,26,241	1,36,085	48,29,62,326	3.98	1.32
(b) Banks / FI	90,24,00,460	9,69,178	90,33,69,638	11.23	1,11,17,28,420	14,49,139	1,11,31,77,559	9.16	(2.07)
(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	1,71,33,96,534	63,485	1,71,34,60,019	21.29	2,74,28,62,379	95,227	2,74,29,57,606	22.58	1.29
(g) FPIs / FII	1,64,50,09,215	2,58,910	1,64,52,68,125	20.44	2,43,33,50,115	3,88,366	2,43,37,38,481	20.03	(0.41)
(h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
(i) Others: Alternative Investment Funds	0	0	0	0	51,311	0	51,311	0	0
<b>Sub-total (B)(1):-</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>6,77,08,18,466</b>	<b>20,68,817</b>	<b>6,77,28,87,283</b>	<b>55.75</b>	<b>0.13</b>
<b>(2) Non-Institutions</b>									
(a) Bodies Corp.									
(i) Indian	28,52,95,169	9,32,540	28,62,27,709	3.55	45,84,10,270	13,84,283	45,97,94,553	3.78	0.23
(ii) Overseas	1,09,172	2,41,30,76,100	2,41,31,85,272	29.99	10,59,477	3,61,96,14,150	3,62,06,73,627	29.81	(0.18)
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	54,28,28,573	11,03,45,683	65,31,74,256	8.12	73,77,42,884	14,53,12,963	88,30,55,847	7.27	(0.85)
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	11,49,58,969	1,39,45,590	12,89,04,559	1.60	23,86,58,062	2,84,86,635	26,71,44,697	2.20	0.60
(c) Others:									
(i) NRIs / PIOs	3,54,77,762	94,00,900	4,48,78,662	0.56	5,36,75,816	1,29,24,197	6,66,00,013	0.55	(0.01)
(ii) Foreign Nationals	68,054	4,44,240	5,12,294	0.01	0	6,66,360	6,66,360	0.01	0
(iii) Trusts	1,89,68,411	0	1,89,68,411	0.24	3,99,49,891	0	3,99,49,891	0.33	0.09
(iv) Clearing Members	75,57,815	0	75,57,815	0.09	1,15,66,671	0	1,15,66,671	0.09	0
<b>Sub-total (B)(2):-</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>1,54,10,63,071</b>	<b>3,80,83,88,588</b>	<b>5,34,94,51,659</b>	<b>44.04</b>	<b>(0.12)</b>
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</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>8,31,18,81,537</b>	<b>3,81,04,57,405</b>	<b>12,12,23,38,942</b>	<b>99.79</b>	<b>0.01</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>1,80,60,588</b>	<b>27,000</b>	<b>1,80,87,588</b>	<b>0.22</b>	<b>2,50,03,629</b>	<b>40,500</b>	<b>2,50,44,129</b>	<b>0.21</b>	<b>(0.01)</b>
<b>Grand Total (A+B+C)</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>8,33,68,85,166</b>	<b>3,81,04,97,905</b>	<b>12,14,73,83,071</b>	<b>100.00</b>	<b>0</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	24.68		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	99,27,82,440	–	2,97,83,47,320	24.65 <sup>@</sup>
	At the end of the year			2,97,83,47,320	24.52 <sup>@</sup>
2	<b>Life Insurance Corporation of India</b>				
	At the beginning of the year	1,15,50,35,797	14.35		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	57,75,17,894	–	1,73,25,53,691	14.34 <sup>@</sup>
	07/02/2017 <sup>#</sup>	24,25,22,289	2.00	1,97,50,75,980	16.29
	At the end of the year			1,97,50,75,980	16.26 <sup>@</sup>
3	<b>Specified Undertaking of the Unit Trust of India</b>				
	At the beginning of the year	89,67,42,540	11.14		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	44,83,71,270	–	1,34,51,13,810	11.14
	07/02/2017 <sup>#</sup>	(24,25,22,289)	2.00	1,10,25,91,521	9.09
	At the end of the year			1,10,25,91,521	9.08 <sup>@</sup>
4	<b>Myddleton Investment Company Limited</b>				
	At the beginning of the year	32,42,07,960	4.03		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	16,21,03,980	–	48,63,11,940	4.03
	At the end of the year			48,63,11,940	4.00 <sup>@</sup>
5	<b>General Insurance Corporation of India</b>				
	At the beginning of the year	14,30,00,552	1.78		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	7,15,00,276	–	21,45,00,828	1.78
	29/07/2016	(75,000)	0.00	21,44,25,828	1.77
	05/08/2016	(25,000)	0.00	21,44,00,828	1.77
	09/09/2016	(65,000)	0.00	21,43,35,828	1.77
	16/09/2016	(35,000)	0.00	21,43,00,828	1.77
	27/01/2017	(50,000)	0.00	21,42,50,828	1.77
	03/02/2017	(1,50,000)	0.00	21,41,00,828	1.77
	10/02/2017	(2,00,000)	0.00	21,39,00,828	1.76
	03/03/2017	(1,50,000)	0.00	21,37,50,828	1.76
	10/03/2017	(2,70,154)	0.00	21,34,80,674	1.76
	17/03/2017	(79,846)	0.00	21,34,00,828	1.76
	24/03/2017	(3,00,000)	0.00	21,31,00,828	1.75
	At the end of the year			21,31,00,828	1.75
6	<b>The New India Assurance Company Limited</b>				
	At the beginning of the year	14,80,17,229	1.84		
	Increase / Decrease in Shareholding during the year:				
	08/04/2016	(2,00,000)	0.00	14,78,17,229	1.84
	15/04/2016	(1,25,000)	0.00	14,76,92,229	1.84
	22/04/2016	(1,95,000)	0.00	14,74,97,229	1.83
	29/04/2016	(92,500)	0.00	14,74,04,729	1.83
	06/05/2016	(12,500)	0.00	14,73,92,229	1.83
	20/05/2016	(64,000)	0.00	14,73,28,229	1.83
	27/05/2016	(2,00,000)	0.00	14,71,28,229	1.83
	03/06/2016	(5,10,000)	0.01	14,66,18,229	1.82
	10/06/2016	(3,09,996)	0.00	14,63,08,233	1.82
	17/06/2016	(2,07,186)	0.00	14,61,01,047	1.82
	24/06/2016	(4,71,948)	0.01	14,56,29,099	1.81
	30/06/2016	(3,40,866)	0.00	14,52,88,233	1.80
	04/07/2016	(37,500)	0.00	14,52,50,733	1.80
	07/07/2016*	7,26,25,366	–	21,78,76,099	1.80

**(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
15/07/2016		(3,43,333)	0.00	21,75,32,766	1.80
22/07/2016		(4,06,667)	0.00	21,71,26,099	1.80
05/08/2016		(1,66,262)	0.00	21,69,59,837	1.79
12/08/2016		(1,74,862)	0.00	21,67,84,975	1.79
19/08/2016		(2,80,050)	0.00	21,65,04,925	1.79
26/08/2016		(4,78,826)	0.00	21,60,26,099	1.79
02/09/2016		(3,30,000)	0.00	21,56,96,099	1.78
09/09/2016		(2,96,562)	0.00	21,53,99,537	1.78
16/09/2016		(1,40,254)	0.00	21,52,59,283	1.78
23/09/2016		(33,184)	0.00	21,52,26,099	1.78
07/10/2016		(1,38,474)	0.00	21,50,87,625	1.78
14/10/2016		(1,46,524)	0.00	21,49,41,101	1.77
21/10/2016		(2,15,002)	0.00	21,47,26,099	1.77
11/11/2016		(7,50,000)	0.01	21,39,76,099	1.77
18/11/2016		(1,40,000)	0.00	21,38,36,099	1.76
02/12/2016		(1,00,000)	0.00	21,37,36,099	1.76
09/12/2016		(5,00,000)	0.00	21,32,36,099	1.76
16/12/2016		(3,82,444)	0.00	21,28,53,655	1.76
23/12/2016		(8,06,513)	0.01	21,20,47,142	1.75
31/12/2016		(4,31,043)	0.00	21,16,16,099	1.75
06/01/2017		(3,75,000)	0.00	21,12,41,099	1.74
13/01/2017		(4,11,739)	0.00	21,08,29,360	1.74
20/01/2017		(4,43,261)	0.00	21,03,86,099	1.73
27/01/2017		(4,67,869)	0.00	20,99,18,230	1.73
03/02/2017		(4,96,729)	0.00	20,94,21,501	1.73
10/02/2017		(9,22,164)	0.01	20,84,99,337	1.72
17/02/2017		(4,93,747)	0.00	20,80,05,590	1.71
24/02/2017		(3,70,865)	0.00	20,76,34,725	1.71
03/03/2017		(5,33,000)	0.00	20,71,01,725	1.71
10/03/2017		(1,00,000)	0.00	20,70,01,725	1.71
17/03/2017		(4,95,000)	0.00	20,65,06,725	1.70
24/03/2017		(4,72,599)	0.00	20,60,34,126	1.70
31/03/2017		(5,57,401)	0.00	20,54,76,725	1.69
At the end of the year				<b>20,54,76,725</b>	<b>1.69</b>
<b>7</b>	<b>The Oriental Insurance Company Limited</b>				
	At the beginning of the year	<b>12,05,02,319</b>	<b>1.50</b>		
	Increase / Decrease in Shareholding during the year:				
08/04/2016		(95,000)	0.00	12,04,07,319	1.50
15/04/2016		(30,000)	0.00	12,03,77,319	1.50
22/04/2016		(1,00,000)	0.00	12,02,77,319	1.49
29/04/2016		(60,702)	0.00	12,02,16,617	1.49
13/05/2016		(48,000)	0.00	12,01,68,617	1.49
20/05/2016		(1,25,000)	0.00	12,00,43,617	1.49
27/05/2016		(35,000)	0.00	12,00,08,617	1.49
07/07/2016*		6,00,04,308	—	18,00,12,925	1.49
15/07/2016		(75,000)	0.00	17,99,37,925	1.49
22/07/2016		(1,70,000)	0.00	17,97,67,925	1.49
29/07/2016		(2,00,000)	0.00	17,95,67,925	1.49
05/08/2016		(2,30,000)	0.00	17,93,37,925	1.48
12/08/2016		(2,60,000)	0.00	17,90,77,925	1.48
19/08/2016		(2,00,000)	0.00	17,88,77,925	1.48
26/08/2016		(2,50,000)	0.00	17,86,27,925	1.48
02/09/2016		(2,50,000)	0.00	17,83,77,925	1.47
09/09/2016		(2,37,500)	0.00	17,81,40,425	1.47
16/09/2016		(2,12,500)	0.00	17,79,27,925	1.47
23/09/2016		(2,50,000)	0.00	17,76,77,925	1.47
30/09/2016		(58,271)	0.00	17,76,19,654	1.47
07/10/2016		(2,40,000)	0.00	17,73,79,654	1.46
14/10/2016		(90,000)	0.00	17,72,89,654	1.46

(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
	21/10/2016	(2,10,000)	0.00	17,70,79,654	1.46
	28/10/2016	(3,66,503)	0.00	17,67,13,151	1.46
	04/11/2016	(1,38,497)	0.00	17,65,74,654	1.46
	11/11/2016	(35,000)	0.00	17,65,39,654	1.46
	31/12/2016	(1,00,000)	0.00	17,64,39,654	1.46
	06/01/2017	(3,50,000)	0.00	17,60,89,654	1.45
	13/01/2017	(4,80,000)	0.00	17,56,09,654	1.45
	20/01/2017	(6,25,000)	0.01	17,49,84,654	1.44
	27/01/2017	(5,00,000)	0.00	17,44,84,654	1.44
	03/02/2017	(4,86,221)	0.00	17,39,98,433	1.43
	10/02/2017	(6,13,779)	0.01	17,33,84,654	1.43
	17/02/2017	(5,81,000)	0.00	17,28,03,654	1.42
	24/02/2017	(4,42,511)	0.00	17,23,61,143	1.42
	03/03/2017	(6,15,352)	0.01	17,17,45,791	1.41
	10/03/2017	(6,04,425)	0.00	17,11,41,366	1.41
	17/03/2017	(6,00,000)	0.00	17,05,41,366	1.40
	24/03/2017	(7,00,000)	0.01	16,98,41,366	1.40
	31/03/2017	(4,50,000)	0.00	16,93,91,366	1.39
	At the end of the year			<b>16,93,91,366</b>	<b>1.39</b>
<b>8</b>	<b>Rothmans International Enterprises Limited</b>				
	At the beginning of the year	<b>10,33,03,260</b>	<b>1.28</b>		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016*	5,16,51,630	–	15,49,54,890	1.28
	At the end of the year			<b>15,49,54,890</b>	<b>1.28</b>
<b>9</b>	<b>Government of Singapore</b>				
	At the beginning of the year	<b>10,71,12,079</b>	<b>1.33</b>		
	Increase / Decrease in Shareholding during the year:				
	08/04/2016	(4,02,048)	0.00	10,67,10,031	1.33
	15/04/2016	1,47,875	0.00	10,68,57,906	1.33
	22/04/2016	(11,18,692)	0.01	10,57,39,214	1.31
	29/04/2016	(4,68,943)	0.01	10,52,70,271	1.31
	06/05/2016	(9,49,551)	0.01	10,43,20,720	1.30
	13/05/2016	(70)	0.00	10,43,20,650	1.30
	03/06/2016	11,05,967	0.01	10,54,26,617	1.31
	10/06/2016	2,49,615	0.00	10,56,76,232	1.31
	17/06/2016	(4,84,144)	0.01	10,51,92,088	1.31
	24/06/2016	(1,76,700)	0.00	10,50,15,388	1.30
	30/06/2016	(4,97,836)	0.01	10,45,17,552	1.30
	04/07/2016	1,72,927	0.00	10,46,90,479	1.30
	07/07/2016*	5,23,45,239	–	15,70,35,718	1.30
	15/07/2016	(10,00,000)	0.01	15,60,35,718	1.29
	22/07/2016	(99,683)	0.00	15,59,36,035	1.29
	29/07/2016	(9,41,866)	0.01	15,49,94,169	1.28
	05/08/2016	(15,00,750)	0.01	15,34,93,419	1.27
	12/08/2016	(1,59,280)	0.00	15,33,34,139	1.27
	02/09/2016	(4,57,619)	0.00	15,28,76,520	1.26
	09/09/2016	52,136	0.00	15,29,28,656	1.26
	16/09/2016	(5,00,656)	0.00	15,24,28,000	1.26
	23/09/2016	(5,26,501)	0.00	15,19,01,499	1.25
	07/10/2016	4,20,622	0.00	15,23,22,121	1.26
	21/10/2016	8,51,123	0.01	15,31,73,244	1.26
	04/11/2016	14,46,818	0.01	15,46,20,062	1.28
	11/11/2016	38,80,037	0.03	15,85,00,099	1.31
	18/11/2016	13,25,565	0.01	15,98,25,664	1.32
	25/11/2016	(714)	0.00	15,98,24,950	1.32
	02/12/2016	15,41,443	0.01	16,13,66,393	1.33
	09/12/2016	(1,10,333)	0.00	16,12,56,060	1.33



**(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
	31/12/2016	3,64,924	0.00	16,16,20,984	1.33
	06/01/2017	3,40,598	0.00	16,19,61,582	1.34
	20/01/2017	(87,756)	0.00	16,18,73,826	1.33
	27/01/2017	(5,00,100)	0.00	16,13,73,726	1.33
	03/02/2017	(35,12,923)	0.03	15,78,60,803	1.30
	10/02/2017	(7,32,020)	0.01	15,71,28,783	1.30
	17/02/2017	(15,32,269)	0.01	15,55,96,514	1.28
	03/03/2017	(2,46,074)	0.00	15,53,50,440	1.28
	10/03/2017	1,00,803	0.00	15,54,51,243	1.28
	24/03/2017	5,12,716	0.00	15,59,63,959	1.28
	31/03/2017	(10,93,164)	0.01	15,48,70,795	1.27
	At the end of the year			<b>15,48,70,795</b>	<b>1.27</b>
10	<b>National Insurance Company Limited</b>				
	At the beginning of the year	<b>9,81,81,434</b>	<b>1.22</b>		
	Increase / Decrease in Shareholding during the year:				
	08/04/2016	2,57,406	0.00	9,84,38,840	1.22
	15/04/2016	6,50,000	0.01	9,90,88,840	1.23
	29/04/2016	59,000	0.00	9,91,47,840	1.23
	06/05/2016	3,05,000	0.00	9,94,52,840	1.24
	27/05/2016	(3,00,000)	0.00	9,91,52,840	1.23
	24/06/2016	(1,00,000)	0.00	9,90,52,840	1.23
	07/07/2016*	4,95,26,420	–	14,85,79,260	1.23
	22/07/2016	(1,50,000)	0.00	14,84,29,260	1.23
	05/08/2016	(3,00,000)	0.00	14,81,29,260	1.23
	19/08/2016	(3,00,000)	0.00	14,78,29,260	1.22
	26/08/2016	(2,10,000)	0.00	14,76,19,260	1.22
	02/09/2016	(2,50,000)	0.00	14,73,69,260	1.22
	09/09/2016	(40,000)	0.00	14,73,29,260	1.22
	16/09/2016	(1,50,000)	0.00	14,71,79,260	1.22
	23/09/2016	(1,50,000)	0.00	14,70,29,260	1.21
	07/10/2016	80,000	0.00	14,71,09,260	1.21
	21/10/2016	1,80,000	0.00	14,72,89,260	1.22
	28/10/2016	8,28,000	0.01	14,81,17,260	1.22
	11/11/2016	(8,43,283)	0.01	14,72,73,977	1.22
	18/11/2016	4,00,000	0.00	14,76,73,977	1.22
	25/11/2016	1,00,000	0.00	14,77,73,977	1.22
	16/12/2016	(10,00,000)	0.01	14,67,73,977	1.21
	31/12/2016	(1,20,000)	0.00	14,66,53,977	1.21
	06/01/2017	(32,50,000)	0.03	14,34,03,977	1.18
	13/01/2017	(23,20,121)	0.02	14,10,83,856	1.16
	20/01/2017	(13,26,500)	0.01	13,97,57,356	1.15
	27/01/2017	(6,59,717)	0.01	13,90,97,639	1.15
	03/02/2017	(9,50,000)	0.01	13,81,47,639	1.14
	10/02/2017	(10,00,000)	0.01	13,71,47,639	1.13
	17/02/2017	(15,18,689)	0.01	13,56,28,950	1.12
	24/02/2017	(7,81,311)	0.01	13,48,47,639	1.11
	03/03/2017	(1,14,309)	0.00	13,47,33,330	1.11
	10/03/2017	(32,50,000)	0.03	13,14,83,330	1.08
	17/03/2017	(35,00,000)	0.03	12,79,83,330	1.05
	24/03/2017	(94,00,000)	0.08	11,85,83,330	0.98
	31/03/2017	(53,50,000)	0.04	11,32,33,330	0.93
	At the end of the year			<b>11,32,33,330</b>	<b>0.93</b>

@ Change in shareholding percentage was consequent to increase in Share Capital on account of allotment of shares under the ITC Employee Stock Option Schemes (ITC ESOS).

\* Date of allotment of Bonus Shares in the proportion of 1 (One) Bonus Share of ₹ 1/- each for every existing 2 (Two) fully paid-up Ordinary Shares of ₹ 1/- each.

# Date of purchase / sale of Shares based on disclosures received by the Company.

**Note:** Unless otherwise stated, 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; Non-Executive Director<sup>1</sup></b>				
	At the beginning of the year	<b>6,80,000</b>	<b>0.01</b>		
	Increase / Decrease in Shareholding during the year:				
	24/05/2016**	(2,00,000)	0.00	4,80,000	0.01
	25/05/2016**	(1,40,000)	0.00	3,40,000	0.00
	01/06/2016**	(70,000)	0.00	2,70,000	0.00
	07/06/2016**	(1,00,000)	0.00	1,70,000	0.00
	07/07/2016^	85,000	—	2,55,000	0.00
	22/08/2016**	(1,00,000)	0.00	1,55,000	0.00
	25/08/2016**	(7,500)	0.00	1,47,500	0.00
	26/08/2016**	(12,000)	0.00	1,35,500	0.00
	30/08/2016**	(8,000)	0.00	1,27,500	0.00
	01/09/2016**	(15,000)	0.00	1,12,500	0.00
	02/09/2016**	(15,000)	0.00	97,500	0.00
	06/09/2016**	(2,000)	0.00	95,500	0.00
	08/09/2016**	(10,500)	0.00	85,000	0.00
	16/09/2016**	(10,500)	0.00	74,500	0.00
	19/09/2016**	(3,000)	0.00	71,500	0.00
	09/11/2016**	(15,000)	0.00	56,500	0.00
	31/01/2017**	(40,000)	0.00	16,500	0.00
	01/02/2017**	(10,000)	0.00	6,500	0.00
	03/02/2017**	(6,500)	0.00	0	NA
	At the end of the year			<b>0</b>	<b>NA</b>
2	<b>S. Puri, Chief Executive Officer &amp; Executive Director<sup>2</sup></b>				
	At the beginning of the year	<b>50,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	25/05/2016**	(50,000)	0.00	0	NA
	24/06/2016*	1,50,000	0.00	1,50,000	0.00
	07/07/2016^	75,000	—	2,25,000	0.00
	28/07/2016**	(27,564)	0.00	1,97,436	0.00
	29/07/2016**	(47,436)	0.00	1,50,000	0.00
	02/08/2016**	(50,000)	0.00	1,00,000	0.00
	12/08/2016**	(25,000)	0.00	75,000	0.00
	22/08/2016*	1,75,000	0.00	2,50,000	0.00
	02/09/2016**	(75,000)	0.00	1,75,000	0.00
	22/09/2016*	25,000	0.00	2,00,000	0.00
	07/11/2016**	(50,000)	0.00	1,50,000	0.00
	14/11/2016*	1,00,000	0.00	2,50,000	0.00
	28/12/2016**	(25,000)	0.00	2,25,000	0.00
	29/12/2016**	(25,000)	0.00	2,00,000	0.00
	30/12/2016**	(50,000)	0.00	1,50,000	0.00
	30/01/2017**	(25,000)	0.00	1,25,000	0.00
	31/01/2017**	(50,000)	0.00	75,000	0.00
	01/02/2017**	(50,000)	0.00	25,000	0.00
	14/02/2017*	1,25,000	0.00	1,50,000	0.00
	15/03/2017**	(25,000)	0.00	1,25,000	0.00
	16/03/2017**	(50,000)	0.00	75,000	0.00
	At the end of the year			<b>75,000</b>	<b>0.00</b>
3	<b>N. Anand, Executive Director</b>				
	At the beginning of the year	<b>73,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	07/06/2016**	(50,000)	0.00	23,000	0.00
	24/06/2016*	2,00,000	0.00	2,23,000	0.00
	07/07/2016^	1,11,500	—	3,34,500	0.00
	26/07/2016**	(1,10,000)	0.00	2,24,500	0.00
	02/08/2016**	(55,000)	0.00	1,69,500	0.00
	22/08/2016*	3,00,000	0.00	4,69,500	0.00

**(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
	30/08/2016**	(55,000)	0.00	4,14,500	0.00
	01/09/2016**	(1,10,000)	0.00	3,04,500	0.00
	22/09/2016*	2,00,000	0.00	5,04,500	0.00
	23/09/2016**	(90,000)	0.00	4,14,500	0.00
	07/11/2016**	(1,00,000)	0.00	3,14,500	0.00
	27/12/2016**	(1,00,000)	0.00	2,14,500	0.00
	18/01/2017*	2,00,000	0.00	4,14,500	0.00
	30/01/2017**	(28,625)	0.00	3,85,875	0.00
	31/01/2017**	(71,400)	0.00	3,14,475	0.00
	01/02/2017**	(50,000)	0.00	2,64,475	0.00
	07/02/2017**	(60,000)	0.00	2,04,475	0.00
	14/02/2017*	3,00,000	0.00	5,04,475	0.00
	28/02/2017**	(47,000)	0.00	4,57,475	0.00
	17/03/2017**	(1,55,000)	0.00	3,02,475	0.00
	24/03/2017**	(70,000)	0.00	2,32,475	0.00
	At the end of the year			<b>2,32,475</b>	<b>0.00</b>
<b>4</b>	<b>R. Tandon, Executive Director &amp; Chief Financial Officer</b>				
	At the beginning of the year	<b>1,71,420</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	25/05/2016**	(60,420)	0.00	1,11,000	0.00
	26/05/2016**	(25,000)	0.00	86,000	0.00
	07/06/2016**	(25,000)	0.00	61,000	0.00
	24/06/2016*	50,000	0.00	1,11,000	0.00
	28/06/2016**	(25,000)	0.00	86,000	0.00
	07/07/2016^	43,000	–	1,29,000	0.00
	28/07/2016**	(50,000)	0.00	79,000	0.00
	29/07/2016*	50,000	0.00	1,29,000	0.00
	02/08/2016**	(35,000)	0.00	94,000	0.00
	22/08/2016*	1,00,000	0.00	1,94,000	0.00
	30/08/2016**	(29,000)	0.00	1,65,000	0.00
	02/09/2016**	(22,000)	0.00	1,43,000	0.00
	22/09/2016*	50,000	0.00	1,93,000	0.00
	07/11/2016**	(40,000)	0.00	1,53,000	0.00
	14/11/2016*	70,000	0.00	2,23,000	0.00
	30/12/2016**	(50,000)	0.00	1,73,000	0.00
	18/01/2017*	50,000	0.00	2,23,000	0.00
	30/01/2017**	(40,000)	0.00	1,83,000	0.00
	31/01/2017**	(45,000)	0.00	1,38,000	0.00
	01/02/2017**	(45,000)	0.00	93,000	0.00
	14/02/2017*	1,50,000	0.00	2,43,000	0.00
	23/02/2017**	(23,000)	0.00	2,20,000	0.00
	01/03/2017**	(5,000)	0.00	2,15,000	0.00
	14/03/2017**	(22,000)	0.00	1,93,000	0.00
	17/03/2017**	(53,000)	0.00	1,40,000	0.00
	20/03/2017*	1,00,000	0.00	2,40,000	0.00
	21/03/2017**	(30,000)	0.00	2,10,000	0.00
	At the end of the year			<b>2,10,000</b>	<b>0.00</b>
<b>5</b>	<b>S. B. Mathur, Non-Executive Independent Director</b>				
	At the beginning of the year	<b>3,01,000</b>	<b>0.00</b>		
	Increase / Decrease in Shareholding during the year:				
	23/05/2016**	(1,00,000)	0.00	2,01,000	0.00
	07/07/2016^	1,00,500	–	3,01,500	0.00
	02/08/2016**	(25,000)	0.00	2,76,500	0.00
	12/08/2016**	(25,000)	0.00	2,51,500	0.00
	30/08/2016**	(50,000)	0.00	2,01,500	0.00
	02/02/2017**	(20,000)	0.00	1,81,500	0.00
	At the end of the year			<b>1,81,500</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 <sup>@</sup>	% of total Shares of the Company	No. of Shares <sup>@</sup>	% of total Shares of the Company
6	<b>P. B. Ramanujam, Non-Executive Independent Director</b>				
	At the beginning of the year	3,41,356	0.00		
	Increase / Decrease in Shareholding during the year:				
	07/07/2016 <sup>^</sup>	1,70,678	–	5,12,034	0.00
	At the end of the year			5,12,034	0.00
7	<b>S. S. H. Rehman, Non-Executive Independent Director</b>				
	At the beginning of the year	1,13,488	0.00		
	Increase / Decrease in Shareholding during the year:				
	27/06/2016 <sup>**</sup>	(5,000)	0.00	1,08,488	0.00
	07/07/2016 <sup>^</sup>	54,244	–	1,62,732	0.00
	28/07/2016 <sup>**</sup>	(20,000)	0.00	1,42,732	0.00
	17/08/2016 <sup>**</sup>	(10,000)	0.00	1,32,732	0.00
	25/08/2016 <sup>**</sup>	(10,000)	0.00	1,22,732	0.00
	30/08/2016 <sup>**</sup>	(15,000)	0.00	1,07,732	0.00
	31/08/2016 <sup>**</sup>	(10,000)	0.00	97,732	0.00
	01/09/2016 <sup>**</sup>	(15,000)	0.00	82,732	0.00
	02/09/2016 <sup>**</sup>	(10,000)	0.00	72,732	0.00
	06/09/2016 <sup>**</sup>	(5,000)	0.00	67,732	0.00
	30/01/2017 <sup>**</sup>	(10,000)	0.00	57,732	0.00
	31/01/2017 <sup>**</sup>	(10,000)	0.00	47,732	0.00
	01/02/2017 <sup>**</sup>	(10,000)	0.00	37,732	0.00
	17/03/2017 <sup>**</sup>	(10,000)	0.00	27,732	0.00
	29/03/2017 <sup>**</sup>	(10,000)	0.00	17,732	0.00
	At the end of the year			17,732	0.00
8	<b>B. B. Chatterjee, Executive Vice President &amp; Company Secretary</b>				
	At the beginning of the year	2,31,000	0.00		
	Increase / Decrease in Shareholding during the year:				
	26/05/2016 <sup>**</sup>	(20,000)	0.00	2,11,000	0.00
	01/06/2016 <sup>**</sup>	(11,000)	0.00	2,00,000	0.00
	24/06/2016 <sup>*</sup>	1,23,000	0.00	3,23,000	0.00
	07/07/2016 <sup>^</sup>	1,61,500	–	4,84,500	0.00
	31/08/2016 <sup>**</sup>	(10,000)	0.00	4,74,500	0.00
	06/09/2016 <sup>**</sup>	(1,000)	0.00	4,73,500	0.00
	04/11/2016 <sup>**</sup>	(4,000)	0.00	4,69,500	0.00
	07/11/2016 <sup>**</sup>	(12,000)	0.00	4,57,500	0.00
	20/12/2016 <sup>*</sup>	66,500	0.00	5,24,000	0.00
	30/12/2016 <sup>**</sup>	(66,000)	0.00	4,58,000	0.00
	01/02/2017 <sup>**</sup>	(10,000)	0.00	4,48,000	0.00
	02/02/2017 <sup>**</sup>	(20,000)	0.00	4,28,000	0.00
	07/02/2017 <sup>**</sup>	(700)	0.00	4,27,300	0.00
	17/03/2017 <sup>**</sup>	(71,300)	0.00	3,56,000	0.00
	20/03/2017 <sup>*</sup>	72,000	0.00	4,28,000	0.00
	At the end of the year			4,28,000	0.00

Mr. S. Banerjee, Mr. A. Duggal, Mr. S. B. Mainak and Ms. M. Shankar, 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.

Mr. Z. Alam, Ms. N. Rao and Mr. D. R. Simpson, Directors, also did not hold any Shares of the Company either at the time of appointment as Director or at the end of the year or at any time since their appointment till 31st March, 2017.

<sup>1</sup> Chairman & Non-Executive Director since 5th February, 2017, prior to which Mr. Deveshwar was Executive Chairman.

<sup>2</sup> Chief Executive Officer since 5th February, 2017.

<sup>@</sup> Shares held singly / jointly.

<sup>\*</sup> Allotment of Shares under ITC ESOS.

<sup>\*\*</sup> Sale of Shares allotted under ITC ESOS; Options were granted to Non-Executive Independent Directors prior to their current tenure.

<sup>^</sup> Allotment of Bonus Shares in the proportion of 1 (One) Bonus Share of ₹ 1/- each for every existing 2 (Two) fully paid-up Ordinary Shares of ₹ 1/- each.

**Note:** Increase / decrease in shareholding, as indicated above, are based on disclosures received from the 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	359.98	3,868.87	0.20	4,229.05
(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>4,229.05</b>
<b>Change in Indebtedness during the financial year</b>				
– Addition	0.00	0.00	0.00	0.00
– Reduction	358.99	1,286.12	0.00	1,645.11
<b>Net Change</b>	<b>(358.99)</b>	<b>(1,286.12)</b>	<b>0.00</b>	<b>(1,645.11)</b>
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	0.99	2,582.75	0.20	2,583.94
(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>0.99</b>	<b>2,582.75</b>	<b>0.20</b>	<b>2,583.94</b>

\* Includes amounts disclosed under 'Note 14 - Deferred payment liabilities' and 'Note 15 - Current maturities of long-term debt', 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 WTD			Total Amount
		S. Puri, Chief Executive Officer & Executive Director *	N. Anand, Executive Director	R. Tandon, Executive Director & Chief Financial Officer	
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	146.39	227.10	122.58	496.07
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961 **	37.73	42.97	34.51	115.21
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	0.00	0.00	0.00	0.00
2	Stock Option ^	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission				
	- as % of profit	0.00	0.00	0.00	0.00
	- others, specify	0.00	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00	0.00
	<b>Total (A)</b>	<b>184.12</b>	<b>270.07</b>	<b>157.09</b>	<b>611.28</b>

**Ceiling as per the Act**

**1,49,482**

(Being 10% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013)

\* Chief Executive Officer since 5th February, 2017.

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

^ The Company grants Stock Options to the Directors, KMP and other employees under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant of Options, and accordingly the said grant has not been considered as remuneration.

**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 (additional remuneration and benefits)	
1	<b>Independent Directors</b>				
	S. Banerjee	9.50	20.00	0.00	29.50
	A. Duggal	8.00	20.00	0.00	28.00
	S. B. Mathur	10.50	20.00	0.00	30.50
	P. B. Ramanujam	6.60	20.00	0.00	26.60
	N. Rao <sup>1</sup>	4.50	0.00	0.00	4.50
	S. S. H. Rehman	10.00	20.00	0.00	30.00
	M. Shankar	11.00	20.00	0.00	31.00
	<b>Total (B)(1)</b>				<b>180.10</b>
2	<b>Other Non-Executive Directors</b>				
	Y. C. Deveshwar <sup>2</sup>	0.00	0.00	317.67	317.67
	Z. Alam <sup>3</sup>	2.00*	0.00	0.00	2.00
	S. B. Mainak	8.50	20.00*	0.00	28.50
	D. R. Simpson <sup>4</sup>	0.00	0.00	0.00	0.00
	<b>Total (B)(2)</b>				<b>348.17</b>
	<b>Total (B) = (B)(1) + (B)(2)</b>				<b>528.27</b>
	<b>Total Managerial Remuneration (A+B)</b>				<b>1139.55</b>
	<b>Overall Ceiling as per the Act</b>	<b>1,64,430</b>			
		(Being 11% of the Net Profits of the Company as calculated under Section 198 of the Companies Act, 2013)			

<sup>1</sup> Non-Executive Independent Director since 8th April, 2016.

<sup>2</sup> Chairman & Non-Executive Director since 5th February, 2017.

<sup>3</sup> Additional Non-Executive Director since 26th October, 2016.

<sup>4</sup> Additional Non-Executive Director since 27th January, 2017.

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

**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	121.85
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961*	4.84
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	0.00
2	Stock Option <sup>^</sup>	0.00
3	Sweat Equity	0.00
4	Commission	
	- as % of profit	0.00
	- others, specify	0.00
5	Others, please specify	0.00
	<b>Total Amount</b>	<b>126.69</b>

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

<sup>^</sup> The Company grants Stock Options to the Directors, KMP and other employees under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant of Options, and accordingly the said grant has not been considered as remuneration.

**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  
26th May, 2017

Y. C. DEVESHWAR  
S. PURI  
R. TANDON

Chairman  
Chief Executive Officer & Director  
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 changing over to efficient lighting solutions such as Light Emitting Diodes.
- II. Replacement of existing boilers and turbines with a higher efficiency boiler and turbine to reduce fuel consumption.
- III. Recovery of waste heat from Heating, Ventilation and Air Conditioning (HVAC) system to improve energy efficiency.
- IV. Automation of tube cleaning system in HVAC chiller resulting in improved efficiency.
- V. Installation of automated controls at cogeneration units to improve energy efficiency.
- VI. Replacement of existing motors, pumps, agitators with more energy efficient equipment.
- VII. 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. Increased use of wind energy to meet production requirements.
- II. Installation of additional solar photovoltaic based lighting system.
- III. Increased use of biomass-based fuels for steam generation to reduce dependency on fossil fuels.

c) Capital investment on energy conservation equipment: ₹ 22,234.05 lakhs

### TECHNOLOGY ABSORPTION:

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

- I. Induction of Bleached Chemical Thermo Mechanical Pulp line.
- II. Induction of Rigid Boxes manufacturing and Flexo Printing lines.
- III. Automation in the manufacturing process using SCADA (Supervisory Control and Data Acquisition) systems.
- IV. New process and product technologies with a focus on personal wash, skin care, and fragrances, developed through in-house Research & Development.
- V. Automation and integration of sandwiching and packaging systems in biscuits manufacturing units.
- VI. Induction of contemporary technologies and continuous improvements 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. Conservation of resources and improved efficiencies.

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

	For the year ended 31st March, 2017
<b>Expenditure on R&amp;D :</b>	(₹ in Lakhs)
i) Capital	2,141.95
ii) Revenue	13,483.48
<b>Total</b>	<b>15,625.43</b>
<b>Total R&amp;D Expenditure as a % of Gross Revenue</b>	<b>0.28%</b>

On behalf of the Board

Kolkata  
26th May, 2017

Y. C. DEVESHWAR  
S. PURI  
R. TANDON

Chairman  
Chief Executive Officer & Director  
Director & Chief Financial Officer

# Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2017

## 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 (Till 4th February 2017)	508 : 1	58 *
	Chairman & Non-Executive Director (From 5th February 2017)	81 : 1	-
S Puri	Chief Executive Officer & Executive Director	59 : 1	54 **
N Anand	Executive Director	74 : 1	26 ***
R Tandon	Executive Director & Chief Financial Officer	53 : 1	34 ***
Z Alam	Non-Executive Director (From 26th October 2016)	5 : 1	-
S Banerjee	Independent Director	13 : 1	71 #
A Duggal	Independent Director	12 : 1	55 #
S B Mainak	Non-Executive Director	12 : 1	80 #
S B Mathur	Independent Director	13 : 1	63 #
P B Ramanujam	Independent Director	12 : 1	64 #
N Rao	Independent Director (From 8th April 2016)	11 : 1	-
S S H Rehman	Independent Director	13 : 1	72 #
M Shankar	Independent Director	13 : 1	70 #
D R Simpson	Non-Executive Director (From 27th January 2017)	2 : 1	-
A Bajjal	Non-Executive Director (Till 29th December 2016)	10 : 1	57 #
A V Girija Kumar	Non-Executive Director (Till conclusion of 105th AGM on 22nd July 2016)	4 : 1	64 #
R Lerwill	Non-Executive Director (Till 21st June 2016)	3 : 1	60 #
K Vaidyanath	Non-Executive Director (Till 28th July 2016)	5 : 1	47 #
B B Chatterjee	Executive V.P. & Company Secretary	34 : 1	12 ***

\* Reflects revision effective 1st April 2016 and includes Leave encashment on retirement

\*\* Reflects revision effective 1st April 2016 and 5th February 2017 on appointment as Chief Executive Officer

\*\*\* Reflects revision effective 1st April 2016

# Reflects increase in commission

## Based on annualised remuneration

### Notes

- The number of permanent employees as on 31st March, 2017 was 25,883
- Compared to 2015-16, the figures for 2016-17 reflect that:
  - Median remuneration of employees - Increased by 7%
  - Average remuneration of employees - Increased by 7%
  - Average remuneration of employees excluding Key Managerial Personnel (KMPs) - Increased by 7%
  - Remuneration of KMPs - Increased by 1%
- Remuneration of Directors, KMPs and other employees is in accordance with the Company's Remuneration Policy



**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	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
<b>Top ten employees in terms of remuneration drawn.</b>								
Deveshwar Y C	70	Executive Chairman (Upto 4th February 2017)	19,91,99,701	9,69,88,329	B.Tech. (Mech.)	48	11.02.1994	Air India Ltd., Chairman & M.D.
Anand N	60	Executive Director	2,91,42,437	1,20,12,277	B.A. (Hons.)	37	01.12.1979	@
Puri S	54	Chief Executive Officer & Executive Director	2,29,73,221	90,60,492	B.Tech.	32	20.01.1986	TELCO Ltd., Trainee
Tandon R	63	Executive Director & Chief Financial Officer	2,07,95,575	81,16,001	B.Sc., F.C.A.	39	01.01.1987	Triveni Handlooms Ltd., Finance Mgr. & Secy.
Sivakumar S	56	Group Head - Agri Business	1,93,45,128	98,19,286	B.Sc., P.G. Dip. in Rural Mgmt.	34	18.09.1989	Gujarat Co-op Oil Seeds Growers' Fed. Ltd., Mgr. Mktg.
Rajput A K	61	Senior V.P. - Corporate Affairs	1,55,92,414	66,19,771	B.Com., M.B.A.	40	10.04.1976	Nil
Sumant B	53	President - FMCG Businesses	1,54,84,230	53,96,650	B.E.	31	20.01.1986	Nil
Suresh K S	57	General Counsel	1,52,10,377	64,44,622	B.A., B.L., P.G.D.P.M., I.R. & L.W.	35	01.09.1990	Chambers of Sri C.S. Venkata Subramaniam, Advocate
Dar C	61	Group Head - LS & T, Central Projects, EHS & Quality Assurance	1,46,95,610	61,20,133	B.Tech. (Hons.), P.G.D.M.	38	01.05.1981	Tata Engg. & Loco. Co., Shift Supvr.
Chatterjee B B	64	Executive V.P. & Company Secretary	1,34,42,047	69,92,230	B.Com.(Hons.), F.C.A., F.C.S., LL.B.	39	16.05.1983	Wacsge, Deputy Mgr.
<b>Other employees employed throughout the year and in receipt of remuneration aggregating ₹ 1,02,00,000/- or more per annum.</b>								
Ahmad S M	63	On deputation	1,13,53,919	49,14,377	B.A., M.A.	40	06.03.1980	ANZ Grindlays Bank Plc., Mgmt. Trainee
Arif N	55	Executive V.P. & Head - Corporate Communications	1,14,39,500	48,25,163	B.A.(Hons.), M.A.	31	01.09.2006	Indian Chamber of Commerce, Secretary General
Chandrasekharan L C (Dr.)	62	Chief Scientist - Research & Technology Innovation (LS & T)	1,31,49,969	76,68,965	Ph.D.	35	01.10.2005	G.E. India, Director, Mfg. Engg.
Degan S	48	V.P. - Skin Care & New Product Development (PCPB)	1,18,57,744	69,15,537	B.Sc., M.B.A.	23	15.07.2014	Britannia Industries Ltd., Category Director - Delight & Lifestyle
Ganesan M	54	Executive V.P. - Finance, Procurement & IT (FD)	1,05,69,078	46,48,584	B.Com., A.C.A., A.C.S.	31	01.03.1986	Nil
Ganesh Kumar S	49	Chief Operating Officer - Staples, Snacks & Meals (FD)	1,02,51,234	45,52,868	B.E.	25	14.12.1991	Nil
Kaul S	50	Divisional Chief Executive (ITD)	1,14,84,530	49,07,076	B.E., P.G.D.M.	26	01.06.1990	Nil
Malik H	51	Divisional Chief Executive (FD)	1,21,51,298	52,23,610	B.A., M.B.A.	27	01.06.1989	Nil
Mukerji A K	58	Corporate Financial Controller	1,19,11,727	63,79,304	B.Com. (Hons.), A.C.A.	35	01.11.1982	Gupta Chowdhury & Ghose, Jr. Officer
Parasuram R	58	Head - Corporate Internal Audit	1,15,14,029	49,48,266	B.Com. (Hons.), A.C.A.	34	15.09.1982	Nil
Rai R K	54	Chief Operating Officer (ABD)	1,04,59,157	50,08,480	B.A. (Mktg.), P.G.D. in Exports & Imports	34	16.08.1990	Britannia Industries Ltd., Commercial Officer
Rangrass S	56	Divisional Chief Executive (ABD-ILTD)	1,26,48,907	59,66,413	B.Tech.	34	01.07.1982	Nil
Satpathy S	44	SBU Chief Executive (PCPB)	1,32,34,437	58,84,061	B.Com., P.G.D.M.	21	01.12.2015	Marico Ltd., Chief Marketing Officer
Senguttuvan R	55	SBU Chief Executive (PPB)	1,20,32,514	52,47,597	B.E., P.G.D.M.	31	27.05.1991	Asian Paints, Purchase Executive
Seth A	59	Executive V.P. - Finance & MIS (ITD)	1,12,70,301	46,29,857	B.A. (Hons.), A.C.A., P.G.D.B.M.	34	01.11.1982	Nil
Shanmuga Sundaram A	50	Deputy General Counsel	1,08,98,337	51,95,778	B.L., M.L.	28	20.10.1997	Maxworth Home Ltd., Manager, Legal
Singh S K	60	Divisional Chief Executive (PSPD)	1,21,93,146	57,08,251	B.Tech. (Chem.)	40	21.06.1977	#
Tyagi S	58	SBU Chief Executive (ESPB)	1,03,31,245	45,43,589	M.Sc., P.G.D.	35	01.02.1982	Nil
<b>Other employees employed for a part of the year and in receipt of remuneration aggregating ₹ 8,50,000/- or more per month.</b>								
Aparajita	31	Senior Manager - Legal	1,62,482	1,36,705	B.A., LL.B.	6	21.02.2011	S.A.I.L., Jr. Mgr.
B R Vishnu Kumar	28	Area Executive (TM & D)	42,790	42,688	B.Sc., M.B.A.	5	09.12.2013	Funskool, Sales Officer
Bansal R	32	Manager - Finance, JP Operations (LRBD)	4,37,701	3,91,171	B.Com., A.C.A.	8	01.04.2009	Nil
Charraudeau P H	60	V.P. & General Manager - ITC Maratha (HD)	50,40,721	21,80,308	B.E.P.C., (Rehaul Rebut), C.A.P.	35	09.05.2011	Movenpick Hotels & Resorts, Saudi Arabia, G.M.
Chawla V	28	Asst. Manager - HR (ITD)	1,11,007	1,02,508	B.Tech., P.G.D.M.	3	10.06.2013	Nil
Ghadiali J	60	V.P. - Corporate	16,52,143	10,90,155	Dip. in Hotel Mgmt.	36	01.02.1981	Nil
Ghosh P	32	Asst. Manager Sales (HD)	89,746	89,060	Bachelor in Hotel Mgmt.	8	01.07.2008	Nil
Ghosh R	44	Senior Principal Technologist - Media Planning & Buying (PCPB)	15,54,033	10,78,565	B.Com., P.G.D.M.	18	20.09.2007	Times Internet, Chief Manager
Gulati S	39	Acting Branch Manager (TM & D)	3,01,182	2,50,758	B.Com., P.G.D.S.M.	11	01.04.2013	ITC Infotech India Ltd., Sr. Consultant

**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	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8	9
Gupta S	25	Asst. Manager - Technical (FD)	2,56,401	2,43,412	B.Tech.	3	10.06.2013	Nil
Gupta V	52	Divisional Chief Executive (LRBD)	36,71,884	24,76,525	B.E., P.G.D.M.	26	09.01.2017	Cello (Writing) Group of Companies, C.E.O.
Kumar A S	32	Officer (PSPD)	56,950	52,847	B.Sc., M.Sc.	9	26.02.2008	Nil
Kumar B M I	34	Officer (PSPD)	1,11,900	1,11,700	M.B.A.	14	17.06.2002	Nil
Mishra A K	32	Asst. Manager - Secondary Projects (ITD)	3,18,276	3,06,206	B.Tech., M.Tech.	9	01.07.2011	General Mills, Sr. Reliability Analyst
Mishra M	44	Category Manufacturing Manager - Atta (FD)	4,36,029	3,45,660	B.Sc., M.Sc., Ph.D.	20	05.03.2014	Britannia Industries Ltd., Unit Head
Mishra N	29	Asst. Manager - Central Projects Organization	2,47,956	2,39,039	B.Tech.	7	15.07.2009	Nil
Mittal R	23	Asst. - Technical (ESPB)	42,190	41,854	B.Tech.	1	01.07.2015	Nil
Nirmale S S	29	Finance Exec. (TM & D)	58,673	58,556	B.B.A., M.B.A.	9	07.05.2013	Larsen & Toubro Ltd., Accounts Exec.
Padhi B K	60	Area Manager (TM & D)	4,57,941	4,08,137	B.A.	34	05.01.1983	Nil
Parthasarathy R	60	Area Manager (TM & D)	6,62,865	5,79,235	B.Com.	39	07.12.1982	Indian Airlines, Accounts Asst.
Prakash S	37	Area Manager (TM & D)	1,93,132	1,92,012	B.Com.	15	09.08.2004	The Primus Company, Territory Sales Exec.
Rao A V	62	Executive V.P. - Manufacturing & Projects (PSPD)	32,02,721	16,46,277	B.Tech.	40	21.06.1996	GTN Textiles Ltd., Manager Engineering Services
Savithri N	27	Asst. Manager - Finance (HD)	2,09,332	1,94,443	M.B.A.	3	27.05.2013	Nil
Sen R	54	Sales & Marketing Manager (HD)	7,37,720	6,53,649	B.Com.	28	01.12.1988	Nil
Shanmughanathan V	60	Manager - HR (PPB)	9,76,313	8,65,353	B.A., B.L., P.G.D.	36	15.12.2004	N-Logue Communication Pvt. Ltd., V.P., H.R.
Singal S	46	Chief Operating Officer - Dairy & Beverages Cluster (FD)	1,14,08,830	53,41,068	B.Sc., P.G.D.M.	11	01.07.2016	Dabur India Ltd., Head of Marketing (Foods)
Sivakumar R	28	Officer (PSPD)	54,070	50,008	B.Tech.	11	18.01.2013	J K Paper Ltd., Jr. Officer
Tolani M	36	Head of Sales (HD)	12,55,700	9,13,837	B.A. (Hons.), Hospitality Mgmt.	15	01.03.2017	Marriot International, Area Director
Virmani M	60	V.P. - Operations Support (HD)	76,91,387	36,93,842	Dip. in Hotel Mgmt.	34	01.07.1982	Nil
Vishwanathan V	60	Asst. Manager - Customer Development (TM & D)	8,68,556	6,97,101	B.Com.	36	01.03.1988	Surya Agro Oils., Sales Supvr.
Yadav S M	47	V.P. - Technology & Manufacturing (FD)	64,61,156	33,08,603	B.E., Dip. in International Business	26	24.08.2016	Mondelez International, Associate Director - Asia Pacific (Engineering)

**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 grants Stock Options to the Directors, KMP and other employees under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such Options are not tradeable, no perquisite or benefit is immediately conferred upon the employee by such grant of Options, and accordingly the said grant has not been considered as remuneration.
- Net remuneration comprises cash income less : a) income tax, surcharge (as applicable) & education cess deducted at source.  
b) employees' 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.
- The above list does not include employees who are on deputation and whose cost is not borne by the Company.

On behalf of the Board

Y. C. DEVESHWAR

Chairman

S. PURI

Chief Executive Officer & Director

R. TANDON

Director & Chief Financial Officer

Kolkata  
26th May, 2017

## Annexure to the Report of the Board of Directors

### **DIVIDEND DISTRIBUTION POLICY**

This Dividend Distribution Policy is framed in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dividend Distribution shall take into account the distributable surplus available under law as well as the need to retain earnings, which in turn will take into account foreseeable funding requirements of the Company's businesses, including their growth plans, organic and inorganic, as also the financial capacity that needs to be conserved to address contingencies that may arise. The surplus so determined shall be returned to shareholders over the long term.

Consistent with the above, the Company will strive to declare a steady stream of dividend to its shareholders. The actual quantum of dividend pay-out each year will be guided by the Company's financial performance and cash flow position and will take into account the requirements of funds to sustain the business and growth plans of the Company, as well as the economic and market conditions then prevailing. Dividend distribution will also cognise for foreseeable opportunities and threats in the globalised competitive context.

The Board of Directors of the Company (hereinafter referred to as the 'Board') may declare interim dividend(s), at their discretion. The Board's recommendation to the shareholders on the final dividend may include special dividend(s) as considered appropriate.

# Annexure to the Report of the Board of Directors

## INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
ITC Limited

1. This certificate is issued in accordance with the terms of our engagement letter reference no. SRT/2016-17/10 dated 22nd August, 2016.
2. We, Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of ITC Limited ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on 31st March, 2017, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C and D of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations").

### Managements' Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

### Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the "ICAI"), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C and D of Schedule V to the Listing Regulations during the year ended 31st March, 2017.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm's Registration No. 302009E)

P. R. Ramesh  
*Partner*  
(Membership No. 70928)

Kolkata, 26th May, 2017

## CEO and CFO Compliance Certificate

We, S. Puri, Chief Executive Officer & Director and R. Tandon, Director & Chief Financial Officer certify that :

- a) We have reviewed the financial statements including the cash flow statement for the year ended 31st March, 2017 and to the best of our knowledge and belief :
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with Indian Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2017 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) The changes in the Significant Accounting Policies arising from the adoption of the Indian Accounting Standards have been discussed with the auditors and have been approved by the Audit Committee; and
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Kolkata  
26th May, 2017

S. PURI *Chief Executive Officer & Director*

R. TANDON *Director & Chief Financial Officer*

## Balance Sheet as at 31st March, 2017

Note	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)		
<b>ASSETS</b>							
<b>Non-current assets</b>							
(a) Property, Plant and Equipment	3A	14469.32	13591.96		13572.99		
(b) Capital work-in-progress	3B	3491.33	2388.42		2010.47		
(c) Intangible assets	3C	410.92	419.01		401.35		
(d) Intangible assets under development	3D	45.69	30.75		28.65		
<b>(e) Financial Assets</b>							
(i) Investments	4	8485.51	6853.20		2878.03		
(ii) Loans	5	5.84	8.12		9.34		
(iii) Others	6	99.83	8591.18	1031.18	7892.50	1381.22	4268.59
(f) Other non-current assets	7	2670.12	29678.56	2474.72	26797.36	1707.64	21989.69
<b>Current assets</b>							
(a) Inventories	8	7863.99	8519.82		7836.76		
<b>(b) Financial Assets</b>							
(i) Investments	9	10099.78	6471.33		6091.59		
(ii) Trade receivables	10	2207.50	1686.35		1722.40		
(iii) Cash and cash equivalents	11	156.15	75.79		36.29		
(iv) Other Bank Balances	12	2591.12	5563.41		6236.52		
(v) Loans	5	3.37	3.85		40.09		
(vi) Others	6	1004.91	16062.83	407.22	14207.95	255.58	14382.47
(c) Other current assets	7	610.57	24537.39	506.15	23233.92	555.89	22775.12
<b>TOTAL ASSETS</b>		<b>54215.95</b>	<b>50031.28</b>		<b>44764.81</b>		
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
(a) Equity Share capital	13	1214.74	804.72		801.55		
(b) Other Equity		44126.22	45340.96	40851.71	41656.43	36486.28	37287.83
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
<b>(a) Financial Liabilities</b>							
(i) Borrowings	14	17.99	25.83		38.69		
(ii) Other financial liabilities	15	9.21	27.20	15.13	40.96	7.05	45.74
(b) Provisions	16	131.37	112.19		100.72		
(c) Deferred tax liabilities (Net)	17	1871.70	1867.43		1677.22		
(d) Other non-current liabilities	18	14.65	2044.92	-	2020.58	-	1823.68
<b>Current liabilities</b>							
<b>(a) Financial Liabilities</b>							
(i) Borrowings	19	0.01	3.60		0.02		
(ii) Trade payables		2551.22	2228.01		1872.97		
(iii) Other financial liabilities	15	784.78	3336.01	594.71	2826.32	646.79	2519.78
(b) Other current liabilities	18	3351.15	3441.96		3056.99		
(c) Provisions	16	41.83	57.60		74.98		
(d) Current Tax Liabilities (Net)	20	101.08	6830.07	28.39	6354.27	1.55	5653.30
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54215.95</b>	<b>50031.28</b>		<b>44764.81</b>		

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

## Statement of Profit and Loss for the year ended 31st March, 2017

	Note	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
I Revenue From Operations	21A	55448.46	51944.57
II Other Income	22	1985.91	1769.26
<b>III Total Income (I+II)</b>		<b>57434.37</b>	<b>53713.83</b>
<b>IV EXPENSES</b>			
Cost of materials consumed		11765.56	11054.75
Purchases of Stock-in-Trade		3566.57	2591.80
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		644.17	(196.55)
Excise duty		15359.78	15361.90
Employee benefits expense	23	2444.31	2331.59
Finance costs	24	22.95	49.13
Depreciation and amortization expense		1038.04	1000.68
Other expenses	25	7090.03	7086.46
<b>Total expenses (IV)</b>		<b>41931.41</b>	<b>39279.76</b>
<b>V Profit before tax (III- IV)</b>		<b>15502.96</b>	<b>14434.07</b>
<b>VI Tax expense:</b>			
Current Tax	26	5285.65	4896.06
Deferred Tax	26	16.41	209.64
<b>VII Profit for the year (V-VI)</b>		<b>10200.90</b>	<b>9328.37</b>
<b>Other Comprehensive Income</b>			
A (i) Items that will not be reclassified to profit or loss:			
– Remeasurements of the defined benefit plans	27(vi)(a)	(27.96)	(53.84)
– Equity instruments through other comprehensive income		129.95	(29.85)
– Effective portion of losses on designated portion of hedging instruments in a cash flow hedge		(61.19)	–
(ii) Income tax relating to items that will not be reclassified to profit or loss	26	24.22	18.63
B (i) Items that will be reclassified to profit or loss:			
– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		18.29	(2.32)
(ii) Income tax relating to items that will be reclassified to profit or loss	26	(6.31)	0.80
<b>VIII Other Comprehensive Income [A(i-ii)+ B(i-ii)]</b>		<b>77.00</b>	<b>(66.58)</b>
<b>IX Total Comprehensive Income for the year (VII+VIII)</b>		<b>10277.90</b>	<b>9261.79</b>
<b>X Earnings per equity share (Face Value ₹ 1.00 each):</b>	27(i)		
(1) Basic (in ₹)		8.43	7.74
(2) Diluted (in ₹)		8.38	7.70

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

# Statement of changes in equity for the year ended 31st March, 2017

## A. Equity Share Capital (₹ in Crores)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2016	801.55	3.17	804.72
For the year ended 31st March, 2017	804.72	410.02	1214.74

## B. Other Equity (₹ in Crores)

	Reserves and Surplus						Items of other comprehensive income			Total	
	Capital Reserve	Securities Premium Account	Share Options Outstanding Account	Capital Redemption Reserve	Contingency Reserve	General Reserve	Retained Earnings	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges		Foreign Currency Translation Reserve
<b>Balance as at 1st April, 2015</b>	2.48	5134.75	677.87	0.30	363.05	15565.31	14257.63	436.40	7.94	40.55	36486.28
Profit for the year	-	-	-	-	-	-	9328.37	-	-	-	9328.37
Other Comprehensive Income (net of tax)	-	-	-	-	-	-	(35.21)	(29.85)	(1.52)	-	(66.58)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	<b>9293.16</b>	<b>(29.85)</b>	<b>(1.52)</b>	-	<b>9261.79</b>
Issue of equity shares under ITC Employee Stock Option Scheme	-	528.53	-	-	-	-	-	-	-	-	528.53
Dividend	-	-	-	-	-	-	-	-	-	-	-
- Ordinary Dividend (2016 - ₹ 6.25 per share)	-	-	-	-	-	-	(5009.70)	-	-	-	(5009.70)
Income tax on Dividend paid	-	-	-	-	-	-	(968.84)	-	-	-	(968.84)
Transfer from retained earnings	-	-	-	-	-	990.00	(990.00)	-	-	-	-
Transfer from share option reserve on exercise and lapse	-	22.58	(30.22)	-	-	-	7.64	-	-	-	-
Recognition of share based payment	-	-	553.65	-	-	-	-	-	-	-	553.65
<b>Balance as at 31st March, 2016</b>	2.48	5685.86	1201.30	0.30	363.05	16555.31	16589.89	406.55	6.42	40.55	40851.71
Profit for the year	-	-	-	-	-	-	10200.90	-	-	-	10200.90
Other Comprehensive Income (net of tax)	-	-	-	-	-	-	(24.92)	129.95	(28.03)	-	77.00
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	<b>10175.98</b>	<b>129.95</b>	<b>(28.03)</b>	-	<b>10277.90</b>



# Statement of changes in equity for the year ended 31st March, 2017

## B. Other Equity (₹ in Crores) (contd.)

	Reserves and Surplus							Items of other comprehensive income			Total
	Capital Reserve	Securities Premium Account	Share Options Outstanding Account	Capital Redemption Reserve	Contingency Reserve	General Reserve	Retained Earnings	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Foreign Currency Translation Reserve	
Issue of equity shares under ITC Employee Stock Option Scheme	-	1059.61	-	-	-	-	-	-	-	-	1059.61
Issue of Bonus Shares	-	(402.67)	-	-	-	-	-	-	-	-	(402.67)
Dividends											-
- Ordinary Dividend (2017 - ₹ 6.50 per share)	-	-	-	-	-	-	(5230.68)	-	-	-	(5230.68)
- Special Dividend (2017 - ₹ 2.00 per share)	-	-	-	-	-	-	(1609.44)	-	-	-	(1609.44)
Income tax on Dividend paid	-	-	-	-	-	-	(1333.52)	-	-	-	(1333.52)
Transfer from retained earnings	-	-	-	-	-	1030.00	(1030.00)	-	-	-	-
Transfer from share option reserve on exercise and lapse	-	89.44	(104.44)	-	-	-	14.58	-	-	-	(0.42)
Transferred to initial carrying amount of hedged items (net of tax)	-	-	-	-	-	-	-	-	10.88	-	10.88
Recognition of share based payment	-	-	502.85	-	-	-	-	-	-	-	502.85
<b>Balance as at 31st March, 2017</b>	<b>2.48</b>	<b>6432.24</b>	<b>1599.71</b>	<b>0.30</b>	<b>363.05</b>	<b>17585.31</b>	<b>17576.81</b>	<b>536.50</b>	<b>(10.73)</b>	<b>40.55</b>	<b>44126.22</b>

The Board of Directors of the Company recommended a dividend of ₹ 4.75 per share (for the year ended 31st March, 2016 - ordinary dividend ₹ 6.50 per share and special dividend ₹ 2.00 per share) to be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total equity dividend to be paid is ₹ 5770.01 Crores (for the year ended 31st March, 2016 - ordinary dividend ₹ 5230.68 Crores and special dividend ₹ 1609.44 Crores). Income tax on proposed dividend being ₹ 1174.64 Crores (for the year ended 31st March, 2016 - ₹ 1392.48 Crores).

**Capital Reserve:** This Reserve represents the difference between value of the net assets transferred to the Company in the course of business combinations and the consideration paid for such combinations.

**Securities Premium Account:** This Reserve represents the premium on issue of shares and can be utilized in accordance with the provisions of the Companies Act, 2013.

**Share Options Outstanding Account:** This Reserve relates to stock options granted by the Company to employees under ITC Employee Stock Option Schemes. This Reserve is transferred to securities premium or retained earnings on exercise or cancellation of vested options.

**Capital Redemption Reserve:** This Reserve has been transferred to the Company in the course of business combinations and can be utilized in accordance with the provisions of the Companies Act, 2013.

**Contingency Reserve:** This Reserve has been created out of retained earnings, as a matter of prudence, to take care of any unforeseen adverse developments in pending legal disputes.

**General Reserve:** This Reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilized by the Company in accordance with the provisions of the Companies Act, 2013.

**Retained Earnings:** This Reserve represents the cumulative profits of the Company and effects of re-measurement of defined benefit obligations. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013.

**Equity Instruments through Other Comprehensive Income:** This Reserve represents the cumulative gains (net of losses) arising on the revaluation of Equity Instruments measured at fair value through Other Comprehensive Income, net of amounts reclassified, if any, to Retained Earnings when those instruments are disposed of.

**Effective portion of Cash Flow Hedges:** This Reserve represents the cumulative effective portion of changes in fair value of derivatives that are designated as Cash Flow Hedges. It will be reclassified to profit or loss or included in the carrying amount of the non-financial asset in accordance with the Company's accounting policy.

**Foreign Currency Translation Reserve:** This Reserve contains the accumulated balance of foreign exchange differences arising on monetary items that, in substance, form part of the Company's net investment in a foreign operation whose functional currency is other than Indian Rupees. Exchange differences previously accumulated in this reserve are reclassified to profit or loss on disposal of the foreign operation.

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

## Cash Flow Statement for the year ended 31st March, 2017

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>A. Cash Flow from Operating Activities</b>		
PROFIT BEFORE TAX	15502.96	14434.07
ADJUSTMENTS FOR:		
Depreciation and amortization expense	1038.04	1000.68
Share based payments to employees	450.32	501.91
Finance costs	22.95	49.13
Interest Income	(864.58)	(851.63)
Dividend Income	(248.85)	(376.90)
Loss on sale of property, plant and equipment - Net	5.00	45.21
Doubtful and bad debts	30.74	22.40
Doubtful and bad advances, loans and deposits	1.25	(9.50)
Impairment of investment in subsidiary companies, reversed - Net	16.29	(26.00)
Net (gain)/loss recognised on disposal of subsidiary and return of capital by subsidiary	(203.95)	34.48
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit and loss	(605.20)	(522.68)
Foreign currency translations and transactions - Net	6.90	(9.74)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	15151.87	14291.43
ADJUSTMENTS FOR:		
Trade receivables, loans, advances and other assets	(859.05)	(196.85)
Inventories	655.83	(683.06)
Trade payables, other liabilities and provisions	266.33	628.12
CASH GENERATED FROM OPERATIONS	15214.98	14039.64
Income tax paid	(5212.96)	(4827.72)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>10002.02</b>	<b>9211.92</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of property, plant and equipment, Intangibles etc.	(2944.49)	(2144.78)
Sale of property, plant and equipment	47.38	7.11
Purchase of current investments	(76998.70)	(140152.13)
Sale/redemption of current investments	74903.71	141499.39
Investment in subsidiaries	(139.80)	(286.98)
Purchase of non-current investments from subsidiary	-	(121.00)
Purchase of non-current investments	(2280.65)	(4926.25)
Sale of non-current investments to subsidiary	-	5.40
Proceeds on disposal of subsidiary	132.88	-
Return of capital by subsidiary	126.57	-
Redemption proceeds of non-current investments	-	187.00
Dividend Income	248.85	376.90
Interest received	720.43	716.31
Investment in bank deposits (original maturity more than 3 months)	(1714.79)	(5366.87)
Redemption/maturity of bank deposits (original maturity more than 3 months)	5615.52	6450.13
Investment in deposit with housing finance company	(500.00)	-
Loans given	-	(3.20)
Loans realised	2.76	48.07
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2780.33)</b>	<b>(3710.90)</b>

# Cash Flow Statement for the year ended 31st March, 2017

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of share capital	1066.96	531.70
Repayment of non-current borrowings	(12.86)	(14.31)
Interest paid	(21.77)	(23.05)
Net increase in statutory restricted accounts balances	3.69	19.10
Dividend paid	(6840.12)	(5009.70)
Income tax on dividend paid	(1333.52)	(968.84)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(7137.62)</b>	<b>(5465.10)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>84.07</b>	<b>35.92</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>72.19</b>	<b>36.27</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>156.26</b>	<b>72.19</b>

*Notes:*

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Ind AS - 7 "Statements of Cash Flow".

2. **CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents as above	156.26	72.19
Unrealised gain/(Loss) on foreign currency cash and cash equivalents	(0.12)	...
Cash/export Credit Facilities (Note 19)	0.01	3.60
Cash and cash equivalents (Note 11)	<u>156.15</u>	<u>75.79</u>

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

# Notes to the Financial Statements

## 1. Significant Accounting Policies

### Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Company adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Company prepared its financial statements in accordance with the requirements of previous Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1st April, 2015. Details of the exceptions and optional exemptions availed by the Company and principal adjustments along with related reconciliations are detailed in Note 31 (First-time Adoption).

### Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102 – Share-based Payment, leasing transactions that are within the scope of Ind AS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 – Inventories or value in use in Ind AS 36 – Impairment of Assets.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting

policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

### Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1 – Presentation of Financial Statements based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

### Property, Plant and Equipment – Tangible Assets

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of property, plant and equipment are

# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

depreciated in a manner that amortizes the cost (or other amount substituted for cost) of the assets after commissioning, less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	30 – 60 Years
Leasehold Improvements	Shorter of lease period or estimated useful lives
Plant and Equipment	7 – 25 Years
Furniture and Fixtures	8 – 10 Years
Vehicles	8 – 10 Years
Office Equipment	5 Years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

### Intangible Assets

Intangible Assets that the Company controls and from which it expects future economic benefits are capitalised upon acquisition and measured initially:

- for assets acquired in a business combination or by way of a government grant, at fair value on the date of acquisition/grant
- for separately acquired assets, at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

Internally generated assets for which the cost is clearly identifiable are capitalised at cost. Research expenditure is recognised as an expense when it is incurred. Development costs are capitalised only after the technical and commercial feasibility of the asset for sale or use has been established. Thereafter, all directly attributable expenditure incurred to prepare the asset for its intended use are recognised as the cost of such assets. Internally generated brands, websites and customer lists are not recognised as intangible assets.

The carrying value of intangible assets includes deemed cost which represents the carrying value of intangible assets recognised as at 1st April, 2015 measured as per the previous GAAP.

The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g., patents, licences, trademarks, franchise and servicing rights) or the likelihood of technical, technological obsolescence (e.g., computer software, design, prototypes) or commercial obsolescence (e.g., lesser known brands are those to which adequate marketing support may not be provided). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit and Loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and/or impairment losses.

The useful lives of intangible assets are reviewed annually to determine if a reset of such useful life is required for assets with finite lives and to confirm that business circumstances continue to support an indefinite useful life assessment for assets so classified. Based on such review, the useful life may change or the useful life assessment may change from indefinite to finite. The impact of such changes is accounted for as a change in accounting estimate.

### Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses

# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortization or depreciation) had no impairment loss been recognised in previous years.

### Inventories

Inventories are stated at lower of cost and net realisable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

### Foreign Currency Transactions

The functional and presentation currency of the Company is Indian Rupee.

Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Gains/ losses arising on settlement as also on translation of monetary items are recognised in the Statement of Profit and Loss.

Exchange differences arising on monetary items that, in substance, form part of the Company's net investment in a foreign operation (having a functional currency other than Indian Rupee) are accumulated in Foreign Currency Translation Reserve.

### Derivatives and Hedge Accounting

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gains / losses is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss/inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

The Company complies with the principles of hedge accounting where derivative contracts are designated

as hedge instruments. At the inception of the hedge relationship, the Company documents the relationship between the hedge instrument and the hedged item, along with the risk management objectives and its strategy for undertaking hedge transaction, which can be a fair value hedge or a cash flow hedge.

#### (i) Fair value hedges

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognised in the Statement of Profit and Loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated as 'Cash Flow Hedging Reserve'. The gains / losses relating to the ineffective portion is recognised in the Statement of Profit and Loss.

Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss when the hedged item affects the Statement of Profit and Loss. However, when the hedged item results in the recognition of a non-financial asset, such gains/losses are transferred from equity (but not as reclassification adjustment) and included in the initial measurement cost of the non-financial asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gains/losses recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified when the underlying transaction is

# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

ultimately recognised. When an underlying transaction is no longer expected to occur, the gains / losses accumulated in equity is recognised immediately in the Statement of Profit and Loss.

### Investment in Subsidiaries, Associates and Joint Ventures

Investment in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment, if any.

### Financial instruments, Financial assets, Financial liabilities and Equity instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

#### Financial Assets

**Recognition:** Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

**Classification:** Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

- (a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.
- (b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of

principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

- (c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

**Impairment:** The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

**Reclassification:** When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

**De-recognition:** Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred

# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

- (a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;
- (b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

**Income Recognition:** Interest income is recognised in the Statement of Profit and Loss using the effective interest method. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

### Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption / settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

### Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of returns and discounts to customers. Revenue from the sale of goods includes excise and other duties which the Company pays as a principal but excludes

amounts collected on behalf of third parties, such as sales tax and value added tax.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, which is mainly upon delivery, the amount of revenue can be measured reliably and recovery of the consideration is probable. Revenue from services is recognised in the periods in which the services are rendered.

### Government Grant

The Company may receive government grants that require compliance with certain conditions related to the Company's operating activities or are provided to the Company by way of financial assistance on the basis of certain qualifying criteria.

Government grants are recognised when there is reasonable assurance that the grant will be received, and the Company will comply with the conditions attached to the grant. Accordingly, government grants:

- (a) related to or used for assets are included in the Balance Sheet as deferred income and recognised as income over the useful life of the assets.
- (b) related to incurring specific expenditures are taken to the Statement of Profit and Loss on the same basis and in the same periods as the expenditures incurred.
- (c) by way of financial assistance on the basis of certain qualifying criteria are recognised as they become receivable.

In the unlikely event that a grant previously recognised is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognised is expensed in the Statement of Profit and Loss.

### Dividend Distribution

Dividends paid (including income tax thereon) is recognised in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

### Employee Benefits

The Company makes contributions to both defined benefit and defined contribution schemes which are mainly administered through duly constituted and approved Trusts. Provident Fund contributions are in the nature of defined contribution scheme. In respect of employees who are



# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

members of constituted and approved trusts, the Company recognises contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realised by the investment and the interest payable to members at the rate declared by the Government of India. In respect of other employees, provident funds are deposited with the Government and recognised as expense.

The Company makes contribution to defined contribution pension plan. The contribution payable is recognised as an expense, when an employee renders the related service.

The Company also makes contribution to defined benefit pension and gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or Loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur.

The employees of the Company are entitled to compensated leave for which the Company records the liability based on actuarial valuation computed using projected unit credit method. These benefits are unfunded.

Actual disbursements made, under the Workers' Voluntary Retirement Scheme are accounted as revenue expenses.

### Employee Share Based Compensation

Stock Options are granted to eligible employees in accordance with the ITC Employee Stock Option Schemes ("ITC ESOS"), as may be decided by the Nomination & Compensation Committee. Eligible employees for this purpose include (a) such employees of the Company including Directors and those on deputation and (b) such employees of the Company's subsidiary companies including Managing Director / Wholetime Director of a subsidiary.

Under Ind AS, the cost of ITC Stock Options (Stock Options) is recognised based on the fair value of Stock Options as on the grant date. In terms of the exemptions, the fair value of unvested Stock Options as on the date of transition have been accounted for as part of Reserves, irrespective of whether they apply to Company employees (including those on deputation) or employees of subsidiary companies.

While the fair value of Stock Options granted and vesting after the transition date are recognised in profit and loss for employees of the Company (other than those out on

deputation), the value of Stock Options, net of reimbursements, to employees on deputation and to employees of the wholly owned and other subsidiary companies are considered as capital contribution / investment.

The Company generally seeks reimbursement of the value of Stock Options from such companies, as applicable. It may, if so recommended by the Corporate Management Committee and approved by the Audit Committee, decide not to seek such reimbursements from:

- (a) Wholly owned subsidiaries who need to conserve financial capacity to sustain their business and growth plans and to address contingencies that may arise, taking into account the economic and market conditions then prevailing and opportunities and threats in the competitive context.
- (b) Other companies not covered under (a) above, who need to conserve financial capacity to sustain their business and growth plans and where the quantum of reimbursement is not material - the materiality threshold being ₹ 5 Crores for each entity for a financial year.

### Leases

Leases are recognised as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### Company as a Lessee

Assets used under finance leases are recognised as property, plant and equipment in the Balance Sheet for an amount that corresponds to the lower of fair value and the present value of minimum lease payments determined at the inception of the lease and a liability is recognised for an equivalent amount.

The minimum lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit and Loss.

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

# Notes to the Financial Statements

## 1. Significant Accounting Policies (Contd.)

### Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalised within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

### Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

### Claims

Claims against the Company not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

### Provisions

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount so recognised is a best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

### Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Committee.

Segments are organised based on business which have similar economic characteristics as well as exhibit similarities in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods.

Segment revenue arising from third party customers is reported on the same basis as revenue in the financial statements. Inter-segment revenue is reported on the basis of transactions which are primarily market led. Segment results represent profits before finance charges, unallocated corporate expenses and taxes.

“Unallocated Corporate Expenses” include revenue and expenses that relate to initiatives/costs attributable to the enterprise as a whole and are not attributable to segments.

### Financial and Management Information Systems

The Company's Accounting System is designed to unify the Financial and Cost Records and also to comply with the relevant provisions of the Companies Act, 2013, to provide financial and cost information appropriate to the businesses and facilitate Internal Control.

# Notes to the Financial Statements

## 2. Use of estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### A. Judgements in applying accounting policies

The judgements, apart from those involving estimations (see note below), that the Company has made in the process of applying its accounting policies and that have a significant effect on the amounts recognised in these financial statements pertain to useful life of intangible assets. The Company is required to determine whether its intangible assets have indefinite or finite life which is a subject matter of judgement. Certain trademarks have been considered of having an indefinite useful life taking into account that there are no technical, technological or commercial risks of obsolescence or limitations under contract or law. Other trademarks have been amortized over their useful economic life. Refer notes to the financial statements.

### B. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 1. Useful lives of property, plant and equipment and intangible assets:

As described in the significant accounting policies, the Company reviews the estimated useful lives of

property, plant and equipment and intangible assets at the end of each reporting period.

#### 2. Fair value measurements and valuation processes:

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share based payments are disclosed in the notes to the financial statements.

#### 3. Actuarial Valuation:

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to the financial statements.

#### 4. Claims, Provisions and Contingent Liabilities:

The Company has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is provided in notes to the financial statements.

# Notes to the Financial Statements

(₹ in Crores)

Particulars	Gross Block						
	As at 1st April, 2015	Additions	Withdrawals and adjustments	As at 31st March, 2016	Additions	Withdrawals and adjustments	As at 31st March, 2017
<b>3A. Property, plant and equipment</b>							
Land <sup>1</sup>	1374.69	163.90	0.25	1538.34	59.19	1.05	1596.48
Buildings	3693.30	157.26	5.76	3844.80	494.65	5.42	4334.03
Leasehold Improvements	24.04	2.92	0.88	26.08	3.39	1.78	27.69
Plant and Equipment	8037.00	642.52	33.50	8646.02	1294.91	40.48	9900.45
Furniture and Fixtures	352.17	41.75	2.21	391.71	53.76	7.61	437.86
Vehicles	73.51	23.65	2.79	94.37	29.30	10.66	113.01
Office Equipment	16.55	3.08	1.97	17.66	5.57	1.73	21.50
Railway Sidings	1.73	–	–	1.73	–	–	1.73
<b>TOTAL</b>	<b>13572.99</b>	<b>1035.08</b>	<b>47.36</b>	<b>14560.71</b>	<b>1940.77</b>	<b>68.73</b>	<b>16432.75</b>
<b>3B. Capital work-in-progress [Refer Note 28]</b>	<b>2010.47</b>	<b>1928.97</b>	<b>1551.02</b>	<b>2388.42</b>	<b>2969.67</b>	<b>1866.76</b>	<b>3491.33</b>
<b>3C. Intangible Assets (acquired)</b>							
Trademarks <sup>2</sup>	333.22	0.04	–	333.26	–	–	333.26
Computer Software	51.36	32.68	0.05	83.99	18.92	0.01	102.90
Know How, Business and Commercial Rights	16.77	10.59	–	27.36	–	0.68	26.68
<b>TOTAL</b>	<b>401.35</b>	<b>43.31</b>	<b>0.05</b>	<b>444.61</b>	<b>18.92</b>	<b>0.69</b>	<b>462.84</b>
<b>3D. Intangible Assets under Development</b>	<b>28.65</b>	<b>44.54</b>	<b>42.44</b>	<b>30.75</b>	<b>32.94</b>	<b>18.00</b>	<b>45.69</b>

The above includes following assets given on operating lease:

Particulars	As at 31st March, 2017			2017	As at 31st March, 2016			2016	As at 1st April, 2015		
	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block
Buildings	3.24	0.45	2.79	0.23	2.99	0.22	2.77	0.22	3.14	–	3.14
Plant and Equipment	176.88	37.17	139.71	18.60	184.47	18.35	166.12	18.35	129.25	–	129.25
<b>TOTAL</b>	<b>180.12</b>	<b>37.62</b>	<b>142.50</b>	<b>18.83</b>	<b>187.46</b>	<b>18.57</b>	<b>168.89</b>	<b>18.57</b>	<b>132.39</b>	<b>–</b>	<b>132.39</b>

# Notes to the Financial Statements

(₹ in Crores)

Particulars	Depreciation and Amortization						Net Book Value			
	Upto 1st April, 2015	For the year	On Withdrawals and adjustments	Upto 31st March, 2016	For the year	On Withdrawals and adjustments	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
<b>3A. Property, plant and equipment</b>										
Land <sup>1</sup>	–	–	–	–	–	–	–	1596.48	1538.34	1374.69
Buildings	–	110.16	0.20	109.96	115.73	0.40	225.29	4108.74	3734.84	3693.30
Leasehold Improvements	–	6.07	0.22	5.85	4.85	0.99	9.71	17.98	20.23	24.04
Plant and Equipment	–	772.58	3.91	768.67	805.42	7.59	1566.50	8333.95	7877.35	8037.00
Furniture and Fixtures	–	66.44	0.40	66.04	65.89	2.67	129.26	308.60	325.67	352.17
Vehicles	–	15.06	1.53	13.53	15.13	3.57	25.09	87.92	80.84	73.51
Office Equipment	–	4.64	0.07	4.57	4.48	1.73	7.32	14.18	13.09	16.55
Railway Sidings	–	0.13	–	0.13	0.13	–	0.26	1.47	1.60	1.73
<b>TOTAL</b>	<b>–</b>	<b>975.08</b>	<b>6.33</b>	<b>968.75</b>	<b>1011.63</b>	<b>16.95</b>	<b>1963.43</b>	<b>14469.32</b>	<b>13591.96</b>	<b>13572.99</b>
<b>3B. Capital work-in-progress [Refer Note 28]</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3491.33</b>	<b>2388.42</b>	<b>2010.47</b>
<b>3C. Intangible Assets (acquired)</b>										
Trademarks <sup>2</sup>	–	2.45	–	2.45	2.43	–	4.88	328.38	330.81	333.22
Computer Software	–	20.53	–	20.53	20.84	0.01	41.36	61.54	63.46	51.36
Know How, Business and Commercial Rights	–	2.62	–	2.62	3.14	0.08	5.68	21.00	24.74	16.77
<b>TOTAL</b>	<b>–</b>	<b>25.60</b>	<b>–</b>	<b>25.60</b>	<b>26.41</b>	<b>0.09</b>	<b>51.92</b>	<b>410.92</b>	<b>419.01</b>	<b>401.35</b>
<b>3D. Intangible Assets under Development</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>45.69</b>	<b>30.75</b>	<b>28.65</b>

1. Land includes certain lands at Munger with Gross Block - ₹ 1.16 Crores (2016 - ₹ 1.16 Crores; 2015 - ₹ 1.16 Crores) which stood vested with the State of Bihar under the Bihar Land Reforms Act, 1950 for which compensation has not yet been determined.
2. Certain trademarks with a carrying value of ₹ 309.73 Crores (2016 - ₹ 309.73 Crores; 2015 - ₹ 309.73 Crores) have been considered of having an indefinite useful life taking into account that there are no technical, technological or commercial risks of obsolescence or limitations under contract or law. Other trademarks have been amortized over 10 years.
3. The amortization expense of intangible assets have been included under 'Depreciation and amortization expense' in the Statement of Profit and Loss.
4. The amount of expenditures recognised in the carrying amount of property, plant and equipment in the course of construction is ₹ 73.91 Crores (2016 - ₹ 45.26 Crores).

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments</b>						
<b>INVESTMENT IN EQUITY INSTRUMENTS</b>						
<b>In Subsidiaries (at cost unless stated otherwise)</b>						
Gold Flake Corporation Limited 1,59,98,385 (2016 - 1,59,98,385; 2015 - 1,59,98,385) Equity Shares of ₹ 10.00 each, fully paid		16.00		16.00		16.00
Wills Corporation Limited Nil (2016 - Nil; 2015 - 48,85,626) Equity Shares of ₹ 10.00 each, fully paid		–		–		4.88
Russell Credit Limited 59,74,54,177 (2016 - 59,74,54,177; 2015 - 59,74,54,177) Equity Shares of ₹ 10.00 each, fully paid		619.29		620.07		619.29
7,54,22,400 (2016 - 7,54,22,400; 2015 - 7,54,22,400) Equity Shares of ₹ 10.00 each, ₹ 6.50 per share paid		39.22		39.22		39.22
ITC Infotech India Limited 8,52,00,000 (2016 - 8,52,00,000; 2015 - 8,52,00,000) Equity Shares of ₹ 10.00 each, fully paid		153.93		119.59		85.14
Landbase India Limited 31,70,00,000 (2016 - 31,70,00,000; 2015 -12,00,00,000) Equity Shares of ₹ 10.00 each, fully paid		325.57		326.11		128.57
ITC Global Holdings Pte. Limited (in liquidation) 89,99,645 (2016 - 89,99,645; 2015 - 89,99,645) Ordinary Shares of US \$ 1.00 each, fully paid [(cost ₹ 25.58 Crores (2016 - ₹ 25.58 Crores; 2015 - ₹ 25.58 Crores), fully impaired)]		–		–		–
BFIL Finance Limited Nil (2016 - Nil; 2015 - 2,00,00,000) Equity Shares of ₹ 10.00 each, fully paid [cost Nil (2016 - Nil; 2015 - ₹ 20.00 Crores, fully impaired)]		–		–		–
Surya Nepal Private Limited 1,18,94,400 (2016 - 1,18,94,400; 2015 - 1,18,94,400) Ordinary Shares of Nepalese Rupees 100.00 each, fully paid		10.15		13.39		10.15
Srinivasa Resorts Limited 1,63,20,477 (2016 - 1,63,20,477; 2015 - 1,63,20,477) Equity Shares of ₹ 10.00 each, fully paid		18.53		18.78		18.53
Fortune Park Hotels Limited 4,50,008 (2016 - 4,50,008; 2015 - 4,50,008) Equity Shares of ₹ 10.00 each, fully paid		0.45		4.72		0.45
Bay Islands Hotels Limited 11,875 (2016 - 11,875; 2015 - 11,875) Equity Shares of ₹ 100.00 each, fully paid		0.12		0.12		0.12
WelcomHotels Lanka (Private) Limited 13,96,42,260 (2016 - 12,19,09,510; 2015 -10,63,08,150) Shares with no par value		641.85		561.36		486.97
King Maker Marketing, Inc. Nil (2016 - 204; 2015 - 204) Shares of Common Stock with no par value		–		11.17		10.23
Wimco Limited 18,50,81,193 (2016 -18,50,81,193; 2015 -18,50,81,193) Equity Shares of ₹ 1.00 each, fully paid		3.26		3.03		2.83
Carried over	–	1828.37	–	1733.56	–	1422.38

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	–	1828.37	–	1733.56	–	1422.38
<b>INVESTMENT IN EQUITY INSTRUMENTS (Contd.)</b>						
Technico Pty Limited 1,00,15,502 (2016 - 2,26,06,065; 2015 - 2,26,06,065) Ordinary Shares with no par value [₹ 16.29 Crores (2016 - Nil; 2015 - Nil), impaired]		31.88		108.72		108.72
Technico Agri Sciences Limited 3,79,62,800 (2016 - 3,79,62,800; 2015 - Nil) Equity Shares of ₹ 10.00 each, fully paid		121.00		122.84		–
ITC Investments & Holdings Limited 45,00,000 (2016 - 45,00,000; 2015 - 45,00,000) Equity Shares of ₹ 10.00 each, fully paid		4.50		4.50		4.50
North East Nutrients Private Limited 5,54,80,000 (2016 - 5,54,80,000; 2015 - 4,81,33,333) Equity Shares of ₹ 10.00 each, fully paid		55.48		55.48		48.13
Pavan Poplar Limited 55,10,004 (2016 - 55,10,004; 2015 - 55,10,004) Equity Shares of ₹ 10.00 each, fully paid (cost ₹ 5.99 Crores, fully impaired)		–		–		–
Prag Agro Farm Limited 1,28,00,020 (2016 - 1,28,00,020; 2015 - 38,00,020) Equity Shares of ₹ 1.00 each, fully paid [cost ₹ 12.82 Crores (2016 - ₹ 12.82 Crores; 2015 - ₹ 3.82 Crores), fully impaired]		–		–		–
<b>In Associates (at cost unless stated otherwise)</b>						
International Travel House Limited 2,87,600 (2016 - 2,87,600; 2015 - 2,87,600) Equity Shares of ₹ 10.00 each, fully paid		0.65		3.23		0.65
Gujarat Hotels Limited 17,33,907 (2016 - 17,33,907; 2015 - 17,33,907) Equity Shares of ₹ 10.00 each, fully paid		1.94		2.06		1.94
ATC Limited		–		0.63		–
<b>In Joint Ventures (at cost unless stated otherwise)</b>						
Espirit Hotels Private Limited 4,65,09,200 (2016 - 4,65,09,200; 2015 - 4,65,09,200) Equity Shares of ₹ 10.00 each, fully paid		46.51		46.51		46.51
Maharaja Heritage Resorts Limited 90,000 (2016 - 90,000; 2015 - 90,000) Equity Shares of ₹ 100.00 each, fully paid		0.90		1.43		0.90
Logix Developers Private Limited 77,66,913 (2016 - 77,66,913; 2015 - 77,66,913) Equity Shares of ₹ 10.00 each, fully paid		41.95		41.95		41.95
ITC Essentra Limited		–		0.60		–
<b>In Others (at fair value through other comprehensive income)</b>						
VST Industries Limited 476 (2016 - 476; 2015 - 476) Equity Shares of ₹ 10.00 each, fully paid		0.14		0.08		0.06
Carried over	2.73	2130.59	5.37	2116.22	2.65	1673.09

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	2.73	2130.59	5.37	2116.22	2.65	1673.09
<b>INVESTMENT IN EQUITY INSTRUMENTS (Contd.)</b>						
Hotel Leelaventure Limited 4,99,53,055 (2016 - 4,99,53,055; 2015 - 4,99,53,055) Equity Shares of ₹ 2.00 each, fully paid	81.42		89.93		93.16	
EIH Limited 8,56,21,473 (2016 - 8,56,21,473; 2015 - 8,56,21,473) Equity Shares of ₹ 2.00 each, fully paid	1031.31		893.03		919.58	
Punjab Anand Batteries Limited (in liquidation) 11,86,157 (2016 - 11,86,157; 2015 - 11,86,157) Equity Shares of ₹ 10.00 each, fully paid - under Board for Industrial and Financial Reconstruction's Order of 20.04.1989		—		—		—
Bihar Hotels Limited 8,00,000 (2016 - 8,00,000; 2015 - 8,00,000) Equity Shares of ₹ 2.00 each, fully paid		0.04		0.04		0.04
Tourism Finance Corporation of India Limited 25,000 (2016 - 25,000; 2015 - 25,000) Equity Shares of ₹ 10.00 each, fully paid	0.21		0.11		0.17	
Andhra Pradesh Gas Power Corporation Limited 8,04,000 (2016 - 8,04,000; 2015 - 8,04,000) Equity Shares of ₹ 10.00 each, fully paid		2.32		2.32		2.32
Woodlands Multispeciality Hospital Limited 13,072 (2016 - 13,072; 2015 - 13,072) Equity Shares of ₹ 10.00 each, fully paid		0.01		0.01		0.01
Mirage Advertising and Marketing Limited 12,488 (2016 - 12,488; 2015 - 12,488) Equity Shares of ₹ 10.00 each, fully paid		—		—		—
Bilaspur Cane Development Corporation Limited 100 (2016 - 100; 2015 - 100) Equity Shares of ₹ 10.00 each, fully paid (cost ₹ 1000.00)		...		...		...
<b>INVESTMENT IN PREFERENCE SHARES</b>						
<b>In Subsidiaries (at cost unless stated otherwise)</b>						
Landbase India Limited Nil (2016 - Nil; 2015 - 1,87,00,000) Redeemable Preference Shares of ₹ 100.00 each, fully paid		—		—		187.00
WelcomHotels Lanka (Private) Limited 1,36,57,500 (2016-Nil; 2015-Nil) Redeemable Preference Shares of Sri Lankan Rupee 100 each, fully paid		58.55		—		—
<b>INVESTMENT IN GOVERNMENT OR TRUST SECURITIES (at amortised cost)</b>						
Government Securities (cost ₹ 74000.00) National savings certificates (pledged with various Mandi Samitis) (cost ₹ 6000.00)		0.01		0.01		0.01
		...		...		...
<b>INVESTMENT IN BONDS/DEBENTURES</b>						
<b>In Subsidiaries (at cost unless stated otherwise)</b>						
BFIL Finance Limited Nil (2016 - Nil; 2015 - 15,00,000) 18.5% Non-Convertible Debentures of ₹ 100.00 each, (renewed at 9% in 2015) [Nil (2016 - Nil; 2015 - ₹ 15.00 Crores, fully provided)]		—		—		—
Carried over	1115.67	2191.52	988.44	2118.60	1015.56	1862.47



## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	1115.67	2191.52	988.44	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
<b>In Others (at amortised cost)</b>						
Housing and Urban Development Corporation Limited 1,79,870 (2016 - Nil; 2015 - Nil) 7.34% (Tranche I Series 1 Bonds) For Category I, II, III Tax Free Tranche I Series 1 Bonds in the nature of Secured Redeemable Non-Convertible Debentures (16 February 2023) of ₹ 1000.00 each, fully paid	18.82		–		–	
3,50,000 (2016 - Nil; 2015 - Nil) 8.10% For Category I & II Tax Free Bonds Tranche 1 Series - 1 in the nature of Secured Non-Convertible Debentures (05 March 2022) of ₹ 1000.00 each, fully paid	37.47		–		–	
4,300 (2016 - 2,000; 2015 - Nil) 7.07% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series B (01 October 2025) of ₹ 1000000.00 each, fully paid	441.20		200.00		–	
7,00,696 (2016 - 7,00,696; 2015 - Nil) 7.39% (For category I, II & III) Secured Redeemable Non-Convertible Tax Free Bonds Tranche I Series 2A (08 February 2031) of ₹ 1000.00 each, fully paid	70.07		70.07		–	
Housing Development Finance Corporation Limited 50 (2016 - Nil; 2015 - Nil) 8.38% Secured Redeemable Non-Convertible Debentures Series P - 021 (15 July 2019) of ₹ 10000000.00 each, fully paid	50.72		–		–	
160 (2016 - Nil; 2015 - Nil) 8.45% Secured Redeemable Non-Convertible Debentures Series P-013 (24 July 2019) of ₹ 10000000.00 each, fully paid	162.27		–		–	
30 (2016 - Nil; 2015 - Nil) 8.45% Secured Redeemable Non-Convertible Debentures Series O - 009 (08 February 2019) of ₹ 10000000.00 each, fully paid	30.36		–		–	
90 (2016 - Nil; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Series O - 001 (31 August 2020) of ₹ 10000000.00 each, fully paid	92.07		–		–	
800 (2016 - Nil; 2015 - Nil) 8.70% Secured Redeemable Non-Convertible Debentures Series N - 017 (18 May 2020) of ₹ 500000.00 each, fully paid	41.01		–		–	
1,700 (2016 - Nil; 2015 - Nil) 8.75% Secured Redeemable Non-Convertible Debentures Series N-002 (13 January 2020) of ₹ 500000.00 each, fully paid	87.33		–		–	
600 (2016 - Nil; 2015 - Nil) 9.40% Secured Redeemable Non-Convertible Debentures Series M - 016 (26 August 2019) of ₹ 1000000.00 each, fully paid	62.59		–		–	
2,100 (2016 - Nil; 2015 - Nil) 9.45% Secured Redeemable Non-Convertible Debentures Series M - 015 (21 August 2019) of ₹ 1000000.00 each, fully paid	218.10		–		–	
30 (2016 - Nil; 2015 - Nil) 7.95% Secured Redeemable Non-Convertible Debentures Series Q - 002 (23 September 2019) of ₹ 10000000.00 each, fully paid	30.15		–		–	
Carried over	2457.83	2191.52	1258.51	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	2457.83	2191.52	1258.51	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
ICICI Home Finance Company Limited 1,900 (2016 - Nil; 2015 - Nil) 7.65% Unsecured Rated Listed Redeemable Senior Non-Convertible Bonds in the nature of Debentures Series HDBFB171 (23 October 2018) of ₹ 500000.00 each, fully paid	95.00		–		–	
IDFC Bank Limited Nil (2016 - 3,000; 2015 - Nil) Zero Coupon Unsecured Redeemable Non-Convertible Debentures Series IDFC Bank OBB 20/2015 (27 November 2017) of ₹ 1000000.00 each, fully paid	–		325.74		–	
India Infrastructure Finance Company Limited 1,000 (2016 - 1,000; 2015 - Nil) 8.26% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series V B (23 August 2028) of ₹ 1000000.00 each, fully paid	106.47		106.82		–	
800 (2016 - 800; 2015 - Nil) 8.46% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series VI B (30 August 2028) of ₹ 1000000.00 each, fully paid	86.52		86.88		–	
1,630 (2016 - 1,630; 2015 - Nil) 8.48% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series VII B (05 September 2028) of ₹ 1000000.00 each, fully paid	176.49		177.23		–	
2,50,000 (2016 - Nil; 2015 - Nil) 7.19% For Category I,II,III & IV Tax Free Secured Redeemable Non-Convertible Bonds 2012-13 (Tranche I Series I) (22 January 2023) of ₹ 1000.00 each, fully paid	25.98		–		–	
Indian Railway Finance Corporation Limited 2,250 (2016 - 2,000; 2015 - Nil) 7.19% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 99 (31 July 2025) of ₹ 1000000.00 each, fully paid	226.40		200.00		–	
1,250 (2016 - 1,250; 2015 - Nil) 8.48% Tax Free Secured Non-Cumulative Non-Convertible Redeemable Bonds 89th A Series (21 November 2028) of ₹ 1000000.00 each, fully paid	135.30		135.85		–	
130 (2016 - 130; 2015 - Nil) 8.55% Tax Free Secured Non-Convertible Redeemable Bonds Series 94th A (12 February 2029) of ₹ 1000000.00 each, fully paid	14.15		14.21		–	
5,00,000 (2016 - Nil; 2015 - Nil) 7.18% (For Categories I,II & III) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures Series 86 (19 February 2023) of ₹ 1000.00 each, fully paid	52.15		–		–	
2,50,000 (2016 - Nil; 2015 - Nil) 8.00% (For Categories I & II) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds Series 80 (23 February 2022) of ₹ 1000.00 each, fully paid	26.69		–		–	
Carried over	3402.98	2191.52	2305.24	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	3402.98	2191.52	2305.24	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
100 (2016 - Nil; 2015 - Nil) 8.35% Tax Free Secured Non-Cumulative Non-Convertible Redeemable Bonds Series 89 (21 November 2023) of ₹ 1000000.00 each, fully paid	11.05		–		–	
70,498 (2016 - Nil; 2015 - Nil) 7.07% (For Category I, II & III ) Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 102 (21 December 2025) of ₹ 1000.00 each, fully paid	7.40		–		–	
250 (2016-Nil; 2015 - Nil) 7.15% Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 100 (21 August 2025) of ₹ 1000000.00 each, fully paid	26.35		–		–	
8,00,000 (2016 - Nil; 2015 - Nil) 8.23% (For Category I, II & III) Tax Free Secured Non-Convertible Redeemable Bonds Series 91 (18 February 2024) of ₹ 1000.00 each, fully paid	88.82		–		–	
LIC Housing Finance Limited						
250 (2016 - 250; 2015 - Nil) 8.49% Secured Redeemable Non-Convertible Debentures Tranche 249 (28 April 2020) of ₹ 1000000.00 each, fully paid	24.85		24.81		–	
Nil (2016 - 30; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Tranche 187 (13 April 2017) of ₹ 1000000.00 each, fully paid	–		3.00		–	
750 (2016 - Nil; 2015 - Nil) 7.79% Secured Redeemable Non-Convertible Debentures Tranche 328 (10 May 2019) of ₹ 1000000.00 each, fully paid	75.00		–		–	
3,000 (2016 - 3,000; 2015 - Nil) 8.69% Secured Redeemable Non-Convertible Debentures Tranche 257 (26 June 2019) of ₹ 1000000.00 each, fully paid	300.00		300.00		–	
239 (2016 - 239; 2015 - Nil) 8.95% Unsecured Non-Convertible Redeemable Tier II Subordinated Bonds Series III (15 September 2020) of ₹ 1000000.00 each, fully paid	24.01		24.04		–	
Nil (2016 - 1,000; 2015 - Nil) 9.18% Secured Redeemable Non-Convertible Debentures Tranche 219 (03 July 2017) of ₹ 1000000.00 each, fully paid	–		100.60		–	
Nil (2016 - 300; 2015 - Nil) 9.29% Secured Redeemable Non-Convertible Debentures Tranche 230 Option 1 (16 October 2017) of ₹ 1000000.00 each, fully paid	–		30.29		–	
Nil (2016 - 170; 2015 - Nil) 9.80% Secured Redeemable Non-Convertible Debentures Tranche XXVI (22 October 2017) of ₹ 1000000.00 each, fully paid	–		17.28		–	
100 (2016 - Nil; 2015 - Nil) 8.30% Secured Redeemable Non-Convertible Debentures Tranche 304 Option 2 (15 July 2021) of ₹ 1000000.00 each, fully paid	10.32		–		–	
Carried over	3970.78	2191.52	2805.26	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	3970.78	2191.52	2805.26	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
800 (2016 - Nil; 2015 - Nil) 8.35% Secured Redeemable Non-Convertible Debentures Tranche 273 Option 1 (23 October 2020) of ₹ 1000000.00 each, fully paid	81.40		—		—	
750 (2016 - Nil; 2015 - Nil) 8.35% Secured Redeemable Non-Convertible Debentures Tranche 272 (18 October 2019 with Put Option on 17 November 2017) of ₹ 1000000.00 each, fully paid	76.00		—		—	
250 (2016 - Nil; 2015 - Nil) 8.37% Secured Redeemable Non-Convertible Debentures Tranche 293 (03 October 2019 with Put Option on 02 November 2017) of ₹ 1000000.00 each, fully paid	25.35		—		—	
700 (2016 - Nil; 2015 - Nil) 8.67% Secured Redeemable Non-Convertible Debentures Tranche 263 Option 2 (26 August 2020) of ₹ 1000000.00 each, fully paid	71.75		—		—	
350 (2016 - Nil; 2015 - Nil) 8.75% Secured Redeemable Non-Convertible Debentures Tranche 290 Option 1 (21 December 2020 with Put Option on 21 November 2017) of ₹ 1000000.00 each, fully paid	36.47		—		—	
450 (2016 - Nil; 2015 - Nil) 8.97% Secured Redeemable Non-Convertible Debentures Tranche 231 Option 2 (29 October 2019) of ₹ 1000000.00 each, fully paid	46.20		—		—	
700 (2016 - Nil; 2015 - Nil) 9.3532% Secured Redeemable Non-Convertible Debentures Tranche 224 (19 August 2019) of ₹ 1000000.00 each, fully paid	72.36		—		—	
National Highways Authority of India 2,600 (2016 - 2,500; 2015 - Nil) 7.11% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series NHAI-IA (18 September 2025) of ₹ 1000000.00 each, fully paid	260.50		249.99		—	
2,500 (2016 - 2,500; 2015 - Nil) 7.28% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series NHAI-IIB (18 September 2030) of ₹ 1000000.00 each, fully paid	250.00		250.00		—	
8,06,381 (2016 - 4,28,547; 2015 - Nil) 7.14% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series IA (11 January 2026) of ₹ 1000.00 each, fully paid	82.72		42.85		—	
9,99,943 (2016 - 9,99,943; 2015 - Nil) 7.35% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series IIA (11 January 2031) of ₹ 1000.00 each, fully paid	99.99		99.99		—	
National Housing Bank 800 (2016 - 800; 2015 - Nil) 8.46% NHB Tax Free Bonds 2028, Series V (30 August 2028) of ₹ 1000000.00 each, fully paid	86.38		86.73		—	
Carried over	5159.90	2191.52	3534.82	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	5159.90	2191.52	3534.82	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
Power Finance Corporation Limited						
Nil (2016 - 1,000; 2015 - Nil) 8.12% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 139-B (22 May 2017) of ₹ 1000000.00 each, fully paid	–		99.88		–	
170 (2016 - 170; 2015 - Nil) 8.29% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 129-B (13 June 2018) of ₹ 1000000.00 each, fully paid	17.03		17.04		–	
500 (2016 - 500; 2015 - Nil) 8.38% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 131-B (27 April 2020) of ₹ 1000000.00 each, fully paid	50.10		50.11		–	
Nil (2016 - 1,500; 2015 - Nil) 9.11% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 115 I (07 July 2017) of ₹ 1000000.00 each, fully paid	–		151.04		–	
Nil (2016 - 379; 2015 - Nil) 9.27% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series- 92-B (21 August 2017) of ₹ 1000000.00 each, fully paid	–		38.37		–	
600 (2016 - Nil; 2015 - Nil) 7.16% Secured Redeemable Non Convertible Tax Free Bonds Series 136 (17 July 2025) of ₹ 1000000.00 each, fully paid	63.42		–		–	
Nil (2016 - 150; 2015 - Nil) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 117 A (19 August 2017) of ₹ 1000000.00 each, fully paid	–		15.19		–	
500 (2016 - 500; 2015 - Nil) 8.46% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 107-B (30 August 2028) of ₹ 1000000.00 each, fully paid	53.99		54.21		–	
PNB Housing Finance Limited						
600 (2016 - 500; 2015 - Nil) 8.36% Secured Redeemable Non-Convertible Bonds in the nature of Promissory Note Series XXIV (12 July 2019) of ₹ 1000000.00 each, fully paid	60.14		49.99		–	
1,000 (2016 - Nil; 2015 - Nil) 7.95% Secured Redeemable Non-Convertible Taxable Bonds in the nature of Promissory Note Series XXIX (18 October 2019) of ₹ 1000000.00 each, fully paid	100.32		–		–	
100 (2016 - Nil; 2015 - Nil) 8.23% Secured Redeemable Non-Convertible Bonds in the nature of Promissory Note Series XXII (09 April 2019) of ₹ 1000000.00 each, fully paid	10.11		–		–	
Carried over	5515.01	2191.52	4010.65	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	5515.01	2191.52	4010.65	2118.60	1015.56	1862.47
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
Rural Electrification Corporation Limited 800 (2016 - 800; 2015 - Nil) 8.46% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series 3B (29 August 2028) of ₹ 1000000.00 each, fully paid	86.39		86.73		–	
50 (2016 - 50; 2015 - Nil) 8.54% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 4B (11 October 2028) of ₹ 1000000.00 each, fully paid	5.43		5.45		–	
250 (2016 - 250; 2015 - Nil) 8.87% Unsecured 7 Year Non-Convertible Non-Cumulative Redeemable Taxable Bonds - 2020 113th Series (08 March 2020) of ₹ 1000000.00 each, fully paid	25.34		25.44		–	
Nil (2016 - 1,000; 2015 - Nil) 9.40% Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds-2017 Series-108 (Option I) (20 July 2017) of ₹ 1000000.00 each, fully paid	–		101.33		–	
850 (2016 - Nil; 2015 - Nil) 7.17% Secured Redeemable Non-Convertible Tax Free Bonds Series 5-A (23 July 2025) of ₹ 1000000.00 each, fully paid	89.64		–		–	
Small Industries Development Bank Of India 1,000 (2016 - 1,000; 2015 - Nil) 8.28% Unsecured Redeemable Non-Convertible Bonds in the nature of Promissory Notes Series 7 of 2015-16 (26 February 2019 with Put Option on 27 February 2017) of ₹ 1000000.00 each, fully paid	100.00		100.00		–	
<b>INVESTMENT IN MUTUAL FUNDS (at fair value through profit or loss)</b>						
HDFC Fixed Maturity Plan 1114D March 2016 (1) - Series-35 12,80,00,000 (2016 - 12,80,00,000; 2015 - Nil) Units of ₹ 10.00 each	140.79		128.34		–	
HDFC Fixed Maturity Plan 1132D February 2016 (1) - Series-35 4,30,00,000 (2016 - 4,30,00,000; 2015 - Nil) Units of ₹ 10.00 each	47.43		43.30		–	
HDFC Fixed Maturity Plan 1107D March 2016 (1) - Series-36 4,00,00,000 (2016 - 4,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	43.97		40.07		–	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan I - 1170 Days 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.64		15.21		–	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan J - 1168 Days 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.06		10.11		–	
ICICI Prudential Fixed Maturity Plan- Series 78 - Plan N - 1150 Days 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.56		15.14		–	
Carried over	6098.26	2191.52	4581.77	2118.60	1015.56	1862.47

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	6098.26	2191.52	4581.77	2118.60	1015.56	1862.47
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan T - 1130 Days 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	10.96		10.03		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan W - 1135 Days 1,20,00,000 (2016 - 1,20,00,000; 2015 - Nil) Units of ₹ 10.00 each	13.15		12.07		-	
ICICI Prudential Fixed Maturity Plan - Series 79 - Plan P - 1104 Days 40,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	4.17		-		-	
Kotak Fixed Maturity Plan - Series 190 50,00,000 (2016 - 50,00,000; 2015 - Nil) Units of ₹ 10.00 each	5.55		5.07		-	
Kotak Fixed Maturity Plan - Series 191 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.47		15.06		-	
Reliance Fixed Horizon Fund - XXX - Series 5 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.54		15.09		-	
Reliance Fixed Horizon Fund - XXX - Series 12 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.03		10.07		-	
Reliance Fixed Horizon Fund - XXX - Series 13 2,00,00,000 (2016 - 2,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	22.06		20.13		-	
Reliance Fixed Horizon Fund - XXX - Series 17 3,50,00,000 (2016 - 3,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	38.41		35.00		-	
Reliance Fixed Horizon Fund - XXX - Series 6 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.07		10.10		-	
Reliance Fixed Horizon Fund - XXXI - Series 9 1,80,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	18.92		-		-	
UTI Fixed Term Income Fund Series XXIV - VI - 1181 Days 1,20,00,000 (2016 - 1,20,00,000; 2015 - Nil) Units of ₹ 10.00 each	13.32		12.16		-	
UTI Fixed Term Income Fund Series XXIV - VIII - 1184 Days 80,00,000 (2016 - 80,00,000; 2015 - Nil) Units of ₹ 10.00 each	8.83		8.05		-	
UTI Fixed Term Income Fund Series XXV - V - 1100 Days 50,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	5.25		-		-	
<b>Aggregate amount of quoted and unquoted Investments</b>	<b>6293.99</b>	<b>2191.52</b>	<b>4734.60</b>	<b>2118.60</b>	<b>1015.56</b>	<b>1862.47</b>
<b>TOTAL</b>		<b>8485.51</b>		<b>6853.20</b>		<b>2878.03</b>

Aggregate market value of quoted investments ₹ 6344.59 Crores (2016 - ₹ 4779.57 Crores; 2015 - ₹ 1045.15 Crores)

Aggregate amount of impairment in value of investments ₹ 60.68 Crores (2016 - ₹ 44.39 Crores; 2015 - ₹ 70.39 Crores)

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>5. Loans</b>						
<b>Loans to related parties (Refer Note 29)</b>						
– Secured, considered good	–	–	–	–	35.07	–
– Doubtful	–	–	–	–	–	40.95
	–	–	–	–	35.07	40.95
Less: Allowance for doubtful loans	–	–	–	–	–	40.95
	–	–	–	–	<b>35.07</b>	–
<b>Other Loans</b>						
Others (Employees, suppliers etc.)						
– Unsecured, considered good*	3.37	5.84	3.85	8.12	5.02	9.34
<b>TOTAL</b>	<b>3.37</b>	<b>5.84</b>	<b>3.85</b>	<b>8.12</b>	<b>40.09</b>	<b>9.34</b>

\* Includes interest bearing loan to a supplier, M/s MD Fresh Vegetable Private Limited ₹ 1.50 Crores (2016 - ₹ 2.00 Crores; 2015 - Nil) carrying interest @ 12% p.a. for upgrading its infrastructure and enhancement of its factory capacity. Current portion of the loan being ₹ 0.50 Crore (2016 - ₹ 0.50 Crore; 2015 - Nil).

<b>6. Other financial assets</b>						
Bank deposits with more than 12 months maturity	–	–	–	924.75	–	1315.80
Other financial assets						
Advances	3.96	1.40	17.69	1.40	13.01	2.22
Deposits*	530.35	98.43	27.27	105.03	28.81	63.20
Interest accrued on Loans, Deposits, Investments etc.	314.82	–	250.43	–	139.01	–
Other Receivables**	155.78	–	111.83	–	74.75	–
<b>TOTAL</b>	<b>1004.91</b>	<b>99.83</b>	<b>407.22</b>	<b>1031.18</b>	<b>255.58</b>	<b>1381.22</b>

\* Deposits includes deposits to directors ₹ 0.07 Crore (2016 - ₹ 0.07 Crore; 2015 - ₹ 0.05 crore) (Refer Note 29).

\*\* Others comprise receivables on account of claims, interest, rentals, derivatives designated as hedging instrument etc.



## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>7. Other assets</b>						
Capital Advances (Refer Note 28)	–	1056.48	–	1033.24	–	391.46
Advances other than capital advances						
Security Deposits						
– With Statutory Authorities	10.85	861.67	9.00	738.79	9.15	631.36
– Others	6.91	103.57	6.57	43.11	13.29	36.78
Advances to related parties (Refer Note 29)	–	–	12.97	–	48.48	–
Advance Tax (net of provisions)	–	–	–	–	–	41.50
Other Advances (including advances with statutory authorities, prepaid expenses, employees etc.)	530.76	648.40	413.65	659.58	395.22	606.54
Other Receivables*	62.05	–	63.96	–	89.75	–
<b>TOTAL</b>	<b>610.57</b>	<b>2670.12</b>	<b>506.15</b>	<b>2474.72</b>	<b>555.89</b>	<b>1707.64</b>

\* Includes receivables on account of export incentives.

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>8. Inventories*</b>						
(At lower of cost and net realisable value)						
Raw materials (including packing materials)	4873.78		4888.81		4404.52	
Work-in-progress	172.80		180.51		180.82	
Finished goods (manufactured)	2022.75		2744.79		2541.48	
Stock-in-trade (goods purchased for resale)	435.08		346.40		352.60	
Stores and spares	295.69		292.32		290.10	
Intermediates - Tissue paper and Paperboards	63.89		66.99		67.24	
<b>TOTAL</b>	<b>7863.99</b>		<b>8519.82</b>		<b>7836.76</b>	

The above includes goods in transit as under:

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
Raw materials (including packing materials)	89.65	110.82	84.05
Stock-in-trade (goods purchased for resale)	2.86	5.76	0.53
Stores and spares	1.65	3.44	1.76
<b>TOTAL</b>	<b>94.16</b>	<b>120.02</b>	<b>86.34</b>

The cost of inventories recognised as an expense includes ₹ 15.06 Crores (2016 - ₹ 29.80 Crores) in respect of write-downs of inventory to net realisable value. Further, a sum of ₹ 0.65 Crore (2016 - ₹ 2.08 Crores) is in respect of reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

Inventories of ₹ 640.28 Crores (2016 - ₹ 714.51 Crores; 2015 - ₹ 592.64 Crores) are expected to be recovered after more than twelve months.

\* Also Refer Note 19.

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise)</b>						
<b>INVESTMENT IN PREFERENCE SHARES</b>						
ICICI Bank Limited 310 (2016 - 310; 2015 - 310) Non-Cumulative Redeemable Non-Convertible Non-Participative Preference Shares (20 April 2018) of ₹ 10000000.00 each, fully paid		277.65		248.76		214.85
<b>INVESTMENT IN BONDS/DEBENTURES</b>						
Export Import Bank of India 300 (2016 - 300; 2015 - 300) 9.15% Unsecured Non-Convertible Bonds Series P-16 (05 September 2022) of ₹ 1000000.00 each, fully paid	30.92		31.12		31.61	
Indian Railway Finance Corporation Limited Nil (2016 - 10,000; 2015 - 10,000) 6.30% Secured Non-Convertible Tax Free Bonds in the form of Promissory Notes 68th 'A' Series (08 March 2017) of ₹ 100000.00 each, fully paid	–		98.91		95.54	
10,00,000 (2016 - 10,00,000; 2015 - 10,00,000) 7.18% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures 86th Series (19 February 2023) of ₹ 1000.00 each, fully paid	101.98		100.00		93.72	
20,00,000 (2016 - 20,00,000; 2015 - 20,00,000) 8.23% Tax Free Secured Non-Convertible Redeemable Bonds Series 91st (18 February 2024) of ₹ 1000.00 each, fully paid	200.00		200.00		199.19	
4,35,012 (2016 - 4,35,012; 2015 - 4,35,012) 8.00% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds 80th Series (23 February 2022) of ₹ 1000.00 each, fully paid	43.50		43.50		42.84	
LIC Housing Finance Limited Nil (2016 - 2,000; 2015 - Nil) Zero Coupon Secured Redeemable Non-Convertible Debentures Tranche 242 Option 2 (24 February 2017) of ₹ 1000000.00 each, fully paid	–		219.06		–	
National Bank for Agriculture and Rural Development 4,100 (2016 - 4,100; 2015 - 4,100) Zero Coupon Unsecured Non-Convertible Bonds in the form of Promissory Notes Series BNB (01 August 2017) 2D of ₹ 20000.00 each, fully paid	7.96		7.35		6.54	
1,41,270 (2016 - 1,41,270; 2015 - 1,41,270) Zero Coupon Unsecured Non-Convertible Bonds in the form of Promissory Notes Series BNB (01 January 2019) of ₹ 20000.00 each, fully paid	243.86		226.26		197.03	
National Highways Authority of India 4,94,476 (2016 - 4,94,476; 2015 - 4,94,476) 8.20% Tax Free Secured Redeemable Non-Convertible Bonds (25 January 2022) of ₹ 1000.00 each, fully paid	49.45		49.45		49.20	
National Housing Bank 1,03,785 (2016 - 1,03,785; 2015 - 1,03,785) Zero Coupon Unsecured Non-Convertible Taxable Bonds in the form of Promissory Notes (24 December 2018) of ₹ 10000.00 each, fully paid	89.67		83.30		72.53	
Power Finance Corporation Limited Nil (2016 - Nil; 2015 - 450) 9.69% Secured Non-Convertible Non-Cumulative Taxable Bonds Series 113 (02 March 2019) of ₹ 1000000.00 each, fully paid	–		–		46.85	
Carried over	767.34	277.65	1058.95	248.76	835.05	214.85

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise) (contd.)</b>						
Brought forward	767.34	277.65	1058.95	248.76	835.05	214.85
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
1,500 (2016 - 1,500; 2015 - 1,500) 8.09% Secured Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series-80-A (25 November 2021) of ₹ 100000.00 each, fully paid	15.48		15.49		14.84	
1,000 (2016 - 1,000; 2015 - 1,000) 8.01% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 107-A (30 August 2023) of ₹ 1000000.00 each, fully paid	100.00		99.95		98.27	
450 (2016 - 450; 2015 - 450) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 119 B (17 September 2019) of ₹ 1000000.00 each, fully paid	45.83		46.18		46.52	
Nil (2016 - Nil; 2015 - 500) 8.36% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 127 (26 February 2020) of ₹ 1000000.00 each, fully paid	–		–		50.07	
1,00,000 (2016 - 1,00,000; 2015 - 1,00,000) 8.20% Secured Non-Convertible Tax Free Bonds Series - I (01 February 2022) of ₹ 1000.00 each, fully paid	10.35		10.39		9.95	
12,95,560 (2016 - 12,95,560; 2015 - 12,95,560) 8.18% Secured Tax Free Redeemable Non-Convertible Bonds Series 1A (16 November 2023) of ₹ 1000.00 each, fully paid	129.56		129.56		128.60	
Rural Electrification Corporation Limited						
Nil (2016 - Nil; 2015 - 750) 9.38% Secured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series 117th (06 November 2018) of ₹ 1000000.00 each, fully paid	–		–		77.35	
Nil (2016 - Nil; 2015 - 400) 8.44% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds in the nature of Debentures Series 127th (04 December 2021) of ₹ 1000000.00 each, fully paid	–		–		40.24	
30,00,000 (2016 - 30,00,000; 2015 - 30,00,000) 7.22% Secured Tax Free Redeemable Non-Convertible Bonds Tranche 1 Series 1(19 December 2022) of ₹ 1000.00 each, fully paid	300.00		299.99		282.01	
1,000 (2016 - 1,000; 2015 - 1,000) 8.01% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series 3A (29 August 2023) of ₹ 1000000.00 each, fully paid	100.00		99.96		98.27	
<b>INVESTMENT IN CERTIFICATE OF DEPOSITS</b>						
Nil (2016 - 15,000; 2015 - Nil) 8.17% Export Import Bank of India Certificate of Deposit (10 February 2017) of ₹ 100000.00 each, fully paid		–		140.12		–
10,000 (2016 - Nil; 2015 - Nil) IndusInd Bank Limited Certificate of Deposit (31 August 2017) of ₹ 100000.00 each, fully paid		97.34		–		–
15,000 (2016 - Nil; 2015 - Nil) IDFC Bank Limited Certificate of Deposit (06 October 2017) of ₹ 100000.00 each, fully paid		145.10		–		–
Carried over	1468.56	520.09	1760.47	388.88	1681.17	214.85

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise) (contd.)</b>						
Brought forward	1468.56	520.09	1760.47	388.88	1681.17	214.85
<b>INVESTMENT IN MUTUAL FUNDS</b>						
Axis Liquid Fund Nil (2016 - Nil; 2015 - 32,301) Units of ₹ 1000.00 each		–		–		5.00
Axis Short Term Fund 22,61,88,081 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		416.22		–		–
Axis Treasury Advantage Fund 5,46,967 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		100.98		–		–
Birla Sun Life Cash Manager Nil (2016 - Nil; 2015 - 1,19,30,256) Units of ₹ 100.00 each		–		–		408.03
Birla Sun Life Short Term Fund 2,68,28,196 (2016 - 94,07,656; 2015 - 5,05,02,285) Units of ₹ 10.00 each		167.79		53.69		52.50
Birla Sun Life Treasury Optimizer Plan 15,45,665 (2016 - 15,45,665; 2015 - 15,45,666) Units of ₹ 100.00 each		32.51		29.37		26.97
Birla Sun Life Floating Rate Fund - Long Term 1,71,61,769 (2016 - Nil; 2015 - 53,43,351) Units of ₹ 100.00 each		344.35		–		89.53
Birla Sun Life Savings Fund 1,50,00,045 (2016 - 23,45,049; 2015 - 23,45,048) Units of ₹ 100.00 each		479.83		68.68		63.10
DSP BlackRock Liquidity Fund - Institutional Plan Nil (2016 - Nil; 2015 - 1,00,106) Units of ₹ 1000.00 each		–		–		20.02
DSP BlackRock Short Term Fund 8,80,67,259 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		252.18		–		–
DSP BlackRock Ultra Short Term Fund 26,30,57,340 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		311.78		–		–
DHFL Pramerica Ultra Short Term Fund (Formerly known as DWS Ultra Short Term Fund) 5,09,80,716 (2016 - 5,09,80,716; 2015 - 5,09,80,716) Units of ₹10.00 each		60.40		55.83		51.17
DWS Fixed Maturity Plan - Series 31 Nil (2016 - Nil; 2015 - 1,00,00,000) Units of ₹ 10.00 each		–		–		10.68
DWS Treasury Fund Nil (2016 - Nil; 2015 - 8,24,18,752) Units of ₹ 10.00 each		–		–		89.28
HDFC Cash Management Fund - Treasury Advantage Plan Nil (2016 - Nil; 2015 - 2,34,21,163) Units of ₹ 10.00 each		–		–		70.21
HDFC Floating Rate Income Fund - Short Term Plan 10,23,22,267 (2016 - 10,23,22,267; 2015 - Nil) Units of ₹ 10.00 each		290.18		267.06		–
HDFC High Interest Fund - Short Term Plan Nil (2016 - Nil; 2015 - 5,54,65,988) Units of ₹ 10.00 each		–		–		154.66
HDFC High Interest Fund - Dynamic Plan 1,06,18,432 (2016 - 1,06,18,432; 2015 - 1,06,18,417) Units of ₹10.00 each		62.22		55.64		52.15
HDFC Medium Term Opportunities Fund 13,70,31,285 (2016 - 13,70,31,285; 2015 - 13,70,33,144) Units of ₹10.00 each		249.09		226.61		208.61
Carried over	1468.56	3287.62	1760.47	1145.76	1691.85	1506.08

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise) (contd.)</b>						
Brought forward	1468.56	3287.62	1760.47	1145.76	1691.85	1506.08
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
HDFC Short Term Opportunities Fund 14,47,53,251 (2016 - 14,47,53,251; 2015 - 14,47,53,230) Units of ₹ 10.00 each		260.38		239.13		220.55
ICICI Prudential Banking & PSU Debt Fund 4,92,90,221 (2016 - 4,92,90,221; 2015 - 4,92,90,221) Units of ₹ 10.00 each		56.14		50.45		51.75
ICICI Prudential - Flexible Income Plan 53,44,324 (2016 - 53,44,324; 2015 - Nil) Units of ₹ 100.00 each		167.05		153.38		–
ICICI Prudential Blended Plan B Nil (2016 - Nil; 2015 - 3,86,97,174) Units of ₹ 10.00 each		–		–		41.05
ICICI Prudential Dynamic Bond Fund Nil (2016 - Nil; 2015 - 3,59,60,193) Units of ₹ 10.00 each		–		–		57.02
ICICI Prudential Income Opportunities Fund 7,98,55,052 (2016 - 7,98,55,052; 2015 - 7,98,54,771) Units of ₹ 10.00 each		186.27		168.21		156.10
ICICI Prudential Savings Fund Nil (2016 - Nil; 2015 - 50,35,980) Units of ₹ 100.00 each		–		–		105.86
ICICI Prudential Short Term 7,64,50,849 (2016 - 7,64,50,849; 2015 - 7,64,51,068) Units of ₹ 10.00 each		267.81		241.15		221.63
ICICI Prudential Ultra Short Term 22,03,55,476 (2016 - 22,03,55,476; 2015 - 15,36,33,761) Units of ₹ 10.00 each		350.02		319.22		201.83
IDFC Dynamic Bond Fund Nil (2016 - 4,64,29,475; 2015 - 4,64,29,475) Units of ₹ 10.00 each		–		51.16		56.25
IDFC Corporate Bond Fund 20,53,11,314 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		230.28		–		–
IDFC Money Manager Fund - Investment Plan 7,43,04,224 (2016 - 1,22,42,641; 2015 - 1,12,84,393) Units of ₹ 10.00 each		172.89		12.42		11.89
IDFC Money Manager Fund - Treasury Plan 5,21,99,899 (2016 - 4,22,87,680; 2015 - Nil) Units of ₹ 10.00 each		136.69		102.19		–
IDFC Super Saver Income Fund - Short Term 7,02,30,210 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		241.02		–		–
JPMorgan India Active Bond Fund Nil (2016 - Nil; 2015 - 9,68,66,060) Units of ₹ 10.00 each		–		–		150.33
JPMorgan India Liquid Fund Nil (2016 - Nil; 2015 - 20,35,37,192) Units of ₹ 10.00 each		–		–		215.04
JPMorgan India Treasury Fund Nil (2016 - Nil; 2015 - 5,78,55,112) Units of ₹ 10.00 each		–		–		106.59
Kotak Bond Short Term 16,24,19,814 (2016 - 2,49,65,867; 2015 - 2,49,65,867) Units of ₹ 10.00 each		463.19		25.82		26.12
Kotak Liquid Scheme Plan A Nil (2016 - Nil; 2015 - 17,641) Units of ₹ 1000.00 each		–		–		5.00
Carried over	1468.56	5819.36	1760.47	2508.89	1691.85	3133.09

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise) (contd.)</b>						
Brought forward	1468.56	5819.36	1760.47	2508.89	1691.85	3133.09
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
Kotak Treasury Advantage Fund 17,04,16,740 (2016 - 13,17,66,857; 2015 - 4,76,54,096) Units of ₹ 10.00 each		449.20		320.94		106.67
L&T Short Term Opportunities Fund Nil (2016 - Nil; 2015 - 3,00,07,277) Units of ₹10.00 each		–		–		40.54
L&T Triple Ace Bond Fund Nil (2016 - Nil; 2015 - 1,62,81,386) Units of ₹ 10.00 each		–		–		60.28
Reliance Floating Rate Fund - Short Term Plan 40,11,92,118 (2016 - 38,18,89,185; 2015 - 19,74,70,372) Units of ₹ 10.00 each		498.44		411.58		258.71
Reliance Liquid Fund - Treasury Plan Nil (2016 - 54,317; 2015 - Nil) Units of ₹ 1000.00 each		–		20.02		–
Reliance Medium Term Fund 10,42,77,348 (2016 - 10,42,77,348; 2015 - 12,56,20,295) Units of ₹ 10.00 each		229.47		209.92		260.78
Reliance Short Term Fund 2,07,06,236 (2016 - 2,07,06,236; 2015 - 20,42,82,694) Units of ₹ 10.00 each		65.43		59.68		462.10
Reliance Money Manager Fund 6,71,878 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		152.95		–		–
SBI Premier Liquid Fund 7,74,070 (2016 - Nil; 2015-1,13,914) Units of ₹ 1000.00 each		197.05		–		25.01
Tata Ultra Short Term 12,53,751 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		311.12		–		–
UTI - Short Term Income Fund - Institutional Option Nil (2016 - Nil; 2015 - 5,06,50,712) Units of ₹ 10.00 each		–		–		52.56
<b>Current Portion of Non Current Investments (at amortised cost)</b>						
<b>INVESTMENT IN BONDS/DEBENTURES</b>						
Export Import Bank of India Nil (2016 - 450; 2015 - Nil) 8.20% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-10-2019 (18 February 2019 with Call/Put Option on 18 February 2017) of ₹ 1000000.00 each, fully paid		–		45.00		–
Nil (2016 - 1,000; 2015 - Nil) 8.33% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-12-2019 (20 March 2019 with Call/Put Option on 20 March 2017) of ₹ 1000000.00 each, fully paid		–		100.00		–
Nil (2016 - 500; 2015 - Nil) 7.825% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-07-2018 (30 November 2018 with Call/Put Option on 15 March 2017) of ₹1000000.00 each, fully paid		–		49.83		–
Nil (2016 - 500; 2015 - Nil) 8.20% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-14-2019 (15 March 2019 with Call/Put Option on 16 March 2017) of ₹ 1000000.00 each, fully paid		–		50.00		–
National Bank for Agriculture and Rural Development Nil (2016-4,000; 2015-Nil) 8.05% Unsecured Redeemable Non-Convertible Taxable Bonds Series 16 H (04 January 2019 with Call/Put Option on 14 March 2017) of ₹ 1000000.00 each, fully paid		–		400.00		–
Carried over	1468.56	7723.02	2405.30	3531.03	1691.85	4399.74

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>9. Current investments (at fair value through profit or loss unless stated otherwise) (contd.)</b>						
Brought forward	1468.56	7723.02	2405.30	3531.03	1691.85	4399.74
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
Power Finance Corporation Limited						
1500 (2016 - Nil; 2015 - Nil) 9.11% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 115 I (07 July 2017) of ₹ 1000000.00 each, fully paid	150.22		–		–	
150 (2016 - Nil; 2015 - Nil) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 117A (19 August 2017) of ₹ 1000000.00 each, fully paid	15.06		–		–	
1,000 (2016 - Nil; 2015 - Nil) 8.12% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 139-B (22 May 2017) of ₹ 1000000.00 each, fully paid	99.99		–		–	
379 (2016 - Nil; 2015 - Nil) 9.27% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series 92-B (21 August 2017) of ₹ 1000000.00 each, fully paid	38.04		–		–	
Rural Electrification Corporation Limited						
Nil (2016 - 2,850; 2015 - Nil) 8.28% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bond Series 138 (04 March 2017) of ₹ 1000000.00 each, fully paid	–		285.00		–	
1,000 (2016 - Nil; 2015 - Nil) 9.40% Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds - 2017 Series -108 (Option I) (20 July 2017) of ₹ 1000000.00 each, fully paid	100.31		–		–	
Small Industries Development Bank Of India						
Nil (2016 - 2,500; 2015 - Nil) 8.05% Unsecured Redeemable Non-Convertible Bonds in the nature of Promissory Notes Series 1 of 2015-16 (28 January 2019 with Call/Put Option on 14 March 2017) of ₹ 1000000.00 each, fully paid	–		250.00		–	
LIC Housing Finance Limited						
30 (2016 - Nil; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Tranche 187 (13 April 2017) of ₹ 1000000.00 each, fully paid	3.00		–		–	
1,000 (2016 - Nil; 2015 - Nil) 9.18% Secured Redeemable Non-Convertible Debentures Tranche 219 (03 July 2017) of ₹ 1000000.00 each, fully paid	100.11		–		–	
300 (2016 - Nil; 2015 - Nil) 9.29% Secured Redeemable Non-Convertible Debentures Tranche 230 Option 1 (16 October 2017) of ₹ 1000000.00 each, fully paid	30.12		–		–	
170 (2016 - Nil; 2015 - Nil) 9.80% Secured Redeemable Non-Convertible Debentures Tranche XXVI (22 October 2017) of ₹ 1000000.00 each, fully paid	17.10		–		–	
IDFC Bank Limited						
3,000 (2016 - Nil; 2015 - Nil) Zero Coupon Unsecured Redeemable Non-Convertible Debentures Series IDFC Bank OBB 20/2015 (27 November 2017) of ₹ 1000000.00 each, fully paid	354.25		–		–	
<b>Aggregate amount of quoted and unquoted Investments</b>	<b>2376.76</b>	<b>7723.02</b>	<b>2940.30</b>	<b>3531.03</b>	<b>1691.85</b>	<b>4399.74</b>
<b>TOTAL</b>		<b>10099.78</b>		<b>6471.33</b>		<b>6091.59</b>

Aggregate market value of quoted investments ₹ 2380.97 Crores (2016 - ₹ 2940.81 Crores; 2015 - ₹ 1691.85 Crores)

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>10. Trade receivables (Current)</b>			
Secured, considered good	28.89	27.23	25.06
Unsecured, considered good	2178.61	1659.12	1697.34
Doubtful	96.74	72.60	53.79
Less: Allowance for doubtful receivables	96.74	72.60	53.79
<b>TOTAL</b>	<b>2207.50</b>	<b>1686.35</b>	<b>1722.40</b>

<b>11. Cash and cash equivalents<sup>@</sup></b>			
Balances with Banks			
Current accounts	150.70	67.73	27.65
Cheques, drafts on hand	3.28	5.14	5.60
Cash on hand	2.17	2.92	3.04
<b>TOTAL</b>	<b>156.15</b>	<b>75.79</b>	<b>36.29</b>

<sup>@</sup> Cash and cash equivalents include cash on hand, cheques, drafts on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

<b>12. Other bank balances</b>			
Earmarked balances	157.68	153.99	134.89
In deposit accounts*	2433.44	5409.42	6101.63
<b>TOTAL</b>	<b>2591.12</b>	<b>5563.41</b>	<b>6236.52</b>

\* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Balance Sheet date.



## Notes to the Financial Statements

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (₹ in Crores)
<b>13. Equity Share capital</b>						
<b>Authorised</b>						
Ordinary Shares of ₹ 1.00 each	20,00,00,00,000	2000.00	10,00,00,00,000	1000.00	10,00,00,00,000	1000.00
<b>Issued and Subscribed</b>						
Ordinary Shares of ₹ 1.00 each, fully paid	12,14,73,83,071	1214.74	8,04,72,06,991	804.72	8,01,55,19,541	801.55
<b>A) Reconciliation of number of Ordinary Shares outstanding</b>						
As at beginning of the year	8,04,72,06,991	804.72	8,01,55,19,541	801.55		
Add: Issue of Bonus Shares	4,02,66,57,100	402.67	–	–		
Add: Issue of Shares on exercise of Options	7,35,18,980	7.35	3,16,87,450	3.17		
As at end of the year	<b>12,14,73,83,071</b>	<b>1214.74</b>	<b>8,04,72,06,991</b>	<b>804.72</b>		
<b>B) Shareholders holding more than 5% of the Ordinary Shares in the Company</b>						
	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
Tobacco Manufacturers (India) Limited	2,97,83,47,320	24.52	1,98,55,64,880	24.68	1,98,55,64,880	24.77
Life Insurance Corporation of India	1,97,50,75,980	16.26	1,15,50,35,797	14.35	1,15,50,35,797	14.41
Specified Undertaking of the Unit Trust of India	1,10,25,91,521	9.08	89,67,42,540	11.14	89,67,24,540	11.19
<b>C) Ordinary Shares allotted as fully paid pursuant to contract(s) without payment being received in cash during the period of five years immediately preceding 31st March</b>						
					2017 (No. of Shares)	2016 (No. of Shares)
Shares issued in 2014-15 pursuant to the Scheme of Arrangement between Wimco Limited and ITC Limited					87,761	87,761
<b>D) Ordinary Shares allotted as fully paid up Bonus Shares for the period of five years immediately preceding 31st March</b>						
					2017 (No. of Shares)	2016 (No. of Shares)
Bonus Shares issued in 2016-17					4,02,66,57,100	–
<b>E) Rights, preferences and restrictions attached to the Ordinary Shares</b>						
The Ordinary Shares of the Company, having par value of ₹ 1.00 per share, rank <i>pari passu</i> in all respects including voting rights and entitlement to dividend.						
<b>F) Shares reserved for issue under Options</b>						
	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2016 (No. of Shares)	As at 1st April, 2015 (No. of Shares)			
Ordinary Shares of ₹ 1.00 each	43,15,59,080	30,12,99,270	26,93,51,410			

### Terms and Conditions of Options Granted

Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of the Company of ₹ 1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from (i) the date of grant in respect of Options granted under the ITC Employee Stock Option Scheme (introduced in 2001) and (ii) the date of vesting in respect of Options granted under the ITC Employee Stock Option Scheme - 2006 & the ITC Employee Stock Option Scheme - 2010.

The vesting period for conversion of Options is as follows:

On completion of 12 months from the date of grant of the Options :	30% vests
On completion of 24 months from the date of grant of the Options :	30% vests
On completion of 36 months from the date of grant of the Options :	40% vests

The Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Further details of ITC Employee Stock Option Schemes are provided in Note 27(xii).

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>14. Non-current borrowings</b>			
<b>Unsecured</b>			
Deferred payment liabilities			
Sales tax deferment loans	17.99	25.83	38.69
<b>TOTAL</b>	<b>17.99</b>	<b>25.83</b>	<b>38.69</b>

### Sales tax deferment loans

Interest free deferral period ranging from 10 to 14 years and are repayable by 2025-26.

The scheduled maturity of the Non-current borrowings are summarised as under:

	Term Loans	Deferred Payment Liabilities	Term Loans	Deferred Payment Liabilities	Term Loans	Deferred Payment Liabilities
<b>Borrowings repayable</b>						
In the first year (Refer Note 15)	–	7.84	–	12.86	2.00*	12.31
<b>Current maturities of long-term debt</b>	<b>–</b>	<b>7.84</b>	<b>–</b>	<b>12.86</b>	<b>2.00</b>	<b>12.31</b>
In the second year	–	6.86	–	7.84	–	12.86
In the third to fifth year	–	5.85	–	12.36	–	17.94
After five years	–	5.28	–	5.63	–	7.89
<b>Non-current borrowings</b>	<b>–</b>	<b>17.99</b>	<b>–</b>	<b>25.83</b>	<b>–</b>	<b>38.69</b>

\* Represents Interest Free Loan from a subsidiary company taken over pursuant to the Scheme of Arrangement for demerger of the Non-Engineering Business of Wimco Limited ('Wimco') into ITC Limited, repaid in March, 2016.

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>15. Other financial liabilities</b>			
<b>Non-current</b>			
Others (Includes retention money payable towards property, plant and equipment)	9.21	15.13	7.05
<b>TOTAL</b>	<b>9.21</b>	<b>15.13</b>	<b>7.05</b>
<b>Current</b>			
Current maturities of long-term debt (Refer Note 14)	7.84	12.86	14.31
Interest accrued	1.65	1.56	1.51
Unpaid dividend*	157.42	153.56	134.50
Unpaid matured deposits and interest accrued thereon	...	...	...
Unpaid matured debentures/bonds and interest accrued thereon**	0.30	0.32	0.32
Others (Consists of payable for property, plant and equipment, derivatives designated as hedging instruments etc.)	617.57	426.41	496.15
<b>TOTAL</b>	<b>784.78</b>	<b>594.71</b>	<b>646.79</b>

\* Represents dividend amounts either not claimed or kept in abeyance in accordance with Section 126 of the Companies Act, 2013 or such amounts in respect of which Prohibitory/Attachment Orders are on record with the Company.

\*\* Represents amounts which are subject matter of a pending legal dispute with a bank for which the Company has filed a suit.

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>16. Provisions</b>						
Provision for employee benefits [Refer Note 27(vi)]						
Retirement benefits	21.43	85.41	37.33	74.36	51.65	64.04
Other benefits	20.40	45.96	20.27	37.83	23.33	36.68
<b>TOTAL</b>	<b>41.83</b>	<b>131.37</b>	<b>57.60</b>	<b>112.19</b>	<b>74.98</b>	<b>100.72</b>

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>17. Deferred tax liabilities (Net)</b>						
Deferred tax liabilities		2416.95		2389.15		2144.96
Less: Deferred tax assets		545.25		521.72		467.74
<b>TOTAL</b>		<b>1871.70</b>		<b>1867.43</b>		<b>1677.22</b>

(₹ in Crores)

### Movement in deferred tax liabilities/assets balances

	Opening Balance	Recognised in profit or loss	Recognised in OCI	Recognised directly in Equity	Reclassified to profit or loss	Closing Balance
<b>2016-17</b>						
<b>Deferred tax liabilities/assets in relation to:</b>						
On fiscal allowances on property, plant and equipment etc.	1744.15	122.43	-	-	-	1866.58
On excise duty on closing stock	600.92	(228.68)	-	-	-	372.24
On cash flow hedges	3.40	-	(7.18)	5.77	(7.69)	(5.70)
Other timing differences	40.68	143.15	-	-	-	183.83
<b>Total deferred tax liabilities</b>	<b>2389.15</b>	<b>36.90</b>	<b>(7.18)</b>	<b>5.77</b>	<b>(7.69)</b>	<b>2416.95</b>
On employees' separation and retirement etc.	80.10	3.39	3.04	-	-	86.53
On provision for doubtful debts/advances	26.05	8.95	-	-	-	35.00
On State and Central taxes etc.	322.60	13.23	-	-	-	335.83
Other timing differences	92.97	(5.08)	-	-	-	87.89
<b>Total deferred tax assets</b>	<b>521.72</b>	<b>20.49</b>	<b>3.04</b>	<b>-</b>	<b>-</b>	<b>545.25</b>
<b>Deferred tax liabilities (Net)</b>	<b>1867.43</b>	<b>16.41</b>	<b>(10.22)</b>	<b>5.77</b>	<b>(7.69)</b>	<b>1871.70</b>
<b>2015-16</b>						
<b>Deferred tax liabilities/assets in relation to:</b>						
On fiscal allowances on property, plant and equipment etc.	1570.30	173.85	-	-	-	1744.15
On excise duty on closing stock	513.00	87.92	-	-	-	600.92
On cash flow hedges	4.20	-	(0.65)	-	(0.15)	3.40
Other timing differences	57.46	(16.78)	-	-	-	40.68
<b>Total deferred tax liabilities</b>	<b>2144.96</b>	<b>244.99</b>	<b>(0.65)</b>	<b>-</b>	<b>(0.15)</b>	<b>2389.15</b>
On employees' separation and retirement etc.	83.01	(21.54)	18.63	-	-	80.10
On provision for doubtful debts/advances	23.40	2.65	-	-	-	26.05
On State and Central taxes etc.	312.54	10.06	-	-	-	322.60
Other timing differences	48.79	44.18	-	-	-	92.97
<b>Total deferred tax assets</b>	<b>467.74</b>	<b>35.35</b>	<b>18.63</b>	<b>-</b>	<b>-</b>	<b>521.72</b>
<b>Deferred tax liabilities (Net)</b>	<b>1677.22</b>	<b>209.64</b>	<b>(19.28)</b>	<b>-</b>	<b>(0.15)</b>	<b>1867.43</b>

The Company has long term capital losses of ₹ 74.12 Crores (2016 - ₹ 295.46 Crores; 2015 - ₹ 282.24 Crores) for which no deferred tax assets have been recognised. This loss is due to expire in financial year 2023-24.

## Notes to the Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>18. Other liabilities</b>			
<b>Non-current</b>			
Deferred revenue arising from Government grant	14.65	–	–
<b>TOTAL</b>	<b>14.65</b>	<b>–</b>	<b>–</b>
<b>Current</b>			
Statutory liabilities	2682.76	2422.60	2334.58
Advances received from customers	580.26	907.60	641.03
Others			
– Deferred revenue arising from Government grant related to assets	0.79	–	–
– Others (includes deferred revenue, accruals, customer deposits etc.)	87.34	111.76	81.38
<b>TOTAL</b>	<b>3351.15</b>	<b>3441.96</b>	<b>3056.99</b>

<b>19. Current borrowings</b>			
<b>Secured</b>			
Loans from Banks			
Cash credit facilities	0.01	3.60	0.02
<b>TOTAL</b>	<b>0.01</b>	<b>3.60</b>	<b>0.02</b>

Cash credit facilities are secured by hypothecation of inventories of the Company, both present and future (Refer Note 8).

<b>20. Current tax liabilities (Net)</b>			
Current taxation (net of advance payment)	101.08	28.39	–
Fringe benefit tax (net of advance payment)	–	–	1.55
<b>TOTAL</b>	<b>101.08</b>	<b>28.39</b>	<b>1.55</b>

## Notes to the Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>21A. Revenue from operations</b>		
Sale of Products	53672.44	50308.94
Sale of Services	1329.25	1273.51
Gross Revenue from sale of products and services* [including excise duty of ₹ 16022.49 Crores (2016 - ₹ 15107.18 Crores)]	55001.69	51582.45
Other Operating Revenues#	446.77	362.12
<b>TOTAL</b>	<b>55448.46</b>	<b>51944.57</b>

\* Net of sales returns and damaged stocks.

# Includes Government grants received of ₹ 127.01 Crores (2016 - ₹ 71.92 Crores) on account of Export Promotion Capital Goods, Served from India Scheme, Service Export from India Scheme, Merchandise Export from India Scheme etc.

<b>21B. Gross revenue from sale of products and services*</b>		
<b>FMCG</b>		
– Cigarettes etc.	34001.98	32348.29
– Branded Packaged Food Products	8036.41	7097.49
– Others (Apparel, Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis etc.)	2462.16	2622.13
<b>Hotels</b>		
– Hotels Sales/Income from Hotel Services	1329.25	1273.51
<b>Agri Business</b>		
– Unmanufactured Tobacco	1817.93	1694.19
– Other Agri Products and Commodities (Wheat, Soya, Spices, Coffee, Aqua etc.)	3534.95	2695.15
<b>Paperboards, Paper and Packaging</b>		
– Paperboards and Paper	3219.57	3275.67
– Printed Materials	599.44	576.02
<b>TOTAL</b>	<b>55001.69</b>	<b>51582.45</b>

\* Net of sales returns and damaged stocks.

## Notes to the Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>22. Other income</b>		
Interest income	864.58	851.63
Dividend income	248.85	376.90
Other non-operating income	37.62	21.54
Other gains and losses	834.86	519.19
<b>TOTAL</b>	<b>1985.91</b>	<b>1769.26</b>
Interest income comprises interest from:		
a) Deposits with banks etc. - carried at amortised cost	320.96	557.90
b) Financial assets mandatorily measured at FVTPL	154.27	135.18
c) Other financial assets measured at amortised cost	388.97	150.67
d) Others (from statutory authorities etc.)	0.38	7.88
<b>TOTAL</b>	<b>864.58</b>	<b>851.63</b>
Dividend income comprises dividend from:		
a) Equity instruments measured at FVTOCI held at the end of reporting period	0.02	18.86
b) Other investments	248.83	358.04
<b>TOTAL</b>	<b>248.85</b>	<b>376.90</b>
Other gains and losses:		
Net foreign exchange gain/(loss)	0.49	(14.91)
Net gain/(loss) arising on financial assets mandatorily measured at FVTPL*	646.71	542.58
Net gain/(loss) recognised on disposal of subsidiary and return of capital by subsidiary	203.95	(34.48)
Impairment of investment in subsidiary companies, reversed - Net	(16.29)	26.00
<b>TOTAL</b>	<b>834.86</b>	<b>519.19</b>
* Includes ₹ 143.53 Crores (2016 - ₹ 444.96 Crores) being net gain/(loss) on sale of investments.		
<b>23. Employee benefits expense</b>		
Salaries and wages	1687.15	1546.27
Contribution to Provident and other funds	147.28	129.84
Share based payments to employees	450.32	501.91
Staff welfare expenses	189.06	178.95
	2473.81	2356.97
Less: Recoveries made/reimbursements received	29.50	25.38
<b>TOTAL</b>	<b>2444.31</b>	<b>2331.59</b>
<b>24. Finance costs</b>		
Interest expense:		
– On financial liabilities measured at amortised cost	7.42	1.67
– Others	15.53	47.46
<b>TOTAL</b>	<b>22.95</b>	<b>49.13</b>

## Notes to the Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>25. Other expenses</b>		
Power and fuel	550.32	541.57
Consumption of stores and spare parts	262.23	248.45
Contract processing charges	821.62	801.44
Rent [Refer Note 27(ix)]	308.68	298.71
Rates and taxes	556.89	628.88
Insurance	55.25	56.31
Repairs		
– Buildings	63.00	56.72
– Machinery	209.01	185.33
– Others	62.71	50.60
Maintenance and upkeep	184.20	160.94
Outward freight and handling charges	836.95	836.86
Warehousing charges	116.90	129.49
Advertising/Sales promotion	792.44	871.27
Market research	113.44	93.05
Design and product development	49.58	46.41
Hotel reservation/Marketing expenses	31.40	31.62
Retail accessories	202.95	190.41
Brokerage and discount - sales	9.01	8.60
Commission to selling agents	38.69	46.16
Doubtful and bad debts	30.74	22.40
Doubtful and bad advances, loans and deposits	1.25	(9.50)
Bank and credit card charges	22.38	22.80
Information technology services	227.08	224.47
Travelling and conveyance	229.90	235.97
Training and development	20.66	19.78
Legal expenses	44.85	33.20
Consultancy/Professional fees	103.06	81.65
Postage, telephone etc.	27.74	26.85
Printing and stationery	17.19	16.78
Loss on sale of property, plant and equipment - Net	5.00	45.21
Loss on sale of stores and spare parts - Net	4.54	2.32
Miscellaneous expenses	1090.37	1081.71
<b>TOTAL</b>	<b>7090.03</b>	<b>7086.46</b>
<b>Miscellaneous expenses include :</b>		
(1) Auditors' remuneration and expenses*		
– Audit fees	2.65	2.65
– Tax audit fees	0.55	0.55
– Fees for limited review	0.93	0.93
– Fees for other services#	1.99	1.83
– Reimbursement of expenses	0.45	0.52
(2) Cost auditors' fees	0.10	0.09

\* Excluding taxes.

# Includes remuneration for professional services rendered by firms of auditors in which some of the partners of the statutory auditors firm are partners ₹ 0.91 Crore (2016 - ₹ 0.53 Crore).

## Notes to the Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>26. Income tax expenses</b>		
<b>A. Amount recognised in profit or loss</b>		
<b>Current tax</b>		
Income tax for the year		
Current tax	5339.68	4948.76
Adjustments/(credits) related to previous years - Net		
Current tax	(54.03)	(51.15)
Fringe benefit tax	–	(1.55)
<b>Total current tax</b>	<b>5285.65</b>	<b>4896.06</b>
<b>Deferred tax</b>		
Deferred tax for the year	(37.62)	158.49
Adjustments/(credits) related to previous years - Net	54.03	51.15
<b>Total deferred tax</b>	<b>16.41</b>	<b>209.64</b>
<b>TOTAL</b>	<b>5302.06</b>	<b>5105.70</b>
<b>B. Amount recognised in other comprehensive income</b>		
The tax (charge)/credit arising on income and expenses recognised in other comprehensive income is as follows:		
<b>Deferred tax</b>		
On items that will not be reclassified to profit or loss		
Remeasurement gains/(losses) on defined benefit plans	3.04	18.63
Related to designated portion of hedging instruments in cash flow hedges	21.18	–
	<b>24.22</b>	<b>18.63</b>
On items that will be reclassified to profit or loss		
Related to designated portion of hedging instruments in cash flow hedges	(6.31)	0.80
<b>TOTAL</b>	<b>17.91</b>	<b>19.43</b>
<b>C. Amount Recognised directly in equity</b>		
The income tax (charged)/credited directly to equity during the year is as follows:		
<b>Deferred tax</b>		
Arising on gains/(losses) of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	5.77	–
<b>TOTAL</b>	<b>5.77</b>	<b>–</b>
<b>D. Reconciliation of effective tax rate</b>		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
<b>Profit before tax</b>	15502.96	14434.07
Income tax expense calculated @ 34.608% (2016- 34.608%)	5365.26	4995.34
Effect of tax relating to uncertain tax positions	93.90	101.02
Effect of different tax rate on certain items	(101.54)	19.70
Effect of income not taxable	(89.75)	(121.50)
Other differences	85.66	112.69
Benefit of previously unrecognised tax loss to reduce current tax expense	(41.38)	–
Benefit of previously unrecognised tax loss to reduce deferred tax expense	(10.09)	–
<b>Total</b>	<b>5302.06</b>	<b>5107.25</b>
Adjustments recognised in the current year in relation to the current tax of prior years	–	(1.55)
<b>Income tax recognised in profit or loss</b>	<b>5302.06</b>	<b>5105.70</b>

The tax rate used for the year 2015-16 and 2016-17 reconciliations above is the corporate tax rate of 34.608% (30% + surcharge @ 12% and education cess @ 3%) payable on taxable profits under the Income Tax Act, 1961.



# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements

### (i) Earnings per share

	2017	2016
Earnings per share has been computed as under:		
(a) Profit for the year (₹ in Crores)	10200.90	9328.37
(b) Weighted average number of Ordinary shares outstanding for the purpose of basic earnings per share	12,10,38,51,999	12,05,36,13,518*
(c) Effect of potential Ordinary shares on Employee Stock Options outstanding	7,54,20,442	6,64,08,089*
(d) Weighted average number of Ordinary shares in computing diluted earnings per share [(b) + (c)]	12,17,92,72,441	12,12,00,21,607
(e) Earnings per share on profit for the year (Face Value ₹ 1.00 per share)		
– Basic [(a)/(b)]	8.43	7.74
– Diluted [(a)/(d)]	8.38	7.70

\*After considering Bonus Issue

During the year Bonus Shares were allotted on 7th July, 2016 in the ratio of 1:2. Previous year figures have been restated for the purpose of computation of Earnings per share.

(ii) Expenditure incurred under Section 135 of the Companies Act, 2013 on Corporate Social Responsibility (CSR) activities - ₹ 275.96 Crores (2016 - ₹ 247.50 Crores) comprising employee benefits expense of ₹ 6.75 Crores (2016 - ₹ 7.01 Crores) and other expenses of ₹ 269.21 Crores (2016 - ₹ 240.49 Crores) of which ₹ 16.80 Crores (2016 - ₹ 17.04 Crores) is accrued for payment as on 31st March, 2017. Such CSR expenditure of ₹ 275.96 Crores (2016 - ₹ 247.50 Crores) excludes ₹ 11.80 Crores (2016 - ₹ 11.43 Crores) being the excess of expenditure of salaries of CSR personnel and administrative expenses over the limit imposed of 5% of total CSR expenditure laid down under Rule 4(6) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 for such expenses.

(iii) Research and Development expenses for the year amount to ₹ 134.83 Crores (2016 - ₹ 121.91 Crores).

(iv) Cost of inventory recognised as expense during the year amount to ₹ 34655.68 Crores (2016 - ₹ 31908.54 Crores).

(v) Contingent liabilities and commitments :

#### (a) Contingent liabilities

(i) Claims against the Company not acknowledged as debts ₹ 688.53 Crores (2016 - ₹ 581.25 Crores; 2015 - ₹ 558.25 Crores), including interest on claims, where applicable, estimated to be ₹ 195.17 Crores (2016 - ₹ 178.47 Crores; 2015 - ₹ 153.37 Crores). These comprise:

- Excise duty, VAT/sales taxes and other indirect taxes claims disputed by the Company relating to issues of applicability and classification aggregating ₹ 582.60 Crores (2016 - ₹ 471.42 Crores; 2015 - ₹ 450.01 Crores), including interest on claims, where applicable, estimated to be ₹ 185.88 Crores (2016 - ₹ 159.98 Crores; 2015 - ₹ 135.58 Crores).
- Local Authority taxes/cess/royalty on property, utilities etc. claims disputed by the Company relating to issues of applicability and determination aggregating ₹ 59.42 Crores (2016 - ₹ 73.36 Crores; 2015 - ₹ 68.79 Crores), including interest on claims, where applicable, estimated to be ₹ 4.99 Crores (2016 - ₹ 14.46 Crores; 2015 - ₹ 13.47 Crores).
- Third party claims arising from disputes relating to contracts aggregating ₹ 39.04 Crores (2016 - ₹ 29.10 Crores; 2015 - ₹ 29.19 Crores), including interest on claims, where applicable, estimated to be ₹ 0.36 Crore (2016 - ₹ 0.25 Crore; 2015 - ₹ 0.14 Crore).

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

- Other matters ₹ 7.47 Crores (2016 - ₹ 7.37 Crores; 2015 - ₹ 10.26 Crores), including interest on other matters, where applicable, estimated to be ₹ 3.94 Crores (2016 - ₹ 3.78 Crores; 2015 - ₹ 4.18 Crores).

It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash flows, if any, in respect of the above.

- Corporate Guarantee given to Yes Bank Limited for credit facility availed by Broadcast Audience Research Council (BARC) outstanding - ₹ 1.30 Crores (2016 - ₹ 1.30 Crores; 2015 - ₹ 1.30 Crores).

### (b) Commitments

- Estimated amount of contracts remaining to be executed on capital accounts and not provided for ₹ 1990.24 Crores (2016 - ₹ 2039.83 Crores; 2015 - ₹ 1432.41 Crores).
- Uncalled liability on shares partly paid is ₹ 26.40 Crores (2016 - ₹ 26.40 Crores; 2015 - ₹ 26.40 Crores).

### (vi) (a) Defined Benefit Plans/Long Term Compensated Absences :-

#### Description of Plans

The Company makes contributions to both Defined Benefit and Defined Contribution Plans for qualifying employees. These Plans are administered through approved Trusts, which operate in accordance with the Trust Deeds, Rules and applicable Statutes. The concerned Trusts are managed by Trustees who provide strategic guidance with regard to the management of their investments and liabilities and also periodically review their performance.

Provident Fund, Pension and Gratuity Benefits are funded and Leave Encashment Benefits are unfunded in nature. The Defined Benefit Pension Plans are based on employees' pensionable remuneration and length of service. Under the Provident Fund, Gratuity and Leave Encashment Schemes, employees are entitled to receive lump sum benefits.

The liabilities arising in the Defined Benefit Schemes are determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method at the year end. The Company makes regular contributions to these Employee Benefit Plans. Additional contributions are made to these plans as and when required based on actuarial valuation. Some Group companies also participate in these Plans. These participating Group companies make contributions to the Plans for their respective employees on a uniform basis and each entity ascertains their obligation through actuarial valuation. The net Defined benefit cost is recognised by these companies in their respective Financial Statements.

#### Risk Management

The Defined Benefit Plans expose the Company to risk of actuarial deficit arising out of investment risk, interest rate risk and salary cost inflation risk.

**Investment Risks:** This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses. These Plans primarily invest in debt instruments such as Government securities and highly rated corporate bonds – the valuation of which is inversely proportional to the interest rate movements.

**Interest Rate Risk:** The present value of Defined Benefit Plans liability is determined using the discount rate based on the market yields prevailing at the end of reporting period on Government bonds. A decrease in yields will increase the fund liabilities and vice-versa.

**Salary Cost Inflation Risk:** The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

These Plans have a relatively balanced mix of investments in order to manage the above risks. The investment strategy is designed based on the interest rate scenario, liquidity needs of the Plans and pattern of investment as prescribed under various statutes.

The Trustees regularly monitor the funding and investments of these Plans. Risk mitigation systems are in place to ensure that the health of the portfolio is regularly reviewed and investments do not pose any significant risk of impairment. Periodic audits are conducted to ensure adequacy of internal controls. Pension obligation of the employees is secured by purchasing annuities thereby de-risking the Plans from future payment obligation.

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

		For the year ended 31st March, 2017 (₹ in Crores)			For the year ended 31st March, 2016 (₹ in Crores)		
		Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment
		Funded		Unfunded	Funded		Unfunded
<b>I</b>	<b>Components of Employer Expense</b>						
	– <b>Recognised in Profit or Loss</b>						
1	Current Service Cost	44.66	28.04	5.57	44.34	20.02	4.87
2	Past Service Cost	–	–	–	–	–	–
3	Net Interest Cost	(5.13)	(1.18)	6.36	(6.73)	(0.09)	5.77
4	<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>39.53</b>	<b>26.86</b>	<b>11.93</b>	<b>37.61</b>	<b>19.93</b>	<b>10.64</b>
	– <b>Re-measurements recognised in Other Comprehensive Income</b>						
5	Return on plan assets (excluding amounts included in Net interest cost)	(20.58)	(4.44)	–	1.41	(2.03)	–
6	Effect of changes in demographic assumptions	–	–	–	–	–	–
7	Effect of changes in financial assumptions	32.35	15.66	4.86	(10.22)	(3.31)	(2.13)
8	Changes in asset ceiling (excluding interest income)	–	–	–	–	–	–
9	Effect of experience adjustments	7.41	(10.59)	3.29	34.40	21.23	14.49
10	<b>Total re-measurements included in Other Comprehensive Income</b>	<b>19.18</b>	<b>0.63</b>	<b>8.15</b>	<b>25.59</b>	<b>15.89</b>	<b>12.36</b>
11	<b>Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)</b>	<b>58.71</b>	<b>27.49</b>	<b>20.08</b>	<b>63.20</b>	<b>35.82</b>	<b>23.00</b>
	The current service cost and net interest cost for the year pertaining to Pension and Gratuity expenses have been recognised in “Contribution to Provident and other funds” and Leave Encashment in “Salaries and wages” under Note 23. The remeasurements of the net defined benefit liability are included in Other Comprehensive Income.						
		Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment
<b>II</b>	<b>Actual Returns</b>	71.46	26.37	–	49.12	22.21	–
<b>III</b>	<b>Net Asset/(Liability) recognised in Balance Sheet</b>						
1	Present Value of Defined Benefit Obligation	722.69	313.11	98.84	627.53	293.99	90.82
2	Fair Value of Plan Assets	716.25	311.55	–	640.50	273.12	–
3	Status [Surplus/(Deficit)]	(6.44)	(1.56)	(98.84)	12.97	(20.87)	(90.82)
4	Restrictions on Asset Recognised	–	–	–	–	–	–

## Notes to the Financial Statements

### 27. Additional Notes to the Financial Statements (Contd.)

5	Net Asset/(Liability) recognised in Balance Sheet	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Current	Non-current	Current	Non-current	Current	Non-current
	– Pension	(6.44)	–	12.97	–	48.48	–
	– Gratuity	(1.56)	–	(20.87)	–	(34.94)	–
	– Leave Encashment	(13.43)	(85.41)	(16.46)	(74.36)	(16.71)	(64.04)

IV	Change in Defined Benefit Obligation (DBO)	For the year ended 31st March, 2017 (₹ in Crores)			For the year ended 31st March, 2016 (₹ in Crores)		
		Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment
1	Present Value of DBO at the beginning of the year	627.53	293.99	90.82	615.05	282.51	80.75
2	Current Service Cost	44.66	28.04	5.57	44.34	20.02	4.87
3	Interest Cost	45.75	20.75	6.36	43.80	20.09	5.77
4	Remeasurement gains/(losses):						
a.	Effect of changes in demographic assumptions	–	–	–	–	–	–
b.	Effect of changes in financial assumptions	32.35	15.66	4.86	(10.22)	(3.31)	(2.13)
c.	Changes in asset ceiling (excluding interest income)	–	–	–	–	–	–
d.	Effect of experience adjustments	7.41	(10.59)	3.29	34.40	21.23	14.49
5	Curtailment Cost/(Credits)	–	–	–	–	–	–
6	Settlement Cost/(Credits)	–	–	–	–	–	–
7	Liabilities assumed in business combination	–	–	–	–	–	–
8	Exchange difference on foreign plans	–	–	–	–	–	–
9	Benefits Paid	(35.01)	(34.74)	(12.06)	(99.84)	(46.55)	(12.93)
10	<b>Present Value of DBO at the end of the year</b>	<b>722.69</b>	<b>313.11</b>	<b>98.84</b>	<b>627.53</b>	<b>293.99</b>	<b>90.82</b>

V	Best Estimate of Employers' Expected Contribution for the next year	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
	– Pension	<b>107.46</b>	<b>25.04</b>	<b>73.52</b>
	– Gratuity	<b>18.41</b>	<b>18.60</b>	<b>38.29</b>

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

VI	Change in Fair Value of Assets	For the year ended 31st March, 2017 (₹ in Crores)			For the year ended 31st March, 2016 (₹ in Crores)		
		Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment
1	Plan Assets at the beginning of the year	640.50	273.12	–	663.53	247.57	–
2	Asset acquired in Business Combination	–	–	–	–	–	–
3	Interest Income	50.88	21.93	–	50.53	20.18	–
4	Remeasurement Gains/(Losses) on plan assets	20.58	4.44	–	(1.41)	2.03	–
5	Actual Company Contributions	39.30	46.80	–	27.69	49.89	–
6	Benefits Paid	(35.01)	(34.74)	–	(99.84)	(46.55)	–
7	<b>Plan Assets at the end of the year</b>	<b>716.25</b>	<b>311.55</b>	<b>–</b>	<b>640.50</b>	<b>273.12</b>	<b>–</b>

VII	Actuarial Assumptions	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)
1	Pension	6.75	7.50	7.50	7.75	7.75	7.75
2	Gratuity	6.75	7.50	7.50	7.75	7.75	7.75
3	Leave Encashment	6.75	–	7.50	–	7.75	–

The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

VIII	Major Category of Plan Assets as a % of the Total Plan Assets	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
1	Government Securities/Special Deposit with RBI	27.68%	33.68%	34.57%
2	High Quality Corporate Bonds	19.80%	25.28%	28.05%
3	Insurer Managed Funds*	41.93%	31.88%	26.96%
4	Mutual Funds	2.36%	2.24%	2.72%
5	Cash and Cash Equivalents	5.39%	3.73%	4.49%
6	Term Deposits	2.84%	3.19%	3.21%

\* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

The fair value Government securities, corporate bonds, mutual funds are determined based on quoted market prices in active markets. The employee benefit plans do not hold any securities issued by the Company.

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

<b>IX</b>	<b>Basis used to determine the Expected Rate of Return on Plan Assets</b>
	The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

		For the year ended 31st March, 2017 (₹ in Crores)			For the year ended 31st March, 2016 (₹ in Crores)			As at 1st April, 2015 (₹ in Crores)		
		Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment	Pension	Gratuity	Leave Encashment
<b>X</b>	<b>Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)</b>									
	1 Present Value of Defined Benefit Obligation	722.69	313.11	98.84	627.53	293.99	90.82	615.05	282.51	80.75
	2 Fair Value of Plan Assets	716.25	311.55	–	640.50	273.12	–	663.53	247.57	–
	3 Status [Surplus/(Deficit)]	(6.44)	(1.56)	(98.84)	12.97	(20.87)	(90.82)	48.48	(34.94)	(80.75)
	4 Experience Adjustment of Plan Assets [Gain/(Loss)]	20.58	4.44	–	(1.41)	2.03	–	19.65	6.29	–
	5 Experience Adjustment of obligation [(Gain)/Loss]	7.41	(10.59)	3.29	34.40	21.23	14.49	(54.42)	11.99	(6.06)

<b>XI</b>	<b>Sensitivity Analysis</b>
	The Sensitivity Analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of the Sensitivity Analysis from previous year.

(₹ in Crores)

		DBO as at 31st March, 2017	DBO as at 31st March, 2016
1	Discount Rate + 100 basis points	1074.55	950.68
2	Discount Rate - 100 basis points	1210.20	1074.74
3	Salary Increase Rate + 1%	1196.49	1066.73
4	Salary Increase Rate – 1%	1076.22	953.76

### Maturity Analysis Of The Benefit Payments

1	Year 1	159.35	98.24
2	Year 2	143.80	107.81
3	Year 3	87.94	126.64
4	Year 4	111.05	110.98
5	Year 5	111.82	80.54
6	Next 5 Years	497.13	453.06

(b) Amounts towards Defined Contribution Plans have been recognised under “Contribution to Provident and other funds” in Note 23: ₹ 80.89 Crores (2016 - ₹ 72.30 Crores).

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

(vii) Micro, Small and Medium scale business entities:

A sum of ₹ 38.54 Crores is payable to Micro and Small Enterprises as at 31st March, 2017 (2016 - ₹ 34.13 Crores; 2015 - ₹ 24.56 Crores). The above amount comprise of ₹ 28.98 Crores (2016 - ₹ 32.92 Crores; 2015 - ₹ 21.91 Crores) on account of trade payable and ₹ 9.56 Crores (2016 - ₹ 1.21 Crores; 2015 - ₹ 2.65 Crores) on account of other current liabilities. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March, 2017. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

(viii) Details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the Table below:-

(₹ in Crores)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	3.03	1.02	4.05
(+) Permitted receipts	6.79	19.87	26.66
(-) Permitted payments	...	2.45	2.45
(-) Amount deposited in banks	9.82	15.62	25.44
Closing cash in hand as on 30.12.2016	–	2.82	2.82

(ix) The Company's significant leasing arrangements are in respect of operating leases for land and building premises (residential, office, stores, godowns etc.). These leasing arrangements which are not non-cancellable range between 11 months and 9 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as 'Rent' under Note 25.

With regard to certain other non-cancellable operating leases for premises, the future minimum rentals are as follows:

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
Not later than one year	15.88	12.74	18.31
Later than one year and not later than five years	34.97	15.13	6.74
Later than five years	–	0.35	0.92

(x) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17th March, 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment'. These amendments are applicable for annual periods beginning on or after 1st April, 2017. The Company expects that there will be no material impact on the financial statements resulting from the implementation of these standards.

(xi) Under the terms of the Joint Venture Agreement (JVA), Logix Developers Private Limited (LDPL) was to develop a luxury hotel-cum-service apartment complex. However, Logix Estates Private Ltd., Noida, the JV partner communicated its intention to explore alternative development plans and did not contribute its share of the cash call made by LDPL in June 2014. The resultant deadlock has stalled the project. The Company's petition, praying for a direction to the JV partner to act in accordance with the Articles of Association of LDPL and complete the project or for appropriate directions for the company to exit from the JV in terms of the JVA, is pending before the National Company Law Tribunal (NCLT). The JV partner has also filed a petition before the Hon'ble Delhi High Court for winding up the JV company, which has since been transferred to the NCLT and is pending.

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

### (xii) Information in respect of Options granted under the Company's Employee Stock Option Schemes ('Schemes'):

Sl. No.		ITC Employee Stock Option Scheme (introduced in 2001)	ITC Employee Stock Option Scheme - 2006	ITC Employee Stock Option Scheme - 2010
1.	Date of Shareholders' approval	17-01-2001	22-01-2007	23-07-2010
2.	Total number of Options approved under the Schemes	Options equivalent to 12,27,07,450 Ordinary Shares of ₹ 1.00 each	Options equivalent to 37,89,18,503 Ordinary Shares of ₹ 1.00 each	Options equivalent to 55,60,44,823 Ordinary Shares of ₹ 1.00 each
		<i>Note: Adjusted for Bonus Shares issued in terms of Shareholders approval.</i>		
3.	Vesting Schedule	<p>The vesting period for conversion of Options is as follows:</p> <ul style="list-style-type: none"> <li>On completion of 12 months from the date of grant of the Options : 30% vests</li> <li>On completion of 24 months from the date of grant of the Options : 30% vests</li> <li>On completion of 36 months from the date of grant of the Options : 40% vests</li> </ul>		
4.	Pricing Formula	<p>The Pricing Formula, as approved by the Shareholders of the Company, is such price, as determined by the Nomination &amp; Compensation Committee, which is no lower than the closing price of the Company's Share on the National Stock Exchange of India Limited ('the NSE') on the date of grant, or the average price of the Company's Share in the six months preceding the date of grant based on the daily closing price on the NSE, or the 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.</p> <p>The Options have been granted at 'market price' as defined from time to time under the aforesaid Regulations.</p>		
5.	Maximum term of Options granted	5 years from the date of grant	5 years from the date of vesting	
6.	Source of Shares	Primary		
7.	Variation in terms of Options	None		
8.	Method used for accounting of share-based payment plans	<p>The employee compensation cost has been calculated using the fair value method of accounting for Options issued under the Company's Employee Stock Option Schemes. The employee compensation cost as per fair value method for the financial year 2016-17 is ₹ 450.32 Crores (2016 - ₹ 501.91 Crores) and ₹ 52.53 Crores (2016 - ₹ 51.74 Crores) for group entities.</p>		
9.	Nature and extent of employee share based payment plans that existed during the period including the general terms and conditions of each plan	<p>Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of the Company of ₹ 1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from (i) the date of grant in respect of Options granted under the ITC Employee Stock Option Scheme (introduced in 2001) and (ii) the date of vesting in respect of Options granted under the ITC Employee Stock Option Scheme - 2006 &amp; the ITC Employee Stock Option Scheme - 2010. The above is in addition to the other terms and conditions provided in the table under Serial Nos. (3) to (5) hereinbefore.</p>		
10.	Weighted average exercise prices and weighted average fair values of Options whose exercise price either equals or exceeds or is less than the market price of the stock.	<p>Weighted average exercise price per Option : ₹ 2505.93  Weighted average fair value per Option : ₹ 550.67</p>		



# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

11.	Option movements during the year	:	<b>ITC Employee Stock Option Scheme (introduced in 2001)</b>	<b>ITC Employee Stock Option Scheme - 2006</b>	<b>ITC Employee Stock Option Scheme - 2010</b>	
	a) Options outstanding at the beginning of the year	:	1,81,060	35,39,624	2,64,09,243	
	b) Options granted during the year (Including Bonus Options allocated consequent to the Bonus Share issue in 2016-17 in the ratio of 1 Bonus Share for every 2 Ordinary Shares)	:	–	17,04,882	1,95,60,729	
	c) Options cancelled and lapsed during the year	:	–	1,03,099	7,84,633	
	d) Options vested and exercisable during the year (net of Options lapsed and exercised)	:	–	1,03,618	1,14,39,825	
	e) Options exercised during the year	:	1,81,060	27,00,607	44,70,231	
	f) Number of Ordinary Shares of ₹ 1.00 each arising as a result of exercise of Options during the year	:	18,10,600	2,70,06,070	4,47,02,310	
	g) Options outstanding at the end of the year	:	–	24,40,800	4,07,15,108	
	h) Options exercisable at the end of the year	:	–	23,18,163	2,38,40,646	
	i) Money realised by exercise of the Options during the year (₹ in Crores)	:	36.63	256.33	774.00	
12.	Summary of the status of Options	:				
	<b>Particulars</b>		<b>As at 31st March, 2017</b>		<b>As at 31st March, 2016</b>	
			<b>No. of Options</b>	<b>Weighted Average Exercise Prices (₹)</b>	<b>No. of Options</b>	<b>Weighted Average Exercise Prices (₹)</b>
	Outstanding at the beginning of the year	:	3,01,29,927	2,835.55	2,69,35,141	2,609.34
	Add: Granted during the year (Includes Bonus Options allocated consequent to the Bonus Share issue in 2016-17)	:	2,12,65,611	2,088.96 *	69,09,600	3,200.41
	Less: Lapsed during the year	:	8,87,732	2,128.33 *	5,46,069	3,012.09
	Less: Exercised during the year	:	73,51,898	1,451.27 *	31,68,745	1,677.95
	Outstanding at the end of the year	:	4,31,55,908	2,066.94 *	3,01,29,927	2,835.55
	Options exercisable at the end of the year	:	2,61,58,809	1,897.24 *	1,62,05,121	2,452.64
	* Adjusted for Bonus Share Issue 1:2 in 2016-17					

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

13.	Weighted average share price of Shares arising upon exercise of Options	:	The Options were exercised during the periods permitted under the Schemes, and weighted average share price of Shares arising upon exercise of Options, based on the closing market price on NSE on the date of exercise of Options (i.e. the date of allotment of shares by the Securityholders Relationship Committee) for the year ended 31st March, 2017 was ₹ 265.38 (2016 - ₹ 322.18).					
14.	Summary of Options outstanding, scheme-wise:							
	Particulars		As at 31st March, 2017			As at 31st March, 2016		
		No. of Options Outstanding	Range of Exercise Prices* (₹)	Weighted average remaining contractual life	No. of Options Outstanding	Range of Exercise Prices (₹)	Weighted average remaining contractual life	
	ITC Employee Stock Option Scheme (introduced in 2001)	:	–	–	–	1,81,060	2023.50	0.40
	ITC Employee Stock Option Scheme - 2006	:	24,40,800	726.67 – 2506.00	1.55	35,39,624	948.00 – 3572.00	1.79
	ITC Employee Stock Option Scheme - 2010	:	4,07,15,108	1349.00 – 2655.00	3.32	2,64,09,243	2023.50 – 3572.00	4.91
	* Adjusted for Bonus Share Issue 1:2 in 2016-17							
15.	A description of the method used during the year to estimate the fair values of Options, the weighted average exercise prices and weighted average fair values of Options granted	:	The fair value of each Option is estimated using the Black Scholes Option Pricing model. Weighted average exercise price per Option : ₹ 2505.93 Weighted average fair value per Option : ₹ 550.67					
	The significant assumptions used to ascertain the above	:	The fair value of each Option is estimated using the Black Scholes Option Pricing model after applying the following key assumptions on a weighted average basis:					
			(i) Risk-free interest rate					6.91%
			(ii) Expected life					3.29 years
			(iii) Expected volatility					25.53%
			(iv) Expected dividends					2.63%
			(v) The price of the underlying shares in market at the time of Option grant					₹ 2498.29
			(One Option = 10 Ordinary Shares)					
16.	Methodology for determination of expected volatility.	:	The volatility used in the Black Scholes Option Pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The period considered for the working is commensurate with the expected life of the Options and is based on the daily volatility of the Company's stock price on NSE. The Company has incorporated the early exercise of Options by calculating expected life on past exercise behaviour. There are no market conditions attached to the grant and vest.					

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

17. Options granted to (a) Key managerial personnel :	As provided below:-			
	Name	Designation	No. of Options granted during the financial year 2016-17	
1	Y. C. Deveshwar	Chairman	2,70,000	
2	S. Puri	Chief Executive Officer & Executive Director	1,35,000	
3	N. Anand	Executive Director	1,35,000	
4	R. Tandon	Executive Director & Chief Financial Officer	1,35,000	
5	B. B. Chatterjee	Executive Vice President & Company Secretary	40,000	
6	C. Dar	Group Head - LS&T, Central Projects, EHS and Quality Assurance	40,000	
7	S. K. Singh	Divisional Chief Executive (PSPD)	40,000	
8	S. Sivakumar	Group Head - Agri Business	56,250	
9	R. Sridhar	Head - Corporate Human Resources	25,300	
10	B. Sumant	President - FMCG	40,000	
11	K. S. Suresh	General Counsel	40,000	
(b) Senior managerial personnel	12	S. M. Ahmad	On deputation	25,300
	13	A. Ambasta	Head - Social Investments Programme	30,600
	14	G. Anand	Executive Vice President, Pre-Opening Services (HD)	17,550
	15	N. Arif	Executive Vice President & Head - Corporate Communications	34,000
	16	R. Batra	On deputation	25,300
	17	S. K. Bezbaroa	Executive Vice President - Corporate EHS	25,300
	18	A. Chand	Executive Vice President - Special Projects	20,700
	19	L. C. Chandrasekharan	Chief Scientist - Research & Technology Innovation	26,000
	20	Saradindu Dutta	Head - Corporate Accounts	25,300
	21	Supratim Dutta	Executive Vice President - Corporate Finance	30,600
	22	M. Ganesan	Executive Vice President - Finance, Procurement & IT (FD)	30,600
	23	S. Ganesh Kumar	Chief Operating Officer - Staples, Snacks & Meals (FD)	30,600
	24	S. Guha	Executive Vice President - Technical (ITD)	20,700
	25	P. Gupta	Head - Corporate Taxation	20,700
	26	V. Gupta	Divisional Chief Executive (LRBD)	15,000
	27	D. Haksar	Chief Executive - ITC Hotels / WelcomHotels (HD)	20,070
	28	S. Kaul	Divisional Chief Executive (ITD)	28,950
	29	V. Kulkarni	Chief Operating Officer (PSPD)	21,280
	30	S. Kumar	On deputation	17,550
	31	H. Malik	Divisional Chief Executive (FD)	35,000
	32	A. K. Mukerji	Corporate Financial Controller	40,000
	33	A. R. Noronha	Executive Vice President - Projects (HD)	17,550
	34	R. Parasuram	Head - Corporate Internal Audit	28,950
	35	A. Pathak	On deputation	25,300

# Notes to the Financial Statements

## 27. Additional Notes to the Financial Statements (Contd.)

(b) Senior managerial personnel : (contd.)	Name	Designation	No. of Options granted during the financial year 2016-17
	36 A. K. Poddar	On deputation	17,600
	37 R. Rai	Chief Operating Officer (ABD)	25,300
	38 V. M. Rajasekharan	Executive Vice President & SBU Chief Executive - Matches & Agarbatti	25,300
	39 A. K. Rajput	Senior Vice President - Corporate Affairs	40,000
	40 S. Rangrass	Divisional Chief Executive (ABD-ILTD)	35,000
	41 A. Roy	Head of Supply Chain (TM&D)	21,280
	42 C. V. Sarma	Executive Vice President - Finance & MIS (PSPD)	25,300
	43 R. Senguttuvan	Executive Vice President & SBU Chief Executive (PPB)	35,000
	44 A. Seth	Executive Vice President - Finance & MIS (ITD)	30,600
	45 A. Sharma	Executive Vice President - Human Resources & Learning Services (HD)	17,550
	46 J. Singh	Executive Vice President - Finance, Procurement & IT (HD)	21,280
	47 S. A. Sule	Chief Operating Officer (TM&D)	30,600
	48 S. Tyagi	Executive Vice President & SBU Chief Executive (ESPB)	20,700
	49 K. I. Viswanathan	Executive Vice President - Marketing & Commercial (PSPD)	25,300
	50 S. Wanchoo	Executive Vice President - Marketing (ITD)	20,700
	51 A. Zachariah	Executive Vice President - Central Projects Organisation	20,700

*The Optionees were granted Options on 22nd July, 2016 at the exercise price of ₹ 2506.00 per Option, other than Mr. V. Gupta (Sl. No. 26) who was granted Options on 27th January, 2017 at the exercise price of ₹ 2655.00 per Option*

(c) Any other employee who received a grant on any one year of Options amounting to 5% or more of the Options granted during the year.	:	None
(d) Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	:	None

**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

*Bonus Options were allocated during 2016-17 on unvested Options in the same ratio as Bonus Shares (i.e., in the ratio of 1 Bonus Share for every 2 Ordinary Shares), in accordance with the ITC Employee Stock Option Scheme read with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.*

(xiii) The financial statements were approved for issue by the Board of Directors on 26th May, 2017.

# Notes to the Financial Statements

## 28. Segment reporting

(₹ in Crores)

	2017			2016		
	External	Inter Segment	Total	External	Inter Segment	Total
<b>1. Segment Revenue - Gross</b>						
FMCG - Cigarettes	34001.98	–	34001.98	32348.29	–	32348.29
FMCG - Others	10498.57	13.26	10511.83	9719.62	11.55	9731.17
<b>FMCG - Total</b>	<b>44500.55</b>	<b>13.26</b>	<b>44513.81</b>	<b>42067.91</b>	<b>11.55</b>	<b>42079.46</b>
Hotels	1329.25	12.48	1341.73	1273.51	12.66	1286.17
Agri Business	5352.88	2911.67	8264.55	4389.34	3067.54	7456.88
Paperboards, Paper and Packaging	3819.01	1543.85	5362.86	3851.69	1476.01	5327.70
<b>Segment Total</b>	<b>55001.69</b>	<b>4481.26</b>	<b>59482.95</b>	<b>51582.45</b>	<b>4567.76</b>	<b>56150.21</b>
Eliminations			(4481.26)			(4567.76)
<b>Gross Revenue from sale of products and services</b>			<b>55001.69</b>			<b>51582.45</b>
<b>2. Segment Results</b>						
FMCG - Cigarettes			12513.91			11752.43
FMCG - Others			28.12			101.76
<b>FMCG - Total</b>			<b>12542.03</b>			<b>11854.19</b>
Hotels			110.95			55.69
Agri Business			905.80			933.03
Paperboards, Paper and Packaging			965.84			907.62
<b>Segment Total</b>			<b>14524.62</b>			<b>13750.53</b>
Eliminations			41.46			(51.13)
<b>Consolidated Total</b>			<b>14566.08</b>			<b>13699.40</b>
Unallocated corporate expenses net of unallocated income			946.47			958.94
<b>Profit before interest etc. and taxation</b>			<b>13619.61</b>			<b>12740.46</b>
Finance Costs			22.95			49.13
Interest earned on loans and deposits, income from current and non-current investments, profit and loss on sale of investments etc. - Net			1906.30			1742.74
<b>Profit before tax</b>			<b>15502.96</b>			<b>14434.07</b>
Tax expense			5302.06			5105.70
<b>Profit for the year</b>			<b>10200.90</b>			<b>9,328.37</b>
<b>3. Other Information</b>						
	2017		2016		2015	
	Segment Assets	Segment Liabilities*	Segment Assets	Segment Liabilities*	Segment Assets	Segment Liabilities*
<b>FMCG - Cigarettes</b>	7994.51	2447.84	7946.13	2644.39	8004.99	2186.41
FMCG - Others	7113.91	1407.21	6090.74	1179.77	4849.14	861.29
<b>FMCG - Total</b>	<b>15108.42</b>	<b>3855.05</b>	<b>14036.87</b>	<b>3824.16</b>	<b>12854.13</b>	<b>3047.70</b>
Hotels**	5082.80	420.62	4820.29	345.39	4654.05	353.09
Agri Business	2991.57	795.88	2968.39	610.35	2650.59	691.75
Paperboards, Paper and Packaging	6322.79	623.85	6031.00	510.68	5921.98	496.07
<b>Segment Total</b>	<b>29505.58</b>	<b>5695.40</b>	<b>27856.55</b>	<b>5290.58</b>	<b>26080.75</b>	<b>4588.61</b>
Unallocated Corporate Assets/Liabilities	24710.37	3179.59	22174.73	3084.27	18684.06	2888.37
<b>Total</b>	<b>54215.95</b>	<b>8874.99</b>	<b>50031.28</b>	<b>8374.85</b>	<b>44764.81</b>	<b>7476.98</b>

\* Segment Liabilities of FMCG - Cigarettes is before considering ₹ 629.83 Crores (2016 - ₹ 651.54 Crores; 2015 - ₹ 629.98 Crores) in respect of disputed taxes, the recovery of which has been stayed or where States' appeals are pending before Courts. These have been included under 'Unallocated Corporate Liabilities'.

\*\* Includes ₹ 541.21 Crores (2016 - ₹ 541.21 Crores; 2015 - ₹ 515.44 Crores) towards payment to IFCI Limited and applicable stamp duty for purchase of a five star hotel resort in Goa operating under the name Park Hyatt Goa Resort & Spa and IFCI Limited issued required sale certificate in favour of the Company. The erstwhile owners of the property thereafter challenged the sale. By its judgement dated 23.03.2016, the Bombay High Court set aside the sale and directed IFCI Limited to refund the sale consideration to the Company. The Company and IFCI Limited have approached the Hon'ble Supreme Court against the High Court judgement. The Hon'ble Supreme Court by its order dated 22.04.2016 directed maintenance of status quo and that the amount paid by ITC shall remain with IFCI Limited until further orders. The matter is pending before the Hon'ble Supreme Court. The amount of ₹ 515.44 Crores and the stamp duty paid in 2015-16 amounting to ₹ 25.77 Crores, was adjusted in 2015-16 from Capital Work In Progress and reflected in Capital Advances (Refer Note 3B and Note 7).

# Notes to the Financial Statements

## 28. Segment reporting (Contd.)

(₹ in Crores)

	2017		2016	
	Capital expenditure	Depreciation and amortization	Capital expenditure	Depreciation and amortization
FMCG - Cigarettes	253.49	248.34	218.25	244.84
FMCG - Others	1153.44	236.55	734.19	204.41
<b>FMCG - Total</b>	<b>1406.93</b>	<b>484.89</b>	<b>952.44</b>	<b>449.25</b>
Hotels	398.74	169.01	291.50	187.23
Agri Business	159.44	49.13	128.46	50.63
Paperboards, Paper and Packaging	560.63	254.14	349.76	242.52
<b>Segment Total</b>	<b>2525.74</b>	<b>957.17</b>	<b>1722.16</b>	<b>929.63</b>
Unallocated	551.83	80.87	288.74	71.05
<b>Total</b>	<b>3077.57</b>	<b>1038.04</b>	<b>2010.90</b>	<b>1000.68</b>
		Non Cash expenditure other than depreciation		Non Cash expenditure other than depreciation
FMCG - Cigarettes		3.13		6.73
FMCG - Others		40.14		25.19
<b>FMCG - Total</b>		<b>43.27</b>		<b>31.92</b>
Hotels		10.00		2.21
Agri Business		0.52		1.98
Paperboards, Paper and Packaging		22.97		23.54
<b>Segment Total</b>		<b>76.76</b>		<b>59.65</b>

## GEOGRAPHICAL INFORMATION

	2017	2016	
<b>1. Revenue from external customers</b>			
– Within India	51700.52	48302.97	
– Outside India	3301.17	3279.48	
<b>Total</b>	<b>55001.69</b>	<b>51582.45</b>	
<b>2. Non Current Assets</b>			
– Within India	21087.37	18904.85	17721.10
– Outside India	0.01	0.01	–
<b>Total</b>	<b>21087.38</b>	<b>18904.86</b>	<b>17721.10</b>

### NOTES :

- The Company's corporate strategy aims at creating multiple drivers of growth anchored on its core competencies. The Company is currently focused on four business groups : FMCG, Hotels, Paperboards, Paper and Packaging and Agri Business. The Company's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.  
The Operating Segments have been reported in a manner consistent with the internal reporting provided to the Corporate Management Committee, which is the Chief Operating Decision Maker.
- The business groups comprise the following :
 

FMCG :	Cigarettes	– Cigarettes, Cigars etc.
:	Others	– Branded Packaged Foods Businesses (Staples; Snacks and Meals; Dairy and Beverages; Confections); Apparel; Education and Stationery Products; Personal Care Products; Safety Matches and Agarbattis.
Hotels		– Hoteliering.
Paperboards, Paper and Packaging		– Paperboards, Paper including Specialty Paper and Packaging including Flexibles.
Agri Business		– Agri commodities such as soya, spices, coffee and leaf tobacco.
- The geographical information considered for disclosure are :
 

	– Sales within India.
	– Sales outside India.
- Segment results of 'FMCG : Others' are after considering significant business development, brand building and gestation costs of the Branded Packaged Foods businesses and Personal Care Products business.
- As stock options are granted under ITC ESOS to align the interests of employees with those of shareholders and also to attract and retain talent for the enterprise as a whole, the option value of ITC ESOS do not form part of the segment performance reviewed by the Corporate Management Committee.
- The Company is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

# Notes to the Financial Statements

## 29. Related Party Disclosures

### 1. ENTERPRISES WHERE CONTROL EXISTS:

#### Subsidiaries:

- a) Srinivasa Resorts Limited
  - b) Fortune Park Hotels Limited
  - c) Bay Islands Hotels Limited
  - d) WelcomHotels Lanka (Private) Limited, Sri Lanka
  - e) Landbase India Limited
  - f) Russell Credit Limited and its subsidiary  
Greenacre Holdings Limited
  - g) Technico Pty Limited, Australia and its subsidiaries  
Technico Technologies Inc., Canada  
Technico Asia Holdings Pty Limited, Australia and its subsidiary  
Technico Horticultural (Kunming) Co. Limited, China
  - h) Technico Agri Sciences Limited
  - i) Wimco Limited
  - j) Pavan Poplar Limited
  - k) Prag Agro Farm Limited
  - l) ITC Infotech India Limited and its subsidiaries  
ITC Infotech Limited, UK  
ITC Infotech (USA), Inc. and its subsidiaries  
Pyxis Solutions, LLC , USA (merged with ITC Infotech (USA), Inc. w.e.f. 01.04.2016)  
Indivate Inc., USA (w.e.f. 18.11.2016)
  - m) Gold Flake Corporation Limited
  - n) ITC Investments & Holdings Limited and its subsidiary  
MRR Trading & Investment Company Limited
  - o) Surya Nepal Private Limited
  - p) King Maker Marketing, Inc., USA (ceased w.e.f. 16.11.2016)
  - q) North East Nutrients Private Limited
- The above list does not include ITC Global Holdings Pte. Limited, Singapore (in liquidation)

### 2. OTHER RELATED PARTIES WITH WHOM THE COMPANY HAD TRANSACTIONS

#### i) Associates & Joint Ventures:

##### Associates

- a) Gujarat Hotels Limited
- b) International Travel House Limited  
– being associates of the Company, and
- c) Tobacco Manufacturers (India) Limited, UK  
– of which the Company is an associate

##### Associates of the Company's subsidiaries

- a) Russell Investments Limited
- b) Divya Management Limited
- c) Antrang Finance Limited  
– being associates of Russell Credit Limited, and
- d) ATC Limited  
– being associate of Gold Flake Corporation Limited

##### Joint Ventures

- a) Maharaja Heritage Resorts Limited
- b) Espirit Hotels Private Limited
- c) Logix Developers Private Limited

##### Joint Venture of the Company's subsidiary

- a) ITC Essentra Limited  
– being joint venture of Gold Flake Corporation Limited

Note: King Maker Marketing, Inc. USA (KMM) ceased to be a subsidiary of the Company with effect from 16.11.2016 consequent to divestment of the Company's entire shareholding in KMM.

# Notes to the Financial Statements

## 29. Related Party Disclosures (Contd.)

### ii) a) Key Management Personnel:

Y. C. Deveshwar <sup>1</sup>	Chairman & Non-Executive Director
S. Puri <sup>2</sup>	Chief Executive Officer & Executive Director
N. Anand	Executive Director
R. Tandon	Executive Director & Chief Financial Officer
Z. Alam	Non-Executive Director (w.e.f. 26.10.2016)
A. Baijal*	Non-Executive Director (ceased w.e.f. 30.12.2016)
S. Banerjee*	Non-Executive Director
A. Duggal*	Non-Executive Director
A. V. Girija Kumar	Non-Executive Director (upto conclusion of AGM on 22.07.2016)
R. E. Lerwill	Non-Executive Director (ceased w.e.f. 22.06.2016)
S. B. Mainak	Non-Executive Director
S. B. Mathur*	Non-Executive Director
P. B. Ramanujam*	Non-Executive Director
N. Rao*	Non-Executive Director (w.e.f. 08.04.2016)
S. S. H. Rehman*	Non-Executive Director
M. Shankar*	Non-Executive Director
D.R. Simpson	Non-Executive Director (w.e.f. 27.01.2017)
K. Vaidyanath	Non-Executive Director (ceased w.e.f. 29.07.2016)

<sup>1</sup> Chairman & Non-Executive Director since 05.02.2017, prior to which Mr. Deveshwar was Executive Chairman

<sup>2</sup> Appointed also as Chief Executive Officer from 05.02.2017

\* Independent Directors

#### Members - Corporate Management Committee

Y. C. Deveshwar (ceased as Chairman of CMC w.e.f. 05.02.2017)
S. Puri (appointed Chairman of CMC w.e.f. 05.02.2017)
N. Anand
R. Tandon
B. B. Chatterjee
S. Sivakumar
K. S. Suresh
C. Dar
R. Sridhar (w.e.f. 01.04.2016)
B. Sumant (w.e.f. 01.04.2016)
S. K. Singh (w.e.f. 27.01.2017)

### b) Relatives of Key Management Personnel:

Mrs. B. Deveshwar (wife of Mr. Y. C. Deveshwar)
Mrs. R. Tandon (wife of Mr. R. Tandon)

### iii) Employee Trusts where there is significant influence:

- IATC Provident Fund
- ITC Defined Contribution Pension Fund
- ITC Management Staff Gratuity Fund
- ITC Employees Gratuity Fund
- ITC Gratuity Fund 'C'
- ITC Pension Fund
- ILTD Seasonal Employees Pension Fund
- ITC Platinum Jubilee Pension Fund
- Tribeni Tissues Limited Gratuity Fund
- ITC Bhadrachalam Paperboards Limited Management Staff Pension Fund
- ITC Bhadrachalam Paperboards Limited Gratuity Fund 'A'
- ITC Bhadrachalam Paperboards Limited Gratuity Fund 'C'
- ITC Hotels Limited Employees Superannuation Scheme



# Notes to the Financial Statements

## 29. Related Party Disclosures (Contd.)

### 3. DISCLOSURE OF TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017 (₹ in Crores)

RELATED PARTY TRANSACTIONS SUMMARY	Enterprises where control exists		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Employee Trusts		Total		
	Subsidiaries		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2015	2016	2015
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2015	2016	2015	2016	2015
1. Sale of Goods/Services	322.90	307.18	0.49	0.47	6.88	9.40								317.05	35.95
2. Purchase of Goods/Services	299.28	173.56	74.88	80.57	252.92	291.55								627.08	48.48
3. Acquisition cost of Property, Plant and Equipments etc.	1.54	29.06	—	0.37	—	—								1.54	3.07
4. Sale of Property, Plant and Equipments etc./Scraps	—	—	0.05	0.27	—	—								0.05	2.00
5. Investments Purchased from Subsidiary <sup>1</sup>	—	121.00	—	—	—	—								121.00	0.10
6. Investment in Subsidiaries/Joint Ventures	139.80	286.98	—	—	—	—								139.80	51.12
7. Redemption of Preference Shares	—	187.00	—	—	—	—								—	15.00
8. Value of share based payment	35.06	47.27	3.33	3.33	—	1.14								35.06	5.95
8A. Capital Contribution for Share Based Payments	13.20	—	2.89	—	0.96	—								17.05	0.18
8B. Reimbursement for Share Based Payments for current year	11.67	—	3.33	—	1.14	—								16.14	0.18
8C. Reimbursement for Capital Contribution for Share Based Payments for previous year	60.55	—	—	—	—	—								60.55	0.18
9. Sale of Investment <sup>2</sup>	—	5.40	—	—	—	—								—	0.18
10. Return of Capital by Subsidiary	—	—	—	—	—	—								—	0.18
11. Interest Income	17.54	20.08	0.89	1.04	—	—								18.43	0.18
12. Rent Received	8.75	8.50	3.74	3.49	—	—								13.35	0.18
13. Rent Paid	3.87	3.73	5.32	4.17	—	—								9.19	0.18
14. Remuneration of Managers on Deputation reimbursed	18.87	15.11	4.45	3.85	1.53	1.38								24.85	0.18
15. Remuneration of Managers on Deputation recovered	247.98	319.33	0.73	0.73	—	—								247.98	0.18
16. Contribution to Employees' Benefit Plans	15.13	12.01	0.39	0.19	0.32	0.39								16.91	0.18
17. Dividend Income	13.27	10.85	0.72	0.60	0.09	0.03								15.84	0.18
18. Dividend Payments	—	0.20	—	—	—	—								—	0.18
19. Expenses Recovered	—	43.67	—	—	—	—								—	0.18
20. Expenses Reimbursed	—	1.13	—	—	—	—								—	0.18
21. Loans Given	—	2.00	—	—	—	—								—	0.18
22. Receipt towards Loan Repayment	—	—	—	—	—	—								—	0.18
23. Assignment of Loan to Subsidiary at fair value	—	—	—	—	—	—								—	0.18
24. Adjustment/Payment towards Loan Repayment	0.17	—	—	—	—	—								0.17	0.18
25. Advances Given during the year	118.61	119.62	—	—	—	—								118.61	0.18
26. Adjustment/Receipt towards Refund of Advances	153.67	131.97	—	—	—	—								153.67	0.18
27. Advance Received during the year	0.10	2.00	—	—	—	—								0.10	0.18
28. Adjustment/Payment towards Refund of Advance	—	—	—	—	—	—								—	0.18
29. Adjustment/Receipt towards Refund of Deposit	—	—	—	—	—	—								—	0.18
30. Deposits Received during the year	—	—	—	—	—	—								—	0.18
31. Adjustment/Payment towards Refund of Deposits	—	—	—	—	—	—								—	0.18
32. Transactions with Key Management Personnel <sup>3</sup>	—	—	—	—	—	—								—	0.18
32A. - Short term benefits <sup>4</sup>	37.83	31.66	—	—	—	—								37.83	0.18
32B. - Other remuneration	5.05	3.44	—	—	—	—								5.05	0.18
32C. - Stock options granted <sup>5</sup>	—	—	—	—	—	—								—	0.18
<b>RELATED PARTY TRANSACTIONS SUMMARY</b>															
	Enterprises where control exists		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Employee Trusts		Total		
	Subsidiaries		2017	2016	2017	2016	2017	2016	2017	2016	2015	2016	2015	2016	2015
33. Outstanding Balances #	57.36	48.47	31.46	0.87	4.54	2.86	3.62	—	—	—	—	—	—	69.44	35.95
i) Receivables	—	—	76.02	—	—	—	—	—	—	—	—	—	—	—	76.02
ii) Advances Given	0.60	0.70	2.60	—	—	—	—	—	—	—	—	—	—	3.07	3.07
iii) Loans Given	—	—	2.00	—	—	—	—	—	—	—	—	—	—	—	2.00
iv) Deposits Given <sup>6</sup>	98.96	134.02	146.37	0.06	0.07	0.07	0.07	0.30	0.30	—	—	—	—	98.96	146.37
v) Loans Taken	6.07	5.30	3.04	0.10	0.87	5.92	4.73	—	—	—	—	—	—	20.75	14.63
vi) Advance Taken	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
vii) Deposits Taken	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
viii) Payables	25.29	9.00	55.95	6.13	8.41	—	—	—	—	—	—	—	—	25.29	9.00
ix) Investment in Non-Convertible Debentures	0.13	0.18	0.18	—	—	—	—	—	—	—	—	—	—	0.13	0.18
x) Impairment of investment in Subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
34. Commitments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
35. —	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

# The amounts outstanding are unsecured and will be settled in cash

6 includes transfer of deposit of ₹ 0.10 Crore, with an Associate in 2015, to a subsidiary during the year pursuant to amalgamation of the Associate with the subsidiary, which was subsequently refunded in 2016-17



# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures

### 1. Capital Management

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Company funds its operations through internal accruals. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

During the year, the Company issued 7,35,18,980 equity shares of ₹ 1.00 each amounting to ₹ 7.35 Crores (2016 – ₹ 3.17 Crores) towards its equity-settled employee stock options. The securities premium stood at ₹ 6432.24 Crores as at 31st March, 2017 (2016 - ₹ 5685.86 Crores).

### 2. Categories of Financial Instruments

(₹ in Crores)

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial assets</b>							
<b>a) Measured at amortised cost</b>							
i) Cash and cash equivalents	11	156.15	156.15	75.79	75.79	36.29	36.29
ii) Other bank balances	12	2591.12	2591.12	5563.41	5563.41	6236.52	6236.52
iii) Investment in Bonds/Debentures & Government or Trust Securities	4,9	5614.35	5643.93	4521.00	4546.53	0.01	0.01
iv) Loans	5	9.21	8.73	11.97	11.24	49.43	48.24
v) Trade receivables	10	2207.50	2207.50	1686.35	1686.35	1722.40	1722.40
vi) Other financial assets	6	1073.29	1013.56	1411.25	1350.49	1622.19	1604.23
<b>Sub-total</b>		<b>11651.62</b>	<b>11620.99</b>	<b>13269.77</b>	<b>13233.81</b>	<b>9666.84</b>	<b>9647.69</b>
<b>b) Measured at Fair value through OCI</b>							
i) Equity shares	4	1115.45	1115.45	985.52	985.52	1015.34	1015.34
<b>Sub-total</b>		<b>1115.45</b>	<b>1115.45</b>	<b>985.52</b>	<b>985.52</b>	<b>1015.34</b>	<b>1015.34</b>
<b>c) Measured at Fair value through Profit or Loss</b>							
i) Investment In Mutual Funds	4,9	7675.11	7675.11	3547.14	3547.14	4195.57	4195.57
ii) Investment in Bonds/ Debentures, Certificate of Deposits, Preference Shares	9	1988.65	1988.65	2149.36	2149.36	1896.02	1896.02
<b>Sub-total</b>		<b>9663.76</b>	<b>9663.76</b>	<b>5696.50</b>	<b>5696.50</b>	<b>6091.59</b>	<b>6091.59</b>
<b>d) Derivatives measured at fair value</b>							
i) Derivative instruments not designated as hedging instruments	6	4.95	4.95	13.02	13.02	4.95	4.95
ii) Derivative instruments designated as hedging instruments	6	26.50	26.50	14.13	14.13	9.66	9.66
<b>Sub-total</b>		<b>31.45</b>	<b>31.45</b>	<b>27.15</b>	<b>27.15</b>	<b>14.61</b>	<b>14.61</b>
<b>Total financial assets</b>		<b>22462.28</b>	<b>22431.65</b>	<b>19978.94</b>	<b>19942.98</b>	<b>16788.38</b>	<b>16769.23</b>

# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

(₹ in Crores)

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>B. Financial liabilities</b>							
<b>a) Measured at amortised cost</b>							
i) Cash credit facilities	19	0.01	0.01	3.60	3.60	0.02	0.02
ii) Sales tax deferment loans	14,15	25.83	20.23	38.69	30.71	51.00	39.42
iii) Trade payables		2551.22	2551.22	2228.01	2228.01	1872.97	1872.97
iv) Other financial liabilities	15	766.86	765.63	596.98	595.52	640.58	639.69
<b>Sub-total</b>		<b>3343.92</b>	<b>3337.09</b>	<b>2867.28</b>	<b>2857.84</b>	<b>2564.57</b>	<b>2552.10</b>
<b>b) Derivatives measured at fair value</b>							
i) Derivative instruments not designated as hedging instruments	15	0.75	0.75	–	–	0.91	0.91
ii) Derivative instruments designated in hedging instruments	15	18.54	18.54	–	–	0.04	0.04
<b>Sub-total</b>		<b>19.29</b>	<b>19.29</b>	<b>–</b>	<b>–</b>	<b>0.95</b>	<b>0.95</b>
<b>Total financial liabilities</b>		<b>3363.21</b>	<b>3356.38</b>	<b>2867.28</b>	<b>2857.84</b>	<b>2565.52</b>	<b>2553.05</b>

### C. Financial risk management objectives

The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

#### Liquidity Risk

The Company's Current assets aggregate to ₹ 24537.39 Crores (2016 - ₹ 23233.92 Crores; 2015 - ₹ 22775.12 Crores) including Current investments, Cash and cash equivalents and Other bank balances of ₹ 12847.05 Crores (2016 - ₹ 12110.53 Crores; 2015 - ₹ 12364.40 Crores) against an aggregate Current liability of ₹ 6830.07 Crores (2016 - ₹ 6354.27 Crores; 2015 - ₹ 5653.30 Crores); Non-current liabilities due between one year to three years amounting to ₹ 18.31 Crores (2016 - ₹ 29.83 Crores; 2015 - ₹ 27.75 Crores) and Non-current liability due after three years amounting to ₹ 8.89 Crores (2016 - ₹ 11.13 Crores; 2015 - ₹ 17.99 Crores) on the reporting date.

Further, while the Company's total equity stands at ₹ 45340.96 Crores (2016 - ₹ 41656.43 Crores; 2015 - ₹ 37287.83 Crores), it has borrowings of ₹ 18.00 Crores (2016 - ₹ 29.43 Crores; 2015 - ₹ 38.71 Crores). In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

#### Market Risks

The Company is not an active investor in equity markets; it continues to hold certain investments in equity for long term value accretion which are accordingly measured at fair value through Other Comprehensive Income. The value of investments in such equity instruments as at 31st March, 2017 is ₹ 1115.45 Crores (2016 - ₹ 985.52 Crores; 2015 - ₹ 1015.34 Crores). Accordingly, fair value fluctuations arising from market volatility is recognised in Other Comprehensive Income.

As the Company is virtually debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible. Further, treasury activities, focused on managing investments in debt instruments, are centralised and administered under a set of approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation.

The Company's investments are predominantly held in bonds/debentures, fixed deposits and debt mutual funds. Mark to market movements in respect of the Company's investments in bonds/debentures that are held at amortised cost are temporary and

# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

get recouped through fixed coupon accruals. Other investments in bonds/debentures are fair valued through the Statement of Profit and Loss to recognise market volatility, which is not considered to be significant. Fixed deposits are held with highly rated banks and companies and have a short tenure and are not subject to interest rate volatility.

The Company also invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

For select agricultural commodities primarily held for trading, futures contracts are used to hedge price risks till positions in the physical market are matched. Such activities are managed by the business team within an approved policy framework. The carrying value of inventories is adjusted to the extent of fair value movement of the risk being hedged. Such hedges are generally for short time horizons and recognised in profit or loss within the crop cycle and are managed by the business within the approved policy framework. Accordingly, the Company's net exposure to commodity price risk is considered to be insignificant.

### Foreign currency risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar, Pound Sterling, Euro and Japanese Yen) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, including the Company's net investments in foreign operations (with a functional currency other than Indian Rupee), are also subject to reinstatement risks.

The carrying amount of foreign currency denominated financial assets and liabilities including derivative contracts, are as follows:

(₹ in Crores)

As at 31st March, 2017	USD	Euro	GBP	JPY	Others	Total
Financial Assets	329.86	6.96	12.14	0.46	4.63	354.05
Financial Liabilities	53.58	33.91	2.49	23.68	4.16	117.82
As at 31st March, 2016	USD	Euro	GBP	JPY	Others	Total
Financial Assets	371.26	8.19	14.28	0.04	0.80	394.57
Financial Liabilities	29.09	16.86	0.36	11.13	1.93	59.37
As at 1st April, 2015	USD	Euro	GBP	JPY	Others	Total
Financial Assets	334.21	5.06	15.33	–	3.22	357.82
Financial Liabilities	31.40	37.42	0.89	5.09	1.08	75.88

The Company uses forward exchange contracts and currency options to hedge its exposures in foreign currency arising from firm commitments and highly probable forecast transactions. Accordingly,

a. Forward exchange contracts that were outstanding on respective reporting dates:

(in Million)

Designated under Hedge Accounting		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
Currency	Gross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	55.22	71.10	–	97.80	–	92.00
Euro	US Dollar	31.76	–	–	–	–	–
AUD	US Dollar	0.09	–	–	–	–	–
CHF	US Dollar	0.57	–	–	–	–	–
GBP	US Dollar	0.11	–	–	–	–	–
SEK	US Dollar	0.73	–	–	–	–	–
SGD	US Dollar	0.09	–	–	–	–	–
JPY	US Dollar	368.95	–	–	–	–	–

The aforesaid hedges have a maturity of less than 1 year from the year end.

# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

(in Million)

Not designated under Hedge Accounting		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
Currency	Cross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	2.20	35.12	65.75	75.85	18.94	57.80
Euro	US Dollar	6.04	–	53.26	–	14.95	–
AUD	US Dollar	–	–	1.20	–	0.08	–
CAD	US Dollar	–	0.94	–	0.20	–	1.07
CHF	US Dollar	0.28	–	2.70	–	3.41	–
GBP	US Dollar	–	1.68	–	0.90	0.25	0.90
SEK	US Dollar	4.25	–	6.93	–	1.21	–
SGD	US Dollar	–	–	1.78	–	–	–
KWD	US Dollar	–	–	0.04	–	–	–
JPY	US Dollar	272.65	–	699.90	–	172.33	–

b. Currency options that were outstanding on respective reporting dates:

Currency	Cross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	3.00	7.00	–	–	–	–

### Hedges of foreign currency risk and derivative financial instruments

The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward and options contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecast transaction and market conditions. As the counterparty for such transactions are highly rated banks, the risk of their non-performance is considered to be insignificant.

The Company uses derivatives to hedge its exposure to changes in movement in foreign currency. Where such derivatives are not designated under hedge accounting, changes in the fair value of such hedges are recognised in the Statement of Profit and Loss.

The Company may also designate certain hedges, usually for large transactions, as a cash flow hedge under hedge accounting, with the objective of shielding the exposure from variability in cash flows. The currency, amount and tenure of such hedges are generally matched to the underlying transaction(s). Changes in the fair value of the effective portion of cash flow hedges are recognised as cash flow hedging reserve in Other Comprehensive Income. While the probability of such hedges becoming ineffective is very low, the ineffective portion, if any, is immediately recognised in the Statement of Profit and Loss.

# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

The movement in the cash flow hedging reserve in respect of designated cash flow hedges is summarised below:  
(₹ in Crores)

Particulars	2017	2016
<b>At the beginning of the year</b>	<b>6.42</b>	<b>7.94</b>
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	(3.29)	(11.15)
Add: Changes in fair value of effective portion of outstanding cash flow hedges	(17.38)	9.26
Less: Amounts transferred to the Statement of Profit and Loss on occurrence of forecast hedge transactions during the year	21.71	0.43
Less: Amounts transferred to the Statement of Profit and Loss due to cash flows no longer expected to occur	0.52	–
Less: Amounts transferred to initial cost of non-financial assets	(16.65)	–
Less: Net gain/(loss) transferred to the Statement of Profit and Loss on ineffectiveness	–	–
(Less)/Add: Deferred tax	9.10	0.80
<b>At the end of the year</b>	<b>(10.73)</b>	<b>6.42</b>
Of the above, balances remaining in cash flow hedge reserve for matured hedging relationships	0.64	0.38

Once the hedged transaction materialises, the amount accumulated in the cash flow hedging reserve will be included in the initial cost of the non-financial hedged item on its initial recognition or reclassified to profit or loss, as applicable, in the anticipated timeframes given below:

Outstanding balance in Cash Flow Hedge Reserve to be subsequently recycled from OCI	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Within one year	(10.62)	4.95	7.03
Between one and three years	(0.11)	1.47	0.91
Total	(10.73)	6.42	7.94

### Foreign Currency Sensitivity

For every percentage point change in the underlying exchange rate of the outstanding foreign currency denominated assets and liabilities, including derivative contracts, holding all other variables constant, the profit before tax for the year ended 31st March, 2017 would change by ₹ (0.24) Crore (2016 - ₹ 4.55 Crores) and pre-tax total equity as at 31st March, 2017 would change by ₹ 1.11 Crores [2016 - ₹ (0.72) Crore; 2015 - ₹ (4.80) Crores].

### Credit Risk

Company's deployment in debt instruments are primarily in fixed deposits with highly rated banks and companies; bonds issued by government institutions, public sector undertakings and certificate of deposits issued by highly rated banks. Of this, investments that are held at amortised cost stood at ₹ 8705.47 Crores (2016 - ₹ 11009.16 Crores; 2015 - ₹ 7552.33 Crores). With respect to the Company's investing activities, counter parties are shortlisted and exposure limits determined on the basis of their credit rating (by independent agencies), financial statements and other relevant information. As these counter parties are Government institutions, public sector undertakings with investment grade credit ratings and taking into account the experience of the Company over time, the counter party risk attached to such assets is considered to be insignificant.

The Company's customer base is large and diverse limiting the risk arising out of credit concentration. Further, credit is extended in business interest in accordance with guidelines issued centrally and business-specific credit policies that are consistent with

# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

such guidelines. Exceptions are managed and approved by appropriate authorities, after due consideration of the counterparty's credentials and financial capacity, trade practices and prevailing business and economic conditions. The Company's exposure to trade receivables on the reporting date, net of expected loss provisions, stood at ₹ 2207.50 Crores (2016 – ₹ 1686.35 Crores, 2015 - ₹ 1722.40 Crores).

The Company's historical experience of collecting receivables and the level of default indicate that credit risk is low and generally uniform across markets; consequently, trade receivables are considered to be a single class of financial assets. All overdue customer balances are evaluated taking into account the age of the dues, specific credit circumstances, the track record of the counterparty etc. Loss allowances and impairment is recognised, where considered appropriate by responsible management.

The movement of the expected loss provision (allowance for bad and doubtful loans and receivables etc.) made by the Company are as under:

(₹ in Crores)

Particular	Expected Loss Provision	
	As at 31st March, 2017	As at 31st March, 2016
Opening Balance	80.68	102.32
Add: Provisions made (net)	26.89	(21.18)
Less: Utilisation for impairment/de-recognition	1.41	0.46
Effects of foreign exchange fluctuation	–	–
Closing Balance	106.16	80.68

### D. Fair value measurement

#### Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using market approach and valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period, yield curves, risk free rate of returns, volatility etc., as applicable.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis. Similarly, unquoted equity instruments where most recent information to measure fair value is insufficient, or if there is a wide range of possible fair value measurements, cost has been considered as the best estimate of fair value.

There has been no change in the valuation methodology for Level 3 inputs during the year. The Company has not classified any material financial instruments under Level 3 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.



# Notes to the Financial Statements

## 30. Financial Instruments and Related Disclosures (Contd.)

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis:  
(₹ in Crores)

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
<b>A. Financial assets</b>				
<b>a) Measured at amortised cost</b>				
i) Investment in Bonds/Debentures & Government or Trust Securities	2	5643.93	4546.53	0.01
ii) Loans*	3	5.36	7.39	8.15
iii) Other Financial assets*	3	40.10	970.42	1363.26
<b>Sub-total</b>		<b>5689.39</b>	<b>5524.34</b>	<b>1371.42</b>
<b>b) Measured at Fair value through OCI</b>				
i) Equity shares – Quoted	1	1113.08	983.15	1012.97
<b>Sub-total</b>		<b>1113.08</b>	<b>983.15</b>	<b>1012.97</b>
<b>c) Measured at Fair value through Profit or Loss</b>				
i) Investment in Mutual Funds	1	7675.11	3547.14	4195.57
ii) Investment in Bonds/Debentures, Certificate of Deposits, Preference Shares	2	1988.65	2149.36	1896.02
<b>Sub-total</b>		<b>9663.76</b>	<b>5696.50</b>	<b>6091.59</b>
<b>d) Derivatives measured at fair value</b>				
i) Derivative instruments not designated as hedging instruments	2	4.95	13.02	4.95
ii) Derivative instruments designated as hedging instrument	2	26.50	14.13	9.66
<b>Sub-total</b>		<b>31.45</b>	<b>27.15</b>	<b>14.61</b>
<b>Total financial assets</b>		<b>16497.68</b>	<b>12231.14</b>	<b>8490.59</b>
<b>B. Financial liabilities</b>				
<b>a) Measured at amortised cost</b>				
i) Sales Tax deferment loans*	3	12.39	17.85	27.11
ii) Other Financial liabilities*	3	7.98	13.67	6.16
<b>Sub-total</b>		<b>20.37</b>	<b>31.52</b>	<b>33.27</b>
<b>b) Derivatives measured at fair value</b>				
i) Derivative instruments not designated as hedging instruments	2	0.75	–	0.91
ii) Derivative instruments designated as hedging instruments	2	18.54	–	0.04
<b>Sub-total</b>		<b>19.29</b>	<b>–</b>	<b>0.95</b>
<b>Total financial liabilities</b>		<b>39.66</b>	<b>31.52</b>	<b>34.22</b>

\*Represents Fair value of Non-current Financial Instruments

# Notes to the Financial Statements

## 31. First-time Adoption of Ind AS

- (i) Ind AS 101 (First-time Adoption of Indian Accounting Standards) provides a suitable starting point for accounting in accordance with Ind AS and is required to be mandatorily followed by first-time adopters. The Company has prepared the opening Balance Sheet as per Ind AS as of 1st April, 2015 (the transition date) by:
- recognising all assets and liabilities whose recognition is required by Ind AS,
  - not recognising items of assets or liabilities which are not permitted by Ind AS,
  - reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and
  - applying Ind AS in measurement of recognised assets and liabilities.
- (ii) A. Reconciliation of total comprehensive income for the year ended 31st March, 2016 is summarised as follows:

(₹ in Crores)

Particulars	Notes	For the year ended 31/03/2016
<b>Profit After Tax as reported under previous GAAP</b>		<b>9844.71</b>
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	(iv) (c,d)	(115.79)
Impact of measuring derivative financial instruments, other than those designated as cash flow hedges, at fair value	(iv) (e)	8.29
Impact of recognising the cost of the employee stock option scheme at fair value	(iii) (e)	(501.91)
Impact of elimination of amortization of certain trademarks	(iii) (f)	31.25
Reclassification of actuarial gains/(losses), arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	(iv) (f)	53.84
Tax Adjustments		7.98
<b>Profit After Tax as reported under Ind AS</b>		<b>9328.37</b>
Other Comprehensive Income (net of tax)		(66.58)
<b>Total Comprehensive Income as reported under Ind AS</b>		<b>9261.79</b>

- B. Reconciliation of equity as reported under previous GAAP is summarized as follows:

Particulars	Notes	As at 01/04/2015 (Date of Transition)	As at 31/03/2016 (end of last period presented under previous GAAP)
<b>Equity as reported under previous GAAP</b>		<b>30735.69</b>	<b>32929.00</b>
Dividends not recognised as liability until declared (including tax thereon)	(iv) (b)	6029.56	8232.60
Impact of measuring derivative financial instruments, not being cash flow hedges, at fair value (net of tax)	(iv) (e)	2.64	8.04
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL) or OCI (net of tax)	(iv) (c,d)	519.94	414.62
Impact of recognising the cost of the employee stock option schemes in respect of employees of group companies	(iii) (e)	–	51.74
Impact of elimination of amortization of certain trademarks (net of tax)	(iii) (f)	–	20.43
<b>Equity as reported under Ind AS</b>		<b>37287.83</b>	<b>41656.43</b>

# Notes to the Financial Statements

## 31. First-time Adoption of Ind AS (Contd.)

iii) Ind AS 101 mandates certain exceptions and allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions in the financial statements:

- a. Ind AS 103 (Business Combinations) has not been applied retrospectively to business combinations that occurred prior to 1st April, 2015. Use of this exemption means that in the opening Balance Sheet, goodwill and other assets and liabilities acquired in previous business combinations remain at the previous GAAP carrying values.
- b. Property, plant and equipment and intangible assets were carried in the Balance Sheet prepared in accordance with previous GAAP on 31st March, 2015. Under Ind AS, the Company has elected to regard such carrying values as deemed cost at the date of transition.

Further, the Company had revalued certain freehold land and buildings based on professional valuation as at 30th June, 1986 and had a balance of ₹ 52.41 Crores in revaluation reserve on the date of transition. On transition, such revaluation reserve has been adjusted in retained earnings.

- c. Under previous GAAP, the Company accumulated exchange differences arising on monetary items that, in substance, formed part of Company's net investment in non-integral foreign operations in a foreign currency translation reserve. Such balances are to be recognised in the Statement of Profit and Loss on disposal of the net investment. Ind AS allows an entity an option to reset the cumulative translation differences arising on monetary items that exist as of the transition date to zero. The Company has elected to continue presenting the foreign exchange translation reserve under equity.
- d. Under previous GAAP, investment in subsidiaries, joint ventures and associates were stated at cost and provisions made to recognise the decline, other than temporary. Under Ind AS, the Company has considered their previous GAAP carrying amount as their deemed cost.
- e. Under previous GAAP, the cost of options granted under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method. Under this method, no expenses were recognised in the Statement of Profit and Loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date. In terms of the exemptions, the fair value of unvested options as at the date of transition have been accounted for as part of reserves.

The cost of ITC ESOS applicable to employees of group companies, net of reimbursements, have been considered as capital contribution.

Accordingly, cost of share options totalling ₹ 677.87 Crores which were granted before and still vesting at 1st April, 2015, have been recognised as a separate component of equity in share option outstanding reserve against retained earnings at 1st April, 2015.

- f. Under previous GAAP, Trademarks were necessarily amortized. Under Ind AS, certain trademarks have been determined to be of indefinite useful life. This has been recognised in the current financial year. Accordingly, the amortization thereof considered in the previous year has been eliminated.
  - g. The Company has applied Appendix C of Ind AS 17 (Leases) – 'Determining whether an Arrangement contains a Lease' to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.
  - h. Under previous GAAP, interest free sales tax deferment loan was carried at cost. Under Ind AS, such interest free loans have been carried at previous GAAP amount at the date of transition.
- (iv) In addition to the above, the principal adjustments made by the Company in restating its previous GAAP financial statements, including the Balance Sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:
- a. Under previous GAAP, leasehold properties were presented as fixed assets and amortized over the period of the lease. Under Ind AS, such properties have been classified as prepayments within non-current assets (current portion presented as other current assets) and have been amortised over the period of the lease, resulting in decrease in property, plant and equipment by ₹ 224.83 Crores as at 31st March, 2016 and by ₹ 204.16 Crores as at 1st April, 2015 and capital work-in-progress (CWIP) by ₹ 81.66 Crores as at 31st March, 2016 and by ₹ 75.02 Crores as at 1st April, 2015 and corresponding increase in other non-Current assets by ₹ 303.84 Crores as at 31st March, 2016 and by ₹ 276.05 Crores as at 1st April, 2015 and in other current assets by ₹ 2.65 Crores as at 31st March, 2016 and by ₹ 3.13 Crores as at 1st April, 2015.

Such reclassification has resulted in decrease in depreciation and amortization expense by ₹ 2.52 Crores for the year ended 31st March, 2016 and corresponding increase in other expenses, but does not affect profit

# Notes to the Financial Statements

## 31. First-time Adoption of Ind AS (Contd.)

before tax and total profit for the year ended 31st March, 2016.

- b. Under previous GAAP, dividend payable on equity shares (including the tax thereon) was recognised as a liability in the period to which it relates. Under Ind AS, dividends (including the tax thereon) to shareholders are recognised when declared by the members in a general meeting.
- c. Under previous GAAP, non-current investments were stated at cost. Where applicable, provision was made to recognise a decline, other than temporary, in valuation of such investments. Under Ind AS, equity instruments [other than investment in subsidiaries, joint ventures and associates] have been classified as Fair Value through Other Comprehensive Income (FVTOCI) through an irrevocable election at the date of transition.  
  
Investment in Mutual Funds classified as non-current under previous GAAP and carried at cost as on 31st March, 2016, have been measured at Fair Value through Profit or Loss (FVTPL).
- d. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognised in profit or loss.
- e. The Company uses derivative financial instruments, such as currency forwards, options and exchange traded commodity futures, to hedge its foreign currency risks and commodity price risks, respectively. Under previous GAAP, the net mark to market losses on the outstanding

portfolios of such instruments, other than those designated as cash flow hedges, were recognised in the profit or loss, and the net gain, if any, were ignored.

Under Ind AS, changes in the fair value of derivatives designated as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the Statement of Profit and Loss in line with the hedged transaction. Changes in the fair value of any derivative instruments that are not designated for hedge accounting are recognised in the Statement of Profit and Loss.

- f. Under previous GAAP, actuarial gains and losses related to the defined benefit schemes for gratuity and pension plans and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability/asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.
- g. Under previous GAAP, movements in cash credit facilities, repayable on demand, were reflected in cash flows from financing activities in cash flow statement. Under Ind AS, such cash credit facilities are included in cash and cash equivalents in the cash flow statement.

On behalf of the Board

Y. C. DEVESHWAR	Chairman
S. PURI	Chief Executive Officer & Director
R. TANDON	Director & Chief Financial Officer
B. B. CHATTERJEE	Company Secretary

# Independent Auditor's Report to the Members of ITC Limited

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of **ITC LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting

and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
5. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Independent Auditor's Report

### Report on Other Legal and Regulatory Requirements

7. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements

- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - iv. The Company has provided requisite disclosures in the standalone Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management. Also refer Note – 27 (viii) to the standalone Ind AS financial statements.
8. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

KOLKATA,  
26th May, 2017

P. R. Ramesh  
Partner  
(Membership No. 70928)

# Annexure - A to the Independent Auditor's Report

(Referred to in paragraph 7 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

## Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **ITC Limited** ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to

the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm's Registration No. 302009E)

Kolkata  
26th May, 2017

P. R. Ramesh  
*Partner*  
(Membership No. 70928)

## Annexure - B to the Independent Auditor's Report

(Referred to in paragraph 8 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
  - (b) The property, plant and equipment were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) With respect to immovable properties of acquired land and buildings that are freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed / court orders approving schemes of arrangements/amalgamations provided to us, we report that, the title deeds of such immovable properties are held in the name of the Company as at the balance sheet date.
- (ii) As explained to us, the inventories other than material lying with third parties (which have substantially been confirmed) were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on such physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and accordingly the question of complying with Sections 73 and 76 of the Companies Act, 2013 does not arise. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 74 and 75 or any other relevant provisions of the Companies Act, 2013. According to the information and explanations given to us, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.



- (vi) The maintenance of cost records has been prescribed by the Central Government under Section 148(1) of the Companies Act, 2013 in respect of specified products of the Company. For such products, we have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on 31st March, 2017 on account of disputes are given below:

Name of statute	Nature of dues	Amount (₹ in Crores)	Period to which the amount relates	Forum where dispute is pending
			<b>Various years covering the period</b>	
<b>Sales Tax and Value Added Tax Laws</b>	<b>Sales tax and VAT</b>	78.96	1987-2017	Appellate Authority – upto Commissioners'/ Revisional authorities level Appellate Authority – Tribunal level High Court
		26.30	1994-2015	
		231.25	2005-2015	
<b>Customs Act, 1962</b>	<b>Customs duty</b>	0.12	2010-2016	Appellate Authority – upto Commissioners'/ Revisional authorities level Appellate Authority – Tribunal level
		0.55	2005-2007	
<b>Central Excise Act, 1944</b>	<b>Excise duty</b>	45.56	1996-2015	Appellate Authority – upto Commissioners'/ Revisional authorities level Appellate Authority – Tribunal level High Court
		55.44	1973-2015	
		3.94	2005-2010	
<b>Finance Act, 1994</b>	<b>Service tax</b>	5.96	2010-2016	Appellate Authority – upto Commissioners'/ Revisional authorities level Appellate Authority – Tribunal level
		56.70	2003-2014	

Out of the total disputed dues aggregating ₹ 504.78 Crores as above, ₹ 406.79 Crores pertain to matters which have been stayed for recovery by the relevant authorities.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government and dues to debenture holders.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013. In respect of two directors, aggregate remuneration of ₹ 4.10 Crores paid/provided during the year, is subject to the approval of the Members at the forthcoming Annual General Meeting.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Standalone Ind AS financial statements etc. as required by the applicable Indian accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or person connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm's Registration No. 302009E)

Kolkata  
26th May, 2017

P. R. Ramesh  
*Partner*  
(Membership No. 70928)

# Guide to Subsidiaries/Joint Ventures/Associates

## Subsidiaries of ITC Limited

### Russell Credit Limited

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

Investment company. Its activities are primarily confined to making long term investments in strategic thrust areas for ITC, namely FMCG, Hotels & Tourism, Paper, Paperboards & Packaging, Agri Business and Information Technology.

#### Subsidiary

Greenacre Holdings Limited, a wholly owned subsidiary, is engaged in property infrastructure maintenance.

### Gold Flake Corporation Limited

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

General trading.

#### Joint Venture

ITC Essentra Limited, India, is a 50% joint venture of Gold Flake Corporation Limited with Essentra Filter Products International Limited, UK.

#### Nature of Business

Manufacture and sale of cigarette filter rods.

### ITC Investments & Holdings Limited (IIHL)

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

Investment company.

#### Subsidiary

IIHL owns 100% of the shareholding of MRR Trading & Investment Company Limited (MRR), which provides estate maintenance services.

### Landbase India Limited

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

Hospitality, management and operation of golf course and real estate development.

The Company owns the Classic Golf & Country Club, a 27-hole Jack Nicklaus Signature Golf Course. It also owns a 104 key all suite luxury retreat "ITC Grand Bharat" which is licensed to and operated by ITC Limited.

### ITC Infotech India Limited (I3L)

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

Information technology services and solutions.

#### Subsidiaries

I3L owns 100% of the shareholding of :

ITC Infotech Limited, UK (I2B) and

ITC Infotech (USA), Inc. (I2A)

ITC Infotech (USA), Inc. owns 100% of Indivate Inc. incorporated as a New Jersey Corporation.

I3L, I2A and I2B are engaged in marketing and sales activities and provide IT services. Indivate Inc. is engaged in providing business consulting services.

### Surya Nepal Private Limited

#### Shareholding

59% held by ITC Limited.

#### Nature of Business

Manufacture and sale of cigarettes and in the business of garments, matches and agarbatti.

### Srinivasa Resorts Limited

#### Shareholding

68% held by ITC Limited.

#### Nature of Business

The Company owns the hotel "ITC Kakatiya" at Hyderabad, for which operating services are rendered by ITC Limited.

### Fortune Park Hotels Limited

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

The Company is in the business of operating hotels in the mid-market to upscale segment under its hospitality brands for the same. It currently operates 46 properties.

### Bay Islands Hotels Limited

#### Shareholding

100% held by ITC Limited.

#### Nature of Business

The Company owns the hotel "Fortune Resort Bay Island" at Port Blair, which is licensed to ITC Limited and is operated by Fortune Park Hotels Limited under an Operating and Marketing Services Agreement.

#### WelcomHotels Lanka (Private) Limited, Sri Lanka

##### Shareholding

100% held by ITC Limited.

##### Nature of Business

The Company is developing a plot of land in Colombo for a mixed use development project including a luxury hotel.

#### Wimco Limited

##### Shareholding

98.21% held by ITC Limited.

##### Nature of Business

Wimco Limited is engaged primarily in the manufacture of packaging machinery, viz. tubefillers, cartoners, conveyor systems etc.

#### Technico Pty Limited, Australia (Technico)

##### Shareholding

100% held by ITC Limited.

##### Nature of Business

An agri-biotechnology company primarily engaged in rapid multiplication of seed potatoes with TECHNITUBER® technology.

##### Subsidiaries

Technico has two wholly owned subsidiaries, namely Technico Technologies Inc., Canada and Technico Asia Holdings Pty Limited, Australia.

Technico Asia Holdings Pty Limited, Australia, has a wholly owned subsidiary, Technico Horticultural (Kunming) Company Limited, China.

These companies support Technico in the production and commercialisation of seed potato technology in different geographies.

#### Technico Agri Sciences Limited

##### Shareholding

100% held by ITC Limited.

##### Nature of Business

An agri-biotechnology company primarily engaged in rapid multiplication of seed potatoes with TECHNITUBER® technology.

#### North East Nutrients Private Limited

##### Shareholding

76% held by ITC Limited.

##### Nature of Business

The Company is in the business of manufacture and sale of packaged food products from its food processing facility based in Assam.

#### Pavan Poplar Limited & Prag Agro Farm Limited

##### Shareholding

100% held by ITC Limited.

##### Nature of Business

The Company is engaged in the business of agro-forestry and other related activities.

#### Joint Ventures of ITC Limited

#### Maharaja Heritage Resorts Limited

Maharaja Heritage Resorts Limited, where ITC Limited has an ownership interest of 50% (25% held through Russell Credit Limited, a 100% subsidiary of the Company), is a joint venture with Jodhana Heritage Resorts Private Limited.

##### Nature of Business

The joint venture company currently provides Franchise & Marketing Services to 34 hotel properties spread across 12 states with its WelcomHeritage brand portfolio comprising "Legend Hotels", "Heritage Hotels" and "Nature Resorts".

#### Espirit Hotels Private Limited

ITC Limited holds 26% in Espirit Hotels Private Limited.

##### Nature of Business

The joint venture company is in the process of developing a luxury hotel complex at Begumpet, Hyderabad.

#### Logix Developers Private Limited

ITC Limited holds 27.90% in Logix Developers Private Limited.

##### Nature of Business

The joint venture company is intended for the purpose of developing a luxury hotel-cum-serviced apartment complex at Noida, UP.

## Major Associates of the Group

### Gujarat Hotels Limited

ITC Limited holds 45.78% in Gujarat Hotels Limited.

#### Nature of Business

The Company owns the “WelcomHotel Vadodara” at Vadodara which is operated by ITC Limited under an Operating Licence Agreement.

### International Travel House Limited

ITC Limited holds 3.60% and Russell Credit Limited, a 100% subsidiary of ITC Limited, holds 45.36%.

#### Nature of Business

Air ticketing, car rentals, inbound outbound tourism, domestic holidays, conferences, events & exhibition management and foreign exchange services for travellers.

Note: The full list of the Group’s Associates appears on page 260.

### Principles of Consolidation

The Group’s interests in its subsidiaries, associates and joint ventures are reflected in the Consolidated Financial Statements (CFS) in accordance with the relevant Indian Accounting Standards (Ind AS) specified under Section 133 of the Companies Act, 2013.

### Subsidiaries (Ind AS 110)

Line by line consolidation of the Statement of Profit and Loss and Balance Sheet is done by aggregating like items of assets, liabilities, income and expenses.

The excess / deficit of the cost to ITC Limited of its investments in its subsidiaries over its share of net worth (residual interest in the assets of the subsidiaries after deducting all its liabilities) of the subsidiaries at the date of investment in the subsidiaries are treated as goodwill / capital reserve in the CFS. The goodwill is disclosed as an asset and capital reserve as a reserve in the Consolidated Balance Sheet.

Profit or loss and each component of other comprehensive income are attributed to the Group as owners and to the non-controlling interest; likewise the non-controlling interests in the net assets of the consolidated subsidiaries is identified and presented separately within Equity in the Consolidated Balance Sheet.

Inter-Company transactions within the Group (both Profit and Loss and Balance Sheet items) are eliminated for arriving at the Group CFS.

CFS is prepared applying uniform accounting policies of ITC Limited to the Group companies.

### Associates and Joint Ventures (Ind AS 28)

An investment in associate and joint venture is initially recognised at cost on the date of the investment, and is inclusive of any goodwill / capital reserve embedded in the cost.

Only share of net profits / losses of associates / joint ventures is considered in Consolidated Statement of Profit and Loss. The carrying amount of the investment in associates / joint ventures is adjusted by the share of net profits / losses in the Consolidated Balance Sheet.

## Form AOC-1

(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)  
**Statement containing salient features of the financial statement of Subsidiaries/Associate companies/Joint Ventures**

### Part A: Subsidiaries

Sl. No.	1	2	3	4	5	6
Name of the Subsidiary Company	ITC Infotech India Limited	ITC Infotech (USA), Inc.	ITC Infotech Limited	Indivate Inc.*	Surya Nepal Private Limited	Technico Pty Limited
The date since when subsidiary was acquired	21-Aug-2000	17-Jun-1993	26-Jan-1993	18-Nov-2016	20-Aug-2002	17-Aug-2007
Financial Year ending on	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	13-Mar-2017	31-Mar-2017
Reporting Currency	Indian Rupee	US Dollar	British Pound	US Dollar	Nepalese Rupee	Australian Dollar
Exchange Rate on the last day of the financial year	–	64.8500	80.9023	64.8500	0.6250	49.5775
Share Capital	85.20	118.03	5.55	0.65	126.00	96.63
Reserves & Surplus	349.99	10.52	15.15	(0.60)	482.96	(78.23)
Total Assets	521.41	205.62	68.01	0.48	716.00	24.18
Total Liabilities	521.41	205.62	68.01	0.48	716.00	24.18
Investments (excluding Investments made in subsidiaries)	100.16	–	–	–	1.60	–
Turnover	936.16	592.48	299.32	0.51	1799.25	15.14
Profit/(Loss) before tax	40.50	10.67	9.14	(0.60)	659.48	6.97
Provision for tax	(22.61)	(2.20)	0.35	–	(199.20)	(0.14)
Profit/(Loss) after tax	17.89	8.47	9.49	(0.60)	460.28	6.83
Proposed Dividend	–	–	12.21 <sup>@</sup>	–	–	–
% of shareholding	100.00	100.00	100.00	100.00	59.00	100.00

@ dividend paid during the year

\* A 100% subsidiary of ITC Infotech (USA), Inc., with effect from 18th November, 2016.

Note: Turnover includes Other income and Other operating revenue. Profit/(Loss) figures do not include Other Comprehensive Income.

**Part A: Subsidiaries (Contd.)**

Sl. No.	(₹ in Crores)											
Name of the Subsidiary Company	7	8	9	10	11	12						
	Technico Agri Sciences Limited	Technico Technologies Inc.	Technico Asia Holdings Pty Limited	Technico Horticultural (Kunming) Co. Limited	Srinivasa Resorts Limited	Fortune Park Hotels Limited						
The date since when subsidiary was acquired	17-Aug-2007	17-Aug-2007	17-Aug-2007	17-Aug-2007	06-Feb-1995	06-Mar-1996						
Financial Year ending on	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017						
Reporting Currency	Indian Rupee	Canadian Dollar	Australian Dollar	Chinese Yuan Renminbi	Indian Rupee	Indian Rupee						
Exchange Rate on the last day of the financial year	–	48.5925	49.5800	9.4095	–	–						
Share Capital	37.96	5.77	18.27	17.89	24.00	0.45						
Reserves & Surplus	84.68	(4.28)	(13.46)	(5.20)	72.75	24.44						
Total Assets	152.45	1.97	4.81	13.00	112.09	41.93						
Total Liabilities	152.45	1.97	4.81	13.00	112.09	41.93						
Investments (excluding Investments made in subsidiaries)	59.05	–	–	–	19.76	20.13						
Turnover	148.60	1.48	–	4.62	54.43	29.53						
Profit/(Loss) before tax	17.06	0.23	–	(0.20)	(2.53)	6.07						
Provision for tax	(2.54)	–	–	–	1.01	(3.64)						
Profit/(Loss) after tax	14.52	0.23	–	(0.20)	(1.52)	2.43						
Proposed Dividend	–	–	–	–	–	–						
% of shareholding	100.00	100.00	100.00	100.00	68.00	100.00						

**Part A: Subsidiaries (Contd.)**

(₹ in Crores)

Sl. No.	13	14	15	16	17	18
Name of the Subsidiary Company	Landbase India Limited	Bay Islands Hotels Limited	WelcomHotels Lanka (Private) Limited	Russell Credit Limited	Greenacre Holdings Limited	Wimco Limited
The date since when subsidiary was acquired	09-Sep-2000	08-Mar-1999	04-May-2012	26-Sep-1997	09-Nov-1994	01-Jul-2005
Financial Year ending on	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017
Reporting Currency	Indian Rupee	Indian Rupee	Sri Lankan Rupee	Indian Rupee	Indian Rupee	Indian Rupee
Exchange Rate on the last day of the financial year	–	–	0.4253	–	–	–
Share Capital	317.00	0.12	649.43	646.48	42.06	18.85
Reserves & Surplus	(96.11)	15.10	(7.93)	161.49	8.98	(16.43)
Total Assets	262.19	15.71	656.06	811.54	52.30	10.01
Total Liabilities	262.19	15.71	656.06	811.54	52.30	10.01
Investments (excluding Investments made in subsidiaries)	...	1.29	–	127.55	32.22	–
Turnover	21.75	1.98	0.24	59.67	6.34	16.17
Profit/(Loss) before tax	2.10	1.73	0.16	48.61	3.30	(0.07)
Provision for tax	–	(0.97)	–	(14.39)	(1.04)	–
Profit/(Loss) after tax	2.10	0.76	0.16	34.22	2.26	(0.07)
Proposed Dividend	–	–	–	–	–	–
% of shareholding	100.00	100.00	100.00	100.00	100.00	98.21



**Part A: Subsidiaries (Contd.)**

(₹ in Crores)

Sl. No.	19	20	21	22	23	24
<b>Name of the Subsidiary Company</b>	<b>Gold Flake Corporation Limited</b>	<b>ITC Investments &amp; Holdings Limited</b>	<b>MRR Trading &amp; Investment Company Limited</b>	<b>North East Nutrients Private Limited</b>	<b>Prag Agro Farm Limited</b>	<b>Pavan Poplar Limited</b>
<b>The date since when subsidiary was acquired</b>	29-Jan-1982	17-May-2012	23-Dec-1998	06-Feb-2014	01-Jul-2005	01-Jul-2005
<b>Financial Year ending on</b>	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017
<b>Reporting Currency</b>	Indian Rupee	Indian Rupee	Indian Rupee	Indian Rupee	Indian Rupee	Indian Rupee
<b>Exchange Rate on the last day of the financial year</b>	–	–	–	–	–	–
<b>Share Capital</b>	16.00	4.50	0.05	73.00	1.28	5.51
<b>Reserves &amp; Surplus</b>	9.58	0.89	(0.04)	(14.28)	(0.21)	(4.18)
<b>Total Assets</b>	25.63	5.39	0.01	141.48	1.09	1.66
<b>Total Liabilities</b>	25.63	5.39	0.01	141.48	1.09	1.66
<b>Investments (excluding Investments made in subsidiaries)</b>	6.01	–	–	–	...	–
<b>Turnover</b>	3.46	0.07	0.07	138.09	0.05	0.20
<b>Profit/(Loss) before tax</b>	2.80	0.05	...	(1.81)	(0.06)	(0.29)
<b>Provision for tax</b>	(0.24)	(0.01)	...	–	...	(0.04)
<b>Profit/(Loss) after tax</b>	2.56	0.04	...	(1.81)	(0.06)	(0.33)
<b>Proposed Dividend</b>	–	–	–	–	–	–
<b>% of shareholding</b>	100.00	100.00	100.00	76.00	100.00	100.00

**Notes:**

- Pyxis Solutions, LLC, a 100% subsidiary of ITC Infotech (USA), Inc., has been merged with that company with effect from 1st April, 2016.
- The above does not include details of salient features of the financial statement of ITC Global Holdings Pte. Limited, Singapore, (Global), which is under liquidation vide Singapore High Court's Order dated 30th November, 2007.
- Welcom-Hotels Lanka (Private) Limited is yet to commence commercial operations.
- King Maker Marketing, Inc. ceased to be a subsidiary with effect from 16th November, 2016.
- Other than the above, there are no subsidiaries which have been liquidated or sold during the year.

**Part B: Associates and Joint Ventures**

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate companies and Joint Ventures**

Name of Associates/Joint Ventures	Espirit Hotels Private Limited	Logix Developers Private Limited	ITC Essentra Limited	Maharaja Heritage Resorts Limited	International Travel House Limited	Russell Investments Limited	Gujarat Hotels Limited	Divya Management Limited	ATC Limited	Antrang Finance Limited
<b>1. Latest audited Balance Sheet Date</b>	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017	31-Mar-2017
<b>2. Date on which the Associate or Joint Venture was associated or acquired</b>	24-Sept-2010	27-Sept-2011	30-Jun-1994	02-Jul-1997	21-Mar-1982	14-May-1988	12-Sept-1986	23-Nov-2007	18-Jan-1995	21-Jan-2008
<b>3. Shares of Associates/Joint Ventures held by the Company on the year end</b>										
Number	4,65,09,200	77,66,913	22,50,000	90,000	39,14,233	42,75,435	17,33,907	41,82,915	1,94,775*	43,24,634
Amount of Investment in Associates/Joint Ventures (₹ in Crores)	46.17	30.26	46.67	...	91.91	39.12	13.24	7.22	6.50	4.82
Extent of Holding %	26.00	27.90	50.00	50.00	48.96	25.43	45.78	33.33	47.50	33.33
<b>4. Description of how there is significant influence</b>	Joint Venture	Joint Venture	Joint Venture	Joint Venture	Associate	Associate	Associate	Associate	Associate	Associate
<b>5. Reason why the Associate/Joint Venture is not consolidated</b>	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
<b>6. Net worth attributable to Shareholding as per latest audited Balance Sheet (₹ in Crores)</b>	46.17	6.41	46.26	(0.75)	79.32	13.50	12.09	6.13	6.30	4.73
<b>7. Profit/(Loss) for the year (₹ in Crores)</b>	...	(22.75)	9.94	(0.77)	11.17	3.08	3.86	0.20	0.22	0.09
i. Considered in Consolidation (₹ in Crores)	...	(6.35)	4.97	-\$	5.47	0.78	1.77	0.07	0.10	0.03
ii. Not considered in Consolidation (₹ in Crores)	...	(16.40)	4.97	(0.77)	5.70	2.30	2.09	0.13	0.12	0.06

\* Comprise 55,650 shares fully paid up and 1,39,125 shares partly paid up [Refer Note 4 to the Consolidated Financial Statements].

\$ Share of profit/(loss) has not been considered in accordance with Ind AS 28 - Investments in Associates and Joint Ventures.

**Notes:**

- Espirit Hotels Private Limited and Logix Developers Private Limited are yet to commence commercial operations.
- Other than the above, there are no Associates or Joint Ventures which have been liquidated or sold during the year.

On behalf of the Board

Y. C. DEVESHWAR  
S. PURI  
R. TANDON  
B. B. CHATTERJEE

Chairman  
Chief Executive Officer & Director  
Director & Chief Financial Officer  
Company Secretary



## Consolidated Financial Statements

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# Consolidated Balance Sheet as at 31st March, 2017

Note	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
<b>ASSETS</b>						
<b>Non-current assets</b>						
(a) Property, Plant and Equipment	3A	15262.27		14459.36		14370.09
(b) Capital work-in-progress	3B	3684.20		2528.97		2104.83
(c) Goodwill on consolidation		202.53		202.53		207.99
(d) Other Intangible assets	3C	428.68		444.74		423.93
(e) Intangible assets under development	3D	45.69		30.75		28.65
		19623.37		17666.35		17135.49
Less: Provision for assets given on lease		-		-		1.05
		19623.37		17666.35		17134.44
(f) Financial Assets						
(i) Investments	4					
(a) Investment in Associates		162.81		149.99		163.36
(b) Investment in Joint Ventures		123.10		127.99		127.09
(c) Others		6408.08		4847.83		1122.27
		6693.99		5125.81		1412.72
(ii) Loans	5	8.54		12.96		16.47
(iii) Others	6	100.71	6803.24	1038.01	6176.78	1384.01
(g) Deferred tax assets (Net)	7		44.95		40.54	
(h) Other non-current assets	8	3202.61	29674.17	2945.71	26829.38	2200.15
						22184.70
<b>Current assets</b>						
(a) Inventories	9	8671.10		9062.10		8506.70
(b) Biological assets other than bearer plants	10	70.05		67.25		51.18
(c) Financial Assets						
(i) Investments	11	10332.39		6621.78		6266.30
(ii) Trade receivables	12	2474.29		1917.18		1978.32
(iii) Cash and cash equivalents	13	333.07		283.59		155.69
(iv) Other Bank Balances	14	2634.33		5779.71		6415.55
(v) Loans	5	6.78		8.07		8.66
(vi) Others	6	1090.02	16870.88	569.43	15179.76	380.86
(d) Other current assets	8	657.07	26269.10	553.39	24862.50	599.01
						24362.27
<b>TOTAL ASSETS</b>		<b>55943.27</b>		<b>51691.88</b>		<b>46546.97</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
(a) Equity Share capital	15	1214.74		804.72		801.55
(b) Other Equity		45198.19		41874.80		37533.19
<b>Attributable to owners of the parent</b>		<b>46412.93</b>		<b>42679.52</b>		<b>38334.74</b>
<b>Non-controlling interests</b>		<b>294.74</b>	<b>46707.67</b>	<b>260.90</b>	<b>42940.42</b>	<b>225.12</b>
						<b>38559.86</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
(a) Financial Liabilities						
(i) Borrowings	16	18.40		26.66		39.77
(ii) Other financial liabilities	17	41.21	59.61	46.77	73.43	39.31
						79.08
(b) Provisions	18	158.42		135.42		123.67
(c) Deferred tax liabilities (Net)	7	1878.77		1880.00		1688.47
(d) Other non-current liabilities	19	17.79	2114.59	4.15	2093.00	3.36
						1894.58
<b>Current liabilities</b>						
(a) Financial Liabilities						
(i) Borrowings	20	19.11		43.95		184.95
(ii) Trade payables		2659.33		2339.29		1976.94
(iii) Other financial liabilities	17	903.25	3581.69	722.50	3105.74	783.43
						2945.32
(b) Other current liabilities	19	3327.46		3396.52		3014.80
(c) Provisions	18	61.16		71.40		89.73
(d) Current Tax Liabilities (Net)	21	150.70	7121.01	84.80	6658.46	42.68
						6092.53
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55943.27</b>		<b>51691.88</b>		<b>46546.97</b>

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

## Consolidated Statement of Profit and Loss for the year ended 31st March, 2017

	Note	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
I Revenue From Operations	22A	58731.52	55061.08
II Other Income	23	1761.53	1530.80
<b>III Total Income (I+II)</b>		<b>60493.05</b>	<b>56591.88</b>
<b>IV EXPENSES</b>			
Cost of materials consumed		11979.03	11168.68
Purchases of Stock-in-Trade		3477.56	2595.20
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		592.57	(195.38)
Excise duty		15927.91	15868.98
Employee benefits expense	24	3631.73	3440.97
Finance costs	25	24.30	53.60
Depreciation and amortization expense		1152.79	1077.40
Other expenses	26	7686.81	7731.78
<b>Total expenses (IV)</b>		<b>44472.70</b>	<b>41741.23</b>
V Share of profit of associates and joint ventures		5.97	8.42
<b>VI Profit before tax (III- IV+V)</b>		<b>16026.32</b>	<b>14859.07</b>
<b>VII Tax expense:</b>			
Current Tax	27	5546.16	5150.37
Deferred Tax	27	2.93	207.84
<b>VIII Profit for the year (VI-VII)</b>		<b>10477.23</b>	<b>9500.86</b>
<b>Other Comprehensive Income</b>			
A (i) Items that will not be reclassified to profit or loss:			
– Remeasurements of the defined benefit plans	28 (vii)	(27.19)	(49.09)
– Equity instruments through other comprehensive income		139.68	(32.21)
– Effective portion of losses on designated portion of hedging instruments in a cash flow hedge		(61.19)	–
– Share of OCI in Associates and Joint Ventures		10.71	(9.69)
(ii) Income tax relating to items that will not be reclassified to profit or loss:	27	23.91	16.94
B (i) Items that will be reclassified to profit or loss:			
– Exchange differences in translating the financial statements of foreign operations		(55.55)	(4.34)
– Effective portion of gains / (losses) on designated portion of hedging instruments in a cash flow hedge		18.29	(2.32)
(ii) Income tax relating to items that will be reclassified to profit or loss	27	(6.31)	0.80
<b>IX Other Comprehensive Income [A (i+ii)+B (i+ii)]</b>		<b>42.35</b>	<b>(79.91)</b>
<b>X Total Comprehensive Income for the year (VIII+IX)</b>		<b>10519.58</b>	<b>9420.95</b>
<b>Profit for the year</b>			
Attributable to:			
Owners of the parent		10289.44	9344.45
Non-controlling interests		187.79	156.41
<b>Total comprehensive income for the year</b>			
Attributable to:			
Owners of the parent		10331.79	9264.54
Non-controlling interests		187.79	156.41
XI Earnings per equity share (Face Value ₹ 1.00 each):	28 (i)		
(1) Basic (in ₹)		8.50	7.75
(2) Diluted (in ₹)		8.45	7.71

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

# Consolidated Statement of changes in equity for the year ended 31st March, 2017

## A. Equity Share Capital (₹ in Crores)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2016	801.55	3.17	804.72
For the year ended 31st March, 2017	804.72	410.02	1214.74

## B. Other Equity (₹ in Crores)

	Reserves and Surplus										Items of other comprehensive income			Attributable to owners of the parent	Non-controlling interests	Total	
	Capital Reserve	Securities Premium Account	Capital Reserve on Consolidation	Special Reserve under 45-IC of the RBI Act, 1934	Employees Housing Reserve under Nepal labour laws	Subsidiary Reserve	Share Options Outstanding Account	Capital Redemption Reserve	Contingency Reserve	General Reserve	Related Earnings	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges				Exchange differences on translating the financial statements of foreign operations
<b>Balance as at 1st April, 2015</b>	5.46	5105.92	74.12	99.08	63.33	0.23	677.87	0.22	363.05	15705.42	14805.95	476.78	7.94	147.82	37533.19	225.12	37758.31
Profit for the year	-	-	-	-	-	-	-	-	-	-	9344.45	-	-	-	9344.45	156.41	9500.86
Other Comprehensive Income (net of tax)	-	-	-	-	-	-	-	-	-	(32.21)	(41.84)	(1.52)	(1.52)	(4.34)	(79.91)	...	(79.91)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	-	-	-	-	9312.24	(41.84)	(1.52)	(4.34)	9264.54	156.41	9420.95
Issue of equity shares under ITC Employee Stock Option Scheme	-	528.53	-	-	-	-	-	-	-	-	-	-	-	-	528.53	-	528.53
Dividend - Ordinary Dividend	-	-	-	-	-	-	-	-	-	(5009.70)	(5009.70)	-	-	-	(5009.70)	(122.95)	(5132.65)
Income tax on Dividend paid	-	-	-	-	-	-	-	-	-	(992.74)	(992.74)	-	-	-	(992.74)	-	(992.74)
Transfer from retained earnings	-	-	-	9.00	18.24	-	-	-	990.00	(1017.24)	-	-	-	-	-	-	-
Recognition of share based payment	-	-	-	-	-	-	553.65	-	-	-	-	-	-	-	553.65	-	553.65
Transfer from share option reserve on exercise and lapse	-	22.58	-	-	-	-	(30.22)	-	-	7.64	-	-	-	-	-	-	-
Share of non-controlling interest on issue of share capital by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.32	2.32
Adjustment pursuant to the Scheme of Amalgamation	-	-	-	-	-	-	-	-	(52.85)	50.18	-	-	-	-	(2.67)	-	(2.67)
<b>Balance as at 31st March, 2016</b>	5.46	5657.03	74.12	108.08	81.57	0.23	1201.30	0.22	363.05	16642.57	17156.33	434.94	6.42	143.48	41874.80	260.90	42135.70
Profit for the year	-	-	-	-	-	-	-	-	-	-	10289.44	-	-	-	10289.44	187.79	10477.23
Other Comprehensive Income (net of tax)	-	-	-	-	-	-	-	-	-	(24.72)	150.65	(28.03)	(28.03)	(55.55)	42.95	...	42.35
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	-	-	-	-	10264.72	150.65	(28.03)	(28.03)	(55.55)	10331.79	187.79	10519.58

# Consolidated Statement of changes in equity for the year ended 31st March, 2017

## B. Other Equity (₹ in Crores) (Contd.)

	Reserves and Surplus										Items of other comprehensive income			Attributable to owners of the parent	Non-controlling interests	Total	
	Capital Reserve	Securities Premium Account	Capital Reserve on Consolidation	Special Reserve under Section 45-IC of the RBI Act, 1934	Employees Housing Reserve under Nepal labour laws	Subsidy Reserve	Share Options Outstanding Account	Capital Redemption Reserve	Contingency Reserve	General Reserve	Related Earnings	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges				Exchange differences on translating the financial statements of foreign operations
Issue of equity shares under ITC Employee Stock Option Scheme	-	1059.61	-	-	-	-	-	-	-	-	-	-	-	-	1059.61	-	1059.61
Issue of Bonus Shares	-	(402.67)	-	-	-	-	-	-	-	-	-	-	-	-	(402.67)	-	(402.67)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Ordinary Dividend	-	-	-	-	-	-	-	-	-	(5230.68)	-	-	-	-	(5230.68)	(153.95)	(5384.63)
- Special Dividend	-	-	-	-	-	-	-	-	-	(1609.44)	-	-	-	-	(1609.44)	-	(1609.44)
Income tax on Dividend paid	-	-	-	-	-	-	-	-	-	(1338.95)	-	-	-	-	(1338.95)	-	(1338.95)
Transfer from retained earnings	-	-	6.84	6.84	21.29	-	-	-	1030.00	(1058.13)	-	-	-	-	-	-	-
Recognition of share based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from share option reserve on exercise and lapse	-	89.44	-	-	-	-	-	-	-	-	502.85	-	-	-	502.85	-	502.85
Transfer of capital reserve pursuant to disposal of subsidiary	-	-	-	-	-	-	-	-	-	15.00	-	-	-	-	-	-	-
Transferred to initial carrying amount of hedged items (net of tax)	-	-	(1.45)	-	-	-	-	-	-	1.45	-	-	-	-	-	-	-
<b>Balance as at 31st March, 2017</b>	<b>5.46</b>	<b>6403.41</b>	<b>72.87</b>	<b>114.92</b>	<b>102.86</b>	<b>0.23</b>	<b>1599.71</b>	<b>0.22</b>	<b>363.05</b>	<b>17672.57</b>	<b>18200.30</b>	<b>585.59</b>	<b>(10.73)</b>	<b>87.93</b>	<b>45198.19</b>	<b>294.74</b>	<b>45492.93</b>

The Board of Directors of the Company recommended a dividend of ₹ 4.75 per share (for the year ended 31st March, 2016 - ordinary dividend ₹ 6.50 per share and special dividend ₹ 2.00 per share) to be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total equity dividend to be paid is ₹ 5770.01 Crores (for the year ended 31st March, 2016 - ordinary dividend ₹ 5230.68 Crores and special dividend ₹ 1609.44 Crores). Income tax on proposed dividend being ₹ 1174.64 Crores (for the year ended 31st March, 2016 - ₹ 1392.48 Crores).

**Capital Reserve and Capital Reserve on Consolidation:** This Reserve represents the difference between value of the net assets transferred to the Group in the course of business combinations and the consideration paid for such combinations.

**Securities Premium Account:** This Reserve represents the premium on issue of shares and can be utilized in accordance with the provisions of the Companies Act, 2013.

**Special Reserve under Section 45-IC of the RBI Act, 1934:** This Reserve represents profits transferred before declaration of dividend by companies of the Group which are registered with the Reserve Bank of India (RBI) as Non-Banking Financial Company.

**Employees Housing Reserve under Nepal labour laws:** This Reserve represents the amounts set aside for providing employees' housing as per the provisions of the Nepal Labour Act, 2048.

**Subsidy Reserve:** This Reserve represents subsidies received from government authorities for capital investment and amounts taken over by the Group consequent to business combinations.

**Share Options Outstanding Account:** This Reserve relates to stock options granted by the Company to employees under ITC Employee Stock Option Schemes. This Reserve is transferred to securities premium or retained earnings on exercise or cancellation of vested options.

**Capital Redemption Reserve:** This Reserve has been transferred to the Group in the course of business combinations and can be utilized in accordance with the provisions of the Companies Act, 2013.

**Contingency Reserve:** This Reserve has been created out of retained earnings, as a matter of prudence, to take care of any unforeseen adverse developments in pending legal disputes.

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

P R RAMESH

Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary



## Consolidated Cash Flow Statement for the year ended 31st March, 2017

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>A. Cash Flow from Operating Activities</b>		
PROFIT BEFORE TAX	16026.32	14859.07
ADJUSTMENTS FOR :		
Depreciation and amortization expense	1152.79	1077.40
Share based payments to employees	496.02	548.42
Finance costs	24.30	53.60
Interest Income	(903.16)	(881.02)
Dividend Income	(0.14)	(59.87)
Loss on sale of property, plant and equipment - Net	8.87	56.11
Gain recognised on disposal of subsidiary	(144.95)	-
Doubtful and bad debts	34.08	29.33
Doubtful and bad advances, loans and deposits	1.25	0.03
Provision for standard assets	-	0.20
Share of profit of associates and joint ventures	(5.97)	(8.42)
Net (gain)/loss arising on investments mandatorily measured at Fair Value through Profit or Loss (FVTPL)	(620.71)	(537.68)
Foreign currency translations and transactions - Net	5.82	(8.77)
Impairment of Goodwill on consolidation	-      48.20	25.46      294.79
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16074.52	15153.86
ADJUSTMENTS FOR :		
Trade receivables, loans, advances and other assets	(869.55)	(206.61)
Inventories	592.55	(692.53)
Trade payables, other liabilities and provisions	321.38      44.38	622.16      (276.98)
CASH GENERATED FROM OPERATIONS	16118.90	14876.88
Income tax paid	(5491.59)	(5077.84)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>10627.31</b>	<b>9799.04</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of property, plant and equipment, Intangibles etc.	(3121.61)	(2347.68)
Sale of property, plant and equipment	50.07	7.53
Purchase of current investments etc.	(83402.10)	(149155.19)
Sale/redemption of current investments etc.	81034.23	150651.05
Purchase of non-current investments	(2280.65)	(4926.25)
Purchase of non-current Investment in subsidiary [Refer Note 28(xii)]	-	(7.54)
Proceeds on disposal of subsidiary - Net	128.96	-
Dividend from associates and joint ventures	4.30	4.29
Dividend Income	0.14	59.87
Interest received	756.40	741.06
Investment in bank deposits (original maturity more than 3 months)	(1772.05)	(5581.42)
Redemption / Maturity of bank deposits (original maturity more than 3 months)	5845.67	6631.50
Investment in deposit with housing finance company	(500.00)	-
Loans given	-	(3.00)
Loans realised from associates	1.40	1.40
Loans realised	4.31	3.57
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3250.93)</b>	<b>(3920.81)</b>



## Consolidated Cash Flow Statement for the year ended 31st March, 2017

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of share capital	1066.96	531.70
Repayment of non-current borrowings	(13.17)	(12.73)
Proceeds from issue of shares by a subsidiary to minority shareholders	–	2.32
Interest paid	(25.49)	(27.52)
Net increase in statutory restricted accounts balances	3.69	19.10
Dividend paid	(6994.07)	(5132.65)
Income tax on dividend paid	(1338.95)	(992.74)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(7301.03)</b>	<b>(5612.52)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>75.35</b>	<b>265.71</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>264.06</b>	<b>(1.73)</b>
<b>CASH AND CASH EQUIVALENTS ON ACCOUNT OF AMALGAMATION</b>	<b>–</b>	<b>0.08</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>339.41</b>	<b>264.06</b>
<i>Notes :</i>		
1. The above Cash Flow Statement has been prepared under the “Indirect Method” as set out in Ind AS - 7 “Statement of Cash Flows”.		
2. During the previous year Classic Infrastructure & Development Limited, an associate of the Group, became a wholly owned subsidiary of Greenacre Holdings Limited, a step down wholly owned subsidiary of the Company, on further acquisition of its shares. Subsequently, in accordance with the Scheme of Amalgamation [Refer Note 28 (xii)], the assets and liabilities of Classic Infrastructure & Development Limited were transferred to the Group with effect from 1st October, 2015, the Appointed Date, at the values stated below:		
(i) Other liabilities		0.14
(ii) Property, plant and equipment		...
(iii) Cash and bank balances		0.08
(iv) Deposit accounts		5.10
(v) Other assets		3.61
3. <b>CASH AND CASH EQUIVALENTS :</b>		
Cash and cash equivalents as above	339.41	264.06
Unrealised gain / (loss) on foreign currency cash and cash equivalents	(25.45)	(24.42)
Cash/export credit facilities (Note 20)	19.11	43.95
Cash and cash equivalents (Note 13)	<u>333.07</u>	<u>283.59</u>

The accompanying notes 1 to 32 are an integral part of the Financial Statements.

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

P. R. RAMESH  
Partner

Kolkata, 26th May, 2017

On behalf of the Board

Y. C. DEVESHWAR

S. PURI

R. TANDON

B. B. CHATTERJEE

Chairman

Chief Executive Officer & Director

Director & Chief Financial Officer

Company Secretary

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies

### Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013. The Group adopted Ind AS from 1st April, 2016.

Up to the year ended 31st March, 2016, the Group prepared its financial statements in accordance with the requirements of previous Generally Accepted Accounting Principles (GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Group's first Ind AS financial statements. The date of transition to Ind AS is 1st April, 2015. Details of the exceptions and optional exemptions availed by the Group and principal adjustments along with related reconciliations are detailed in Note 32 (First-time Adoption).

### Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102 – Share-based Payment, leasing transactions that are within the scope of Ind AS 17 – Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 – Inventories or value in use in Ind AS 36 – Impairment of Assets.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting

policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

### Basis of Consolidation

The Consolidated Financial Statements (CFS) include the financial statements of the Company and its subsidiaries together with the share of the total comprehensive income of joint ventures and associates.

Subsidiaries are entities controlled by the Group. Associates are entities over which the Group exercise significant influence but does not control. An entity/ arrangement in which the Group has the ability to exercise control jointly with one or more uncontrolled entities may be a joint venture ("JV") or a joint operation ("JO"). Unlike in a JV where parties have proportionate interests in the assets and liabilities of the JV entity, parties have rights to and obligations towards specified assets and liabilities in a JO.

Control, significant influence and joint control is assessed annually with reference to the voting power (usually arising from equity shareholdings and potential voting rights) and other rights (usually contractual) enjoyed by the Group in its capacity as an investor that provides it the power and consequential ability to direct the investee's activities and significantly affect the Group's returns from its investment. Such assessment requires the exercise of judgement and is disclosed by way of a note to the Financial Statements. The Group is considered not to be in control of entities where it is unclear as to whether it enjoys such power over the investee.

The assets, liabilities, income and expenses of subsidiaries are aggregated and consolidated, line by line, from the date control is acquired by any Group entity to the date it ceases. Profit or loss and each component of other comprehensive income are attributed to the Group as owners and to the non-controlling interests. The Group

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

presents the non-controlling interests in the Balance Sheet within equity, separately from the equity of the Group as owners. The excess of the Group's investment in a subsidiary over its share in the net worth of such subsidiary on the date control is acquired is treated as goodwill while a deficit is considered as a capital reserve in the CFS. In case of JO, Group's share of assets, liabilities, income and expenses are consolidated. On disposal of the subsidiary, attributable amount on goodwill is included in the determination of the profit or loss and recognised in the Statement of Profit and Loss. Impairment loss, if any, to the extent the carrying amount exceeds the recoverable amount is charged off to the Statement of Profit and Loss as it arises and is not reversed. For impairment testing, goodwill is allocated to Cash Generating Unit (CGU) or a group of CGUs to which it relates, which is not larger than an operating segment, and is monitored for internal management purposes.

An investment in an associate or a JV is initially recognised at cost on the date of the investment, and inclusive of any goodwill/capital reserve embedded in the cost, in the Balance Sheet. The proportionate share of the Group in the net profits/losses as also in the other comprehensive income is recognised in the Statement of Profit and Loss and the carrying value of the investment is adjusted by a like amount (referred as 'equity method').

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Operating Cycle

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1 – Presentation of Financial Statements based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

### Property, Plant and Equipment – Tangible Assets

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of

major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of property, plant and equipment are depreciated in a manner that amortizes the cost (or other amount substituted for cost) of the assets after commissioning, less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis. Land is not depreciated.

The estimated useful lives of property, plant and equipment of the Group are as follows:

Buildings	30 – 60 Years
Leasehold Improvement	Shorter of lease period or estimated useful lives
Plant and Equipment	7 – 25 Years
Furniture and Fixtures	8 – 10 Years
Vehicles	8 – 10 Years
Office Equipment	5 Years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

### Goodwill on Consolidation

Goodwill arising on consolidation is stated at cost less impairment losses, where applicable. On disposal of a

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

subsidiary, attributable amount of goodwill is included in the determination of the profit or loss recognised in the Statement of Profit and Loss. On acquisition of an associate or joint venture, the goodwill/capital reserve arising from such acquisition is included in the carrying amount of the investment and also disclosed separately.

Impairment loss, if any, to the extent the carrying amount exceed the recoverable amount is charged off to the Statement of Profit and Loss as it arises and is not reversed. For impairment testing, goodwill is allocated to Cash Generating Unit (CGU) or group of CGUs to which it relates, which is not larger than an operating segment, and is monitored for internal management purposes.

### Intangible Assets

Intangible Assets that the Group controls and from which it expects future economic benefits, are capitalized upon acquisition and measured initially:

- a. for assets acquired in a business combination or by way of a government grant, at fair value on the date of acquisition / grant
- b. for separately acquired assets, at cost comprising the purchase price (including import duties and non-refundable taxes) and directly attributable costs to prepare the asset for its intended use.

Internally generated assets for which the cost is clearly identifiable are capitalised at cost. Research expenditure is recognised as an expense when it is incurred. Development costs are capitalised only after the technical and commercial feasibility of the asset for sale or use has been established. Thereafter, all directly attributable expenditure incurred to prepare the asset for its intended use are recognised as the cost of such assets. Internally generated brands, websites and customer lists are not recognised as intangible assets.

The carrying value of intangible assets includes deemed cost which represents the carrying value of intangible assets recognised as at 1st April, 2015 measured as per the previous GAAP.

The useful life of an intangible asset is considered finite where the rights to such assets are limited to a specified period of time by contract or law (e.g. patents, licences, trademarks, franchise and servicing rights) or the likelihood of technical, technological obsolescence (e.g. computer software, design, prototypes) or commercial obsolescence

(e.g. lesser known brands are those to which adequate marketing support may not be provided). If, there are no such limitations, the useful life is taken to be indefinite.

Intangible assets that have finite lives are amortized over their estimated useful lives by the straight line method unless it is practical to reliably determine the pattern of benefits arising from the asset. An intangible asset with an indefinite useful life is not amortized.

All intangible assets are tested for impairment. Amortization expenses and impairment losses and reversal of impairment losses are taken to the Statement of Profit and Loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortization and/or impairment losses.

The useful lives of intangible assets are reviewed annually to determine if a reset of such useful life is required for assets with finite lives and to confirm that business circumstances continue to support an indefinite useful life assessment for assets so classified. Based on such review, the useful life may change or the useful life assessment may change from indefinite to finite. The impact of such changes is accounted for as a change in accounting estimate.

### Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortization or depreciation) had no impairment loss been recognised in previous years.

### Inventories

Inventories are stated at lower of cost and net realisable value. The cost is calculated on weighted average method.

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes, where applicable, appropriate overheads based on normal level of activity. Net realisable value is the estimated selling price less estimated costs for completion and sale.

Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

### Foreign Currency Transactions

The presentation currency of the Group is Indian Rupee.

Transactions in foreign currency are accounted for at the exchange rate prevailing on the transaction date. Gains/losses arising on settlement as also on translation of monetary items are recognised in the Statement of Profit and Loss.

Exchange differences arising on monetary items that, in substance, form part of the Group's net investment in a foreign operation (having a functional currency other than Indian Rupee) are accumulated in foreign currency translation reserve.

For the preparation of the consolidated financial statements:

- (a) assets and liabilities of foreign operations, together with goodwill and fair value adjustments assumed on acquisition thereof, are translated to Indian Rupees at exchange rates prevailing at the reporting period end;
- (b) income and expense items are translated at the average exchange rates prevailing during the period; when exchange rates fluctuate significantly the rates prevailing on the transaction date are used instead.

Differences arising on such translation are accumulated in foreign currency translation reserve and attributed to non-controlling interests proportionately.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group is reclassified to the Statement of Profit and Loss. In relation to a partial disposal, that does not result in losing control over the subsidiary, the proportionate exchange differences accumulated in equity is reclassified to the Statement of Profit and Loss.

### Derivatives and Hedge Accounting

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of

each reporting period. The resulting gains/losses is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss/inclusion in the initial cost of non-financial asset depends on the nature of the hedging relationship and the nature of the hedged item.

The Group complies with the principles of hedge accounting where derivative contracts are designated as hedge instruments. At the inception of the hedge relationship, the Group documents the relationship between the hedge instrument and the hedged item, along with the risk management objectives and its strategy for undertaking hedge transaction, which can be a fair value hedge or a cash flow hedge.

#### (i) Fair value hedges

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognised in the Statement of Profit and Loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated as 'Cash Flow Hedging Reserve'. The gains/losses relating to the ineffective portion is recognised in the Statement of Profit and Loss.

Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss when the hedged item affects the Statement of Profit and Loss. However, when the hedged item results in the recognition of a non – financial asset, such gains / losses are transferred from equity (but not as

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

reclassification adjustment) and included in the initial measurement cost of the non – financial asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gains/losses recognised in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified when the underlying transaction is ultimately recognised. When an underlying transaction is no longer expected to occur, the gains/losses accumulated in equity is reclassified immediately in the Statement of Profit and Loss.

### Investment in Associate and Joint Venture

Investment in associate and joint venture is accounted for using the 'equity method' less accumulated impairment, if any.

### Financial Instrument, Financial Assets, Financial Liabilities and Equity Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date when the Group commits to purchase or sell the asset.

### Financial Assets

**Recognition:** Financial assets include investments, trade receivables, advances, security deposits, cash and cash equivalents. Such assets are initially recognised at transaction price when the Group becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

**Classification:** Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

- (a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.
- (b) fair value through other comprehensive income, where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.
- (c) fair value through profit or loss, where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, advances, security deposits, cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income.

**Impairment:** The Group assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

**Reclassification:** When and only when the business model is changed, the Group shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains,

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

**De-recognition:** Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Group has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

- (a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;
- (b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

**Income Recognition:** Interest income is recognised in the Statement of Profit and Loss using the effective interest method. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

### Financial Liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost. Any discount or premium on redemption/settlement is recognised in the Statement of Profit and Loss as finance cost over the life of the liability using the effective interest method and adjusted to the liability figure disclosed in the Balance Sheet.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

### Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of returns and discounts to customers. Revenue from the sale of goods includes excise and other duties which the Group pays as a principal but excludes amounts collected on behalf of third parties, such as sales tax and value added tax.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, which is mainly upon delivery, the amount of revenue can be measured reliably and recovery of the consideration is probable. Revenue from services is recognised in the periods in which the services are rendered.

### Government Grant

Group entities may receive government grants that require compliance with certain conditions related to the entity's operating activities or are provided to the entity by way of financial assistance on the basis of certain qualifying criteria.

Government grants are recognised when there is reasonable assurance that the grant will be received, and the Group entity will comply with the conditions attached to the grant. Accordingly, government grants:

- (a) related to or used for assets are included in the Balance Sheet as deferred income and recognised as income over the useful life of the assets.
- (b) related to incurring specific expenditures are taken to the Statement of Profit and Loss on the same basis and in the same periods as the expenditures incurred.
- (c) by way of financial assistance on the basis of certain qualifying criteria are recognised as they become receivable.

In the unlikely event that a grant previously recognised is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognised is expensed in the Statement of Profit and Loss.

### Dividend Distribution

Dividends paid (including income tax thereon) is recognised in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

### Employee Benefits

The Group makes contributions to both defined benefit and defined contribution schemes which are mainly administered through duly constituted and approved Trusts.

Provident Fund contributions are in the nature of defined contribution scheme. In respect of employees who are members of constituted and approved trusts, the Group recognises contribution payable to such trusts as an expense including any shortfall in interest between the amount of interest realised by the investment and the interest payable to members at the rate declared by the Government of India. In respect of other employees, provident funds are deposited with the Government and recognised as expense.

The Group makes contribution to defined contribution pension plan. The contribution payable is recognised as an expense, when an employee renders the related service.

The Group also makes contribution to defined benefit pension and gratuity plan. The cost of providing benefits under the defined benefit obligation is calculated by independent actuary using the projected unit credit method. Service costs and net interest expense or income is reflected in the Statement of Profit and Loss. Gain or Loss on account of remeasurements are recognised immediately through other comprehensive income in the period in which they occur.

The employees of the Group are entitled to compensated leave for which the Group records the liability based on actuarial valuation computed using projected unit credit method. These benefits are unfunded.

Actual disbursements made, under the Workers' Voluntary Retirement Scheme are accounted as revenue expenses.

### Employee Share Based Compensation

Stock Options are granted to eligible employees in accordance with the ITC Employee Stock Option Schemes ("ITC ESOS"), as may be decided by the Nomination & Compensation Committee. Eligible employees for this purpose include employees of the Group entities, their Directors and those on deputation to joint ventures and associates.

Under Ind AS, the cost of ITC Stock Options (Stock Options) is recognised based on the fair value of Stock Options as on the grant date. In terms of the exemptions, the fair value of unvested Stock Options as on the date of transition have been accounted for as part of Reserves.

While the fair value of Stock Options granted and vesting after the transition date are recognised in profit and loss for employees of the Group (other than those out on deputation), the value of Stock Options, net of reimbursements, to employees on deputation are considered as capital contribution/investment.

The Group generally seeks reimbursement of the value of Stock Options from such companies, as applicable. It may, if so recommended by the Corporate Management Committee and approved by the Audit Committee, decide not to seek such reimbursements from such companies, who need to conserve financial capacity to sustain their business and growth plans and where the quantum of reimbursement is not material - the materiality threshold being ₹ 5 Crores for each entity for a financial year.

### Leases

Leases are recognised as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### Group as a Lessee

Assets used under finance leases are recognised as property, plant and equipment in the Balance Sheet for an amount that corresponds to the lower of fair value and the present value of minimum lease payments determined at the inception of the lease and a liability is recognised for an equivalent amount.

The minimum lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Profit and Loss.

Rentals payable under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Group is a lessor under an operating lease, the asset is capitalised within



# Notes to the Consolidated Financial Statements

## 1. Significant Accounting Policies (Contd.)

property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

### Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realise the asset and settle the liability simultaneously.

### Claims

Claims against the Group not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

### Provisions

Provisions are recognised when, as a result of a past event, the Group has a legal or constructive obligation; it is probable

that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount so recognised is a best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

### Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Committee.

Segments are organised based on business which have similar economic characteristics as well as exhibit similarities in nature of products and services offered, the nature of production processes, the type and class of customer and distribution methods.

Segment revenue arising from third party customers is reported on the same basis as revenue in the financial statements. Inter-segment revenue is reported on the basis of transactions which are primarily market led. Segment results represent profits before finance charges, unallocated corporate expenses and taxes.

“Unallocated Corporate Expenses” include revenue and expenses that relate to initiatives/costs attributable to the enterprise as a whole and are not attributable to segments.

### Financial and Management Information Systems

The Group’s Accounting System is designed to unify the Financial and Cost Records and also to comply with the relevant provisions of the Companies Act, 2013, to provide financial and cost information appropriate to the businesses and facilitate Internal Control.

# Notes to the Consolidated Financial Statements

## 2. Use of estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### A. Judgements in applying accounting policies

The following are the judgements, apart from those involving estimations (see note below), that the Group have made in the process of applying the accounting policies and that have a significant effect on the amounts recognised in the consolidated financial statements:

#### 1. Control:

The Group assessed whether or not it has control on its investees based on whether, as an investor, it has the power/rights and consequently the practical ability to direct the relevant activities of its investees unilaterally. In making this judgement, the Group considered the absolute size of its holding, the relative size of and dispersion of other shareholders, and whether any contractual arrangements exist between the Company (and its subsidiaries) and other shareholders of the investees. Based on this, and in accordance with its Accounting Policy, the Group has determined that the entities listed in the notes to the financial statements are the only entities over which Group has control.

The Company is a settlor for certain trusts, i.e., ITC Sangeet Research Academy, ITC Education Trust and ITC Rural Development Trust. The Group while considering the nature and insignificant variability of its return has concluded that it does not 'control' these trusts.

#### 2. Significant influence:

The Group assessed whether or not it has significant influence on its investees based on its practical ability to participate in the financial and operating policy decisions of the investee, though it is not in control or in joint control of these policies. Based on such assessment, the Group determined that the entities listed in the notes to the financial statements are the only entities over which the Group has significant influence, and accordingly associates.

#### 3. Joint Control:

- (i) The Group holds 50% of the equity share capital of Maharaja Heritage Resorts Limited, a company involved in operation of hotel properties. The Group do not consider that it is able to exercise control over the company as the decisions about relevant activities of the company are made jointly between the Group and the co-venturer (who holds 50% of the equity share capital) and both the parties have rights to the net assets of such arrangement.
- (ii) The Group holds 26% of the equity share capital of Espirit Hotels Private Limited, a company involved in development of a luxury hotel complex. The Group has considered that in view of the shareholder agreement, key decisions about relevant activities of such company are made jointly between the Group and the co-venturer (who holds 74% of the equity share capital) and both the parties have rights to the net assets of such arrangement.
- (iii) The Group holds 27.90% of the equity share capital of Logix Developers Private Limited, a company intended for the purpose of developing a luxury hotel-cum-service apartment complex. The Group has concluded that the key decisions about relevant activities of such company are made jointly between the Group and the co-venturer (who holds 72.10% of the equity share capital) and both the parties have rights to the net assets of such arrangement.
- (iv) The Group holds 50% of the equity share capital of ITC Essentra Limited, a company involved in manufacture and sale of filter rods. The Group

# Notes to the Consolidated Financial Statements

## 2. Use of estimates and judgements (Contd.)

has concluded that the key decisions about relevant activities of such company are made jointly between the Group and the co-venturer (who holds 50% of the equity share capital) and both the parties have rights to the net assets of such arrangement.

### 4. Useful life of Intangible Assets:

The Group is required to determine whether its intangible assets have indefinite or finite life which is a subject matter of judgement. Certain trademarks have been considered of having an indefinite useful life taking into account that there are no technical, technological or commercial risks of obsolescence or limitations under contract or law. Other trademarks have been amortized over their useful economic life. Refer notes to the financial statements.

### B. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 1. Useful lives of property, plant and equipment and intangible assets:

As described in the significant accounting policies, the Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

#### 2. Fair value measurements and valuation processes:

Some of the Group's assets and liabilities are measured at fair value for financial reporting

purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party valuers, where required, to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets, liabilities and share based payments are disclosed in the notes to financial statements.

### 3. Actuarial Valuation:

The determination of Group's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to financial statements.

### 4. Claims, Provisions and Contingent Liabilities:

The Group has ongoing litigations with various regulatory authorities and third parties. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty.

# Notes to the Consolidated Financial Statements

(₹ in Crores)

Particulars	Gross Block									
	As at 1st April, 2015	Additions	Withdrawals and adjustments	Acquisition through business combinations	Foreign Currency Translation Reserve adjustments	As at 31st March, 2016	Additions	Withdrawals and adjustments	Foreign Currency Translation Reserve adjustments	As at 31st March, 2017
<b>3A. Property, plant and equipment</b>										
Land <sup>1</sup>	1477.97	137.59	0.25	–	0.03	1615.34	59.19	1.05	(0.01)	1673.47
Buildings	3978.73	210.89	5.78	–	–	4183.84	501.03	5.53	–	4679.34
Leasehold Improvements	36.29	3.67	4.93	–	0.03	35.06	3.48	1.78	–	36.76
Plant and Equipment	8397.36	756.92	42.21	–	0.25	9112.32	1320.99	48.74	(0.32)	10384.25
Furniture and Fixtures	370.47	44.60	2.67	0.07	0.10	412.57	54.65	8.03	(0.09)	459.10
Vehicles	82.56	27.45	2.96	–	0.01	107.06	32.39	11.87	(0.01)	127.57
Office Equipment	24.98	5.30	3.22	0.06	–	27.12	6.52	1.83	(0.03)	31.78
Railway Sidings	1.73	–	–	–	–	1.73	–	–	–	1.73
<b>TOTAL</b>	<b>14370.09</b>	<b>1186.42</b>	<b>62.02</b>	<b>0.13</b>	<b>0.42</b>	<b>15495.04</b>	<b>1978.25</b>	<b>78.83</b>	<b>(0.46)</b>	<b>17394.00</b>
<b>3B. Capital work-in-progress [Refer Note 29]</b>	<b>2104.83</b>	<b>2141.77</b>	<b>1714.56</b>	<b>–</b>	<b>(3.07)</b>	<b>2528.97</b>	<b>3055.84</b>	<b>1892.15</b>	<b>(8.46)</b>	<b>3684.20</b>
<b>3C. Other Intangible Assets (acquired)</b>										
Trademarks <sup>2</sup>	333.29	0.05	–	–	0.01	333.35	0.05	–	–	333.40
Computer Software	73.87	43.62	0.05	–	0.03	117.47	20.47	0.10	0.01	137.85
Know How, Business and Commercial Rights	16.77	10.59	–	–	(0.03)	27.33	–	0.68	–	26.65
<b>TOTAL</b>	<b>423.93</b>	<b>54.26</b>	<b>0.05</b>	<b>–</b>	<b>0.01</b>	<b>478.15</b>	<b>20.52</b>	<b>0.78</b>	<b>0.01</b>	<b>497.90</b>
<b>3D. Intangible Assets under Development</b>	<b>28.65</b>	<b>44.54</b>	<b>42.44</b>	<b>–</b>	<b>–</b>	<b>30.75</b>	<b>32.94</b>	<b>18.00</b>	<b>–</b>	<b>45.69</b>
Provision for assets given on lease										
<b>GRAND TOTAL</b>	<b>16927.50</b>	<b>3426.99</b>	<b>1819.07</b>	<b>0.13</b>	<b>(2.64)</b>	<b>18532.91</b>	<b>5087.55</b>	<b>1989.76</b>	<b>(8.91)</b>	<b>21621.79</b>

The above includes following assets given on operating lease:

Particulars	As at 31st March, 2017			2017	As at 31st March, 2016			2016	As at 1st April, 2015		
	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block	Depreciation Charge for the year	Gross Block	Accumulated Depreciation	Net Block
Buildings	1.29	0.04	1.25	0.02	1.29	0.02	1.27	0.02	0.89	–	0.89
Plant and Equipment	190.54	41.41	149.13	20.88	198.15	20.32	177.83	20.32	144.25	–	144.25
<b>TOTAL</b>	<b>191.83</b>	<b>41.45</b>	<b>150.38</b>	<b>20.90</b>	<b>199.44</b>	<b>20.34</b>	<b>179.10</b>	<b>20.34</b>	<b>145.14</b>	<b>–</b>	<b>145.14</b>

# Notes to the Consolidated Financial Statements

(₹ in Crores)

Particulars	Accumulated Depreciation									Net Book Value		
	Up to 1st April, 2015	For the year	On Withdrawals and adjustments	Forein Currency Translation Reserve adjustments	Upto 31st March, 2016	For the year	On Withdrawals and adjustments	Forein Currency Translation Reserve adjustments	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
<b>3A. Property, plant and equipment</b>												
Land <sup>1</sup>	-	-	-	-	-	-	-	-	-	1673.47	1615.34	1477.97
Buildings	-	117.57	0.20	-	117.37	140.67	0.38	-	257.66	4421.68	4066.47	3978.73
Leasehold Improvements	-	9.01	1.22	0.04	7.83	7.05	0.99	(0.03)	13.86	22.90	27.23	36.29
Plant and Equipment	-	825.21	4.86	0.15	820.50	874.07	10.53	(0.20)	1683.84	8700.41	8291.82	8397.36
Furniture and Fixtures	-	68.85	0.39	0.07	68.53	68.64	2.85	(0.08)	134.24	324.86	344.04	370.47
Vehicles	-	16.30	1.55	-	14.75	19.34	3.88	-	30.21	97.36	92.31	82.56
Office Equipment	-	6.92	0.34	(0.01)	6.57	6.92	1.82	(0.01)	11.66	20.12	20.55	24.98
Railway Sidings	-	0.13	-	-	0.13	0.13	-	-	0.26	1.47	1.60	1.73
<b>TOTAL</b>	<b>-</b>	<b>1043.99</b>	<b>8.56</b>	<b>0.25</b>	<b>1035.68</b>	<b>1116.82</b>	<b>20.45</b>	<b>(0.32)</b>	<b>2131.73</b>	<b>15262.27</b>	<b>14459.36</b>	<b>14370.09</b>
<b>3B. Capital work-in-progress [Refer Note 29]</b>	-	-	-	-	-	-	-	-	-	3684.20	2528.97	2104.83
<b>3C. Other Intangible Assets (acquired)</b>												
Trademarks <sup>2</sup>	-	2.47	-	-	2.47	2.45	-	-	4.92	328.48	330.88	333.29
Computer Software	-	28.32	-	-	28.32	30.38	0.08	-	58.62	79.23	89.15	73.87
Know How, Business and Commercial Rights	-	2.62	-	-	2.62	3.14	0.08	-	5.68	20.97	24.71	16.77
<b>TOTAL</b>	<b>-</b>	<b>33.41</b>	<b>-</b>	<b>-</b>	<b>33.41</b>	<b>35.97</b>	<b>0.16</b>	<b>-</b>	<b>69.22</b>	<b>428.68</b>	<b>444.74</b>	<b>423.93</b>
<b>3D. Intangible Assets under Development</b>	-	-	-	-	-	-	-	-	-	45.69	30.75	28.65
Provision for assets given on lease												1.05
<b>GRAND TOTAL</b>	<b>-</b>	<b>1077.40</b>	<b>8.56</b>	<b>0.25</b>	<b>1069.09</b>	<b>1152.79</b>	<b>20.61</b>	<b>(0.32)</b>	<b>2200.95</b>	<b>19420.84</b>	<b>17463.82</b>	<b>16926.45</b>

- Land includes certain lands at Munger with Gross Block - ₹ 1.16 Crores (2016 - ₹ 1.16 Crores; 2015 - ₹ 1.16 Crores) which stood vested with the State of Bihar under the Bihar Land Reforms Act, 1950 for which compensation has not yet been determined.
- Certain trademarks with a carrying value of ₹ 309.73 Crores (2016 - ₹ 309.73 Crores; 2015 - ₹ 309.73 Crores), have been considered of having an indefinite useful life taking into account that there are no technical, technological or commercial risks of obsolescence or limitations under contract or law. Other trademarks have been amortized over 10 years.
- The amount of expenditures recognised in the carrying amount of property, plant and equipment in the course of construction is ₹ 74.11 Crores (2016 - ₹ 48.09 Crores).
- In respect of assets aggregating Nil (2016 - Nil; 2015 - ₹ 5.82 Crores), the primary lease period has expired and balances reflected on this account have been fully realized or provided for.
- The amortization expense of intangible assets have been included under 'Depreciation and amortization expense' in the Statement of Profit and Loss.

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)		
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	
<b>4. Non-current investments</b>							
<b>INVESTMENT IN EQUITY INSTRUMENTS</b>							
<b>In Subsidiaries (at cost unless stated otherwise)</b>							
ITC Global Holdings Pte. Limited (in liquidation) 89,99,645 (2016 - 89,99,645; 2015 - 89,99,645) Ordinary Shares of US \$ 1.00 each, fully paid (cost ₹ 25.58 Crores, fully impaired)							
		-		-		-	
<b>In Associates (carrying amount determined using the equity method of accounting)</b>							
International Travel House Limited 39,14,233 (2016 - 39,14,233; 2015 - 39,14,233) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 11.89 Crores) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017	21.87		24.45		21.87		
	<u>70.04</u>	91.91	<u>66.92</u>	91.37	<u>64.27</u>	86.14	
Gujarat Hotels Limited 17,33,907 (2016 - 17,33,907; 2015 - 17,33,907) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 1.16 Crores) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017	1.94		2.06		1.94		
	<u>11.30</u>	13.24	<u>10.26</u>	12.32	<u>9.50</u>	11.44	
ATC Limited 55,650 (2016 - 55,650; 2015 - 55,650) Equity Shares of ₹ 100.00 each, fully paid Cost of acquisition (net of capital reserve of ₹ 0.16 Crore) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		0.83		1.46		0.83	
		<u>1.33</u>	2.16	<u>1.27</u>	2.73	<u>1.21</u>	2.04
1,39,125 (2016 - 1,39,125; 2015 - 1,39,125) Equity Shares of ₹ 100.00 each, partly paid Cost of acquisition (including goodwill of ₹ 0.30 Crore) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		2.92		2.92		2.92	
		<u>1.42</u>	4.34	<u>1.34</u>	4.26	<u>1.24</u>	4.16
Russell Investments Limited 42,75,435 (2016 - 42,75,435; 2015 - 42,75,435) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (net of capital reserve of ₹ 0.30 Crore) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		4.27		4.27		4.27	
		<u>34.85</u>	39.12	<u>23.10</u>	27.37	<u>32.09</u>	36.36
Classic Infrastructure & Development Limited Nil (2016 - Nil; 2015 - 54,00,000) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 7.78 Crores) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2015 (Amalgamated with Greenacre Holdings Limited, a wholly owned step down subsidiary of the Company w.e.f. 01.10.2015)		-		-		10.40	
		<u>-</u>	-	<u>-</u>	-	<u>0.95</u>	11.35
Divya Management Limited 41,82,915 (2016 - 41,82,915; 2015 - 41,82,915) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 1.09 Crores) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		6.93		6.93		6.93	
		<u>0.29</u>	7.22	<u>0.22</u>	7.15	<u>0.17</u>	7.10
Carried over	105.15	52.84	103.69	41.51	97.58	61.01	

# Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	105.15	52.84	103.69	41.51	97.58	61.01
<b>INVESTMENT IN EQUITY INSTRUMENTS (Contd.)</b>						
Antrang Finance Limited 43,24,634 (2016 - 43,24,634; 2015 - 43,24,634) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 0.10 Crore) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		4.40 0.42 4.82		4.40 0.39 4.79	4.40	4.77
<b>In Joint Ventures (carrying amount determined using the equity method of accounting)</b>						
Espirit Hotels Private Limited 4,65,09,200 (2016 - 4,65,09,200; 2015 - 4,65,09,200) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		46.17 ... 46.17		46.17 ... 46.17	46.17	46.17
Maharaja Heritage Resorts Limited 90,000 (2016 - 90,000; 2015 - 90,000) Equity Shares of ₹ 100.00 each, fully paid Cost of acquisition (including goodwill of ₹ 0.13 Crore) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		... - ...		0.53 - 0.53	...	...
Logix Developers Private Limited 77,66,913 (2016 - 77,66,913; 2015 - 77,66,913) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition (including goodwill of ₹ 23.84 Crores) Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		42.07 (11.81) 30.26		42.07 (5.46) 36.61	42.07	42.07
ITC Essentra Limited 22,50,000 (2016 - 22,50,000; 2015 - 22,50,000) Equity Shares of ₹ 10.00 each, fully paid Cost of acquisition Add/(Less): Group Share of Profits/(Losses) upto 31.03.2017		38.85 7.82 46.67		39.44 5.24 44.68	38.85	38.85
<b>In Others (at fair value through other comprehensive income)</b>						
VST Industries Limited 476 (2016 - 476; 2015 - 476) Equity Shares of ₹ 10.00 each, fully paid		0.14		0.08	0.06	
Hotel Leelaventure Limited 5,49,80,620 (2016 - 5,49,80,620; 2015 - 5,49,80,620) Equity Shares of ₹ 2.00 each, fully paid		89.62		98.97	102.54	
ElH Limited 9,21,78,024 (2016 - 9,21,78,024; 2015 - 9,21,78,024) Equity Shares of ₹ 2.00 each, fully paid		1110.28		961.42	989.99	
Punjab Anand Batteries Limited (in liquidation) 11,86,157 (2016 - 11,86,157; 2015 - 11,86,157) Equity Shares of ₹ 10.00 each, fully paid - under Board for Industrial and Financial Reconstruction's Order of 20.04.1989		-		-	-	-
Bihar Hotels Limited 8,00,000 (2016 - 8,00,000; 2015 - 8,00,000) Equity Shares of ₹ 2.00 each, fully paid		0.04		0.04	0.04	
Carried over	1305.19	180.80	1164.16	174.33	1190.17	192.91

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	1305.19	180.80	1164.16	174.33	1190.17	192.91
<b>INVESTMENT IN EQUITY INSTRUMENTS (Contd.)</b>						
Tourism Finance Corporation of India Limited 25,000 (2016 - 25,000; 2015 - 25,000) Equity Shares of ₹ 10.00 each, fully paid	0.21		0.11		0.17	
Lotus Court Private Limited 2 Class G Shares of ₹ 48000.00 each, fully paid		2.34		2.34		2.34
Adyar Property Holding Company Limited 311 (2016 - 311; 2015 - 311) Equity Shares of ₹ 100.00 each, partly paid		23.19		23.19		23.19
Andhra Pradesh Gas Power Corporation Limited 8,04,000 (2016 - 8,04,000; 2015 - 8,04,000) Equity Shares of ₹ 10.00 each, fully paid		2.32		2.32		2.32
Mirage Advertising and Marketing Limited 12,488 (2016 - 12,488; 2015 - 12,488) Equity Shares of ₹ 10.00 each, fully paid		—		—		—
Bilaspur Cane Development Corporation Limited 100 (2016 - 100; 2015 - 100) Equity Shares of ₹ 10.00 each, fully paid (cost ₹ 1000.00)		...		...		...
Jupiter Township Limited 150 Equity Shares of ₹ 1.00 each, fully paid (cost ₹ 150.00) (Prime Golf Ranking Private Limited was amalgamated into Jupiter Township Limited vide Delhi High Court Order dated 30.09.2016. As per the scheme of amalgamation, every shareholder of Prime Golf Ranking Private Limited were issued one share of Jupiter Township Limited, irrespective of holding)		...		...		...
Woodlands Multispeciality Hospital Limited 13,072 (2016 - 13,072; 2015 - 13,072) Equity Shares of ₹ 10.00 each, fully paid		0.01		0.01		0.01
<b>INVESTMENT IN GOVERNMENT OR TRUST SECURITIES (at amortised cost)</b>						
Government Securities (cost ₹ 74000.00)		0.01		0.01		0.01
Government Securities - National Savings Certificates (cost ₹ 10000.00)		—		—		...
National Savings Certificate, fully paid (Deposited with Government Authorities) (cost ₹ 5000.00, fully impaired)		—		—		...
Kisan Vikas Patra, fully paid (Deposited with Government Authorities) (cost ₹ 5000.00, fully impaired)		—		—		...
National Saving Certificate pledged at Mandi Samiti (cost ₹ 16000.00)		—		...		...
6.5% Bikash Rinpatra, 2075 (Vikram Samvat Calendar Year)		1.60		1.60		1.60
<b>INVESTMENT IN BONDS/DEBENTURES (at amortised cost)</b>						
Housing and Urban Development Corporation Limited 1,79,870 (2016 - Nil; 2015 - Nil) 7.34% (Tranche I Series 1 Bonds) For Category I, II, III Tax Free Tranche I Series 1 Bonds in the nature of Secured Redeemable Non-Convertible Debentures (16 February 2023) of ₹ 1000.00 each, fully paid		18.82		—		—
Carried over	1324.22	210.27	1164.27	203.80	1190.34	222.38



## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	1324.22	210.27	1164.27	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
3,50,000 (2016 - Nil; 2015 - Nil) 8.10% For Category I & II Tax Free Bonds Tranche 1 Series - 1 in the nature of Secured Non-Convertible Debentures (05 March 2022) of ₹ 1000.00 each, fully paid	37.47		-		-	
4,300 (2016 - 2,000; 2015 - Nil) 7.07% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series B (01 October 2025) of ₹ 1000000.00 each, fully paid	441.20		200.00		-	
7,00,696 (2016 - 7,00,696; 2015 - Nil) 7.39% (For Category I, II & III) Secured Redeemable Non-Convertible Tax Free Bonds Tranche I Series 2A (08 February 2031) of ₹ 1000.00 each, fully paid	70.07		70.07		-	
Housing Development Finance Corporation Limited						
50 (2016 - Nil; 2015 - Nil) 8.38% Secured Redeemable Non-Convertible Debentures Series P - 021 (15 July 2019) of ₹ 10000000.00 each, fully paid	50.72		-		-	
160 (2016 - Nil; 2015 - Nil) 8.45% Secured Redeemable Non-Convertible Debentures Series P - 013 (24 July 2019) of ₹ 10000000.00 each, fully paid	162.27		-		-	
30 (2016 - Nil; 2015 - Nil) 8.45% Secured Redeemable Non-Convertible Debentures Series O - 009 (08 February 2019) of ₹ 10000000.00 each, fully paid	30.36		-		-	
90 (2016 - Nil; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Series O - 001 (31 August 2020) of ₹ 10000000.00 each, fully paid	92.07		-		-	
800 (2016 - Nil; 2015 - Nil) 8.70% Secured Redeemable Non-Convertible Debentures Series N - 017 (18 May 2020) of ₹ 500000.00 each, fully paid	41.01		-		-	
1,700 (2016 - Nil; 2015 - Nil) 8.75% Secured Redeemable Non-Convertible Debentures Series N - 002 (13 January 2020) of ₹ 500000.00 each, fully paid	87.33		-		-	
600 (2016 - Nil; 2015 - Nil) 9.40% Secured Redeemable Non-Convertible Debentures Series M - 016 (26 August 2019) of ₹ 1000000.00 each, fully paid	62.59		-		-	
2,100 (2016 - Nil; 2015 - Nil) 9.45% Secured Redeemable Non-Convertible Debentures Series M - 015 (21 August 2019) of ₹ 1000000.00 each, fully paid	218.10		-		-	
30 (2016 - Nil; 2015 - Nil) 7.95% Secured Redeemable Non-Convertible Debentures Series Q - 002 (23 September 2019) of ₹ 10000000.00 each, fully paid	30.15		-		-	
ICICI Home Finance Company Limited						
1,900 (2016 - Nil; 2015 - Nil) 7.65% Unsecured Rated Listed Redeemable Senior Non-Convertible Bonds in the nature of Debentures Series HDBFB171 (23 October 2018) of ₹ 500000.00 each, fully paid	95.00		-		-	
Carried over	2742.56	210.27	1434.34	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	2742.56	210.27	1434.34	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
IDFC Bank Limited						
Nil (2016 - 3,000; 2015 - Nil) Zero Coupon Unsecured Redeemable Non-Convertible Debentures Series IDFC Bank OBB 20/2015 (27 November 2017) of ₹ 1000000.00 each, fully paid	-		325.74		-	
India Infrastructure Finance Company Limited						
1,000 (2016 - 1,000; 2015 - Nil) 8.26% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series V B (23 August 2028) of ₹ 1000000.00 each, fully paid	106.47		106.82		-	
800 (2016 - 800; 2015 - Nil) 8.46% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series VI B (30 August 2028) of ₹ 1000000.00 each, fully paid	86.52		86.88		-	
1,630 (2016 - 1,630; 2015 - Nil) 8.48% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series VII B (05 September 2028) of ₹ 1000000.00 each, fully paid	176.49		177.23		-	
2,50,000 (2016 - Nil; 2015 - Nil) 7.19% For Category I,II,III & IV Tax Free Secured Redeemable Non-Convertible Bonds 2012-13 (Tranche I Series I) (22 January 2023) of ₹ 1000.00 each, fully paid	25.98		-		-	
Indian Railway Finance Corporation Limited						
2,250 (2016 - 2,000; 2015 - Nil) 7.19% Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 99 (31 July 2025) of ₹ 1000000.00 each, fully paid	226.40		200.00		-	
1,250 (2016 - 1,250; 2015 - Nil) 8.48% Tax Free Secured Non-Cumulative Non-Convertible Redeemable Bonds 89th A Series (21 November 2028) of ₹ 1000000.00 each, fully paid	135.30		135.85		-	
130 (2016 - 130; 2015 - Nil) 8.55% Tax Free Secured Non-Convertible Redeemable Bonds Series 94th A (12 February 2029) of ₹ 1000000.00 each, fully paid	14.15		14.21		-	
5,00,000 (2016 - Nil; 2015 - Nil) 7.18% (For Categories I, II & III) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures Series 86 (19 February 2023) of ₹ 1000.00 each, fully paid	52.15		-		-	
2,50,000 (2016 - Nil; 2015 - Nil) 8.00% (For Categories I & II) Tax Free Non-Cumulative Non-Convertible Redeemable Bonds Series 80 (23 February 2022) of ₹ 1000.00 each, fully paid	26.69		-		-	
100 (2016 - Nil; 2015 - Nil) 8.35% Tax Free Secured Non-Cumulative Non-Convertible Redeemable Bonds Series 89 (21 November 2023) of ₹ 1000000.00 each, fully paid	11.05		-		-	
Carried over	3603.76	210.27	2481.07	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	3603.76	210.27	2481.07	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
70,498 (2016 - Nil; 2015 - Nil) 7.07% (For Category I, II & III ) Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 102 (21 December 2025) of ₹ 1000.00 each, fully paid	7.40		-		-	
250 (2016 - Nil; 2015 - Nil) 7.15% Secured Redeemable Non-Convertible Bonds in the nature of Debentures Series 100 (21 August 2025) of ₹ 1000000.00 each, fully paid	26.35		-		-	
8,00,000 (2016 - Nil; 2015 - Nil) 8.23% (For Category I, II & III) Tax Free Secured Non-Convertible Redeemable Bonds Series 91 (18 February 2024) of ₹ 1000.00 each, fully paid	88.82		-		-	
LIC Housing Finance Limited						
250 (2016 - 250; 2015 - Nil) 8.49% Secured Redeemable Non-Convertible Debentures Tranche 249 (28 April 2020) of ₹ 1000000.00 each, fully paid	24.85		24.81		-	
Nil (2016 - 30; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Tranche 187 (13 April 2017) of ₹ 1000000.00 each, fully paid	-		3.00		-	
750 (2016 - Nil; 2015 - Nil) 7.79% Secured Redeemable Non-Convertible Debentures Tranche 328 (10 May 2019) of ₹ 1000000.00 each, fully paid	75.00		-		-	
3,000 (2016 - 3,000; 2015 - Nil) 8.69% Secured Redeemable Non-Convertible Debentures Tranche 257 (26 June 2019) of ₹ 1000000.00 each, fully paid	300.00		300.00		-	
239 (2016 - 239; 2015 - Nil) 8.95% Unsecured Non-Convertible Redeemable Tier II Subordinated Bonds Series III (15 September 2020) of ₹ 1000000.00 each, fully paid	24.01		24.04		-	
Nil (2016 - 1,000; 2015 - Nil) 9.18% Secured Redeemable Non-Convertible Debentures Tranche 219 (03 July 2017) of ₹ 1000000.00 each, fully paid	-		100.60		-	
Nil (2016 - 300; 2015 - Nil) 9.29% Secured Redeemable Non-Convertible Debentures Tranche 230 Option 1 (16 October 2017) of ₹ 1000000.00 each, fully paid	-		30.29		-	
Nil (2016 - 170; 2015 - Nil) 9.80% Secured Redeemable Non-Convertible Debentures Tranche XXVI (22 October 2017) of ₹ 1000000.00 each, fully paid	-		17.28		-	
100 (2016 - Nil; 2015 - Nil) 8.30% Secured Redeemable Non-Convertible Debentures Tranche 304 Option 2 (15 July 2021) of ₹ 1000000.00 each, fully paid	10.32		-		-	
800 (2016 - Nil; 2015 - Nil) 8.35% Secured Redeemable Non-Convertible Debentures Tranche 273 Option 1 (23 October 2020) of ₹ 1000000.00 each, fully paid	81.40		-		-	
750 (2016 - Nil; 2015 - Nil) 8.35% Secured Redeemable Non-Convertible Debentures Tranche 272 (18 October 2019 with Put Option on 17 November 2017) of ₹ 1000000.00 each, fully paid	76.00		-		-	
Carried over	4317.91	210.27	2981.09	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	4317.91	210.27	2981.09	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
250 (2016 - Nil; 2015 - Nil) 8.37% Secured Redeemable Non-Convertible Debentures Tranche 293 (03 October 2019 with Put Option on 02 November 2017) of ₹ 1000000.00 each, fully paid	25.35		-		-	
700 (2016 - Nil; 2015 - Nil) 8.67% Secured Redeemable Non-Convertible Debentures Tranche 263 Option 2 (26 August 2020) of ₹ 1000000.00 each, fully paid	71.75		-		-	
350 (2016 - Nil; 2015 - Nil) 8.75% Secured Redeemable Non-Convertible Debentures Tranche 290 Option 1 (21 December 2020 with Put Option on 21 November 2017) of ₹ 1000000.00 each, fully paid	36.47		-		-	
450 (2016 - Nil; 2015 - Nil) 8.97% Secured Redeemable Non-Convertible Debentures Tranche 231 Option 2 (29 October 2019) of ₹ 1000000.00 each, fully paid	46.20		-		-	
700 (2016 - Nil; 2015 - Nil) 9.3532% Secured Redeemable Non-Convertible Debentures Tranche 224 (19 August 2019) of ₹ 1000000.00 each, fully paid	72.36		-		-	
National Highways Authority of India						
2,600 (2016 - 2,500; 2015 - Nil) 7.11% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series NHAI-IIA (18 September 2025) of ₹ 1000000.00 each, fully paid	260.50		249.99		-	
2,500 (2016 - 2,500; 2015 - Nil) 7.28% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series NHAI-IIB (18 September 2030) of ₹ 1000000.00 each, fully paid	250.00		250.00		-	
8,06,381 (2016 - 4,28,547; 2015 - Nil) 7.14% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series IA (11 January 2026) of ₹ 1000.00 each, fully paid	82.72		42.85		-	
9,99,943 (2016 - 9,99,943; 2015 - Nil) 7.35% Secured Redeemable Tax Free Non-Convertible Bonds in the nature of Debentures Series IIA (11 January 2031) of ₹ 1000.00 each, fully paid	99.99		99.99		-	
National Housing Bank						
800 (2016 - 800; 2015 - Nil) 8.46% NHB Tax Free Bonds 2028, Series V (30 August 2028) of ₹ 1000000.00 each, fully paid	86.38		86.73		-	
Power Finance Corporation Limited						
Nil (2016 - 1,000; 2015 - Nil) 8.12% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 139-B (22 May 2017) of ₹ 1000000.00 each, fully paid	-		99.88		-	
170 (2016 - 170; 2015 - Nil) 8.29% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 129-B (13 June 2018) of ₹ 1000000.00 each, fully paid	17.03		17.04		-	
Carried over	5366.66	210.27	3827.57	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	5366.66	210.27	3827.57	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
500 (2016 - 500; 2015 - Nil) 8.38% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 131-B (27 April 2020) of ₹ 1000000.00 each, fully paid	50.10		50.11		-	
Nil (2016 - 1,500; 2015 - Nil) 9.11% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 115 I (07 July 2017) of ₹ 1000000.00 each, fully paid	-		151.04		-	
Nil (2016 - 379; 2015 - Nil) 9.27% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series-92-B (21 August 2017) of ₹ 1000000.00 each, fully paid	-		38.37		-	
600 (2016 - Nil; 2015 - Nil) 7.16% Secured Redeemable Non-Convertible Tax Free Bonds Series 136 (17 July 2025) of ₹ 1000000.00 each, fully paid	63.42		-		-	
Nil (2016 - 150; 2015 - Nil) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 117 A (19 August 2017) of ₹ 1000000.00 each, fully paid	-		15.19		-	
500 (2016 - 500; 2015 - Nil) 8.46% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 107 - B (30 August 2028) of ₹ 1000000.00 each, fully paid	53.99		54.21		-	
<b>PNB Housing Finance Limited</b>						
600 (2016 - 500; 2015 - Nil) 8.36% Secured Redeemable Non-Convertible Bonds in the nature of Promissory Note Series XXIV (12 July 2019) of ₹ 1000000.00 each, fully paid	60.14		49.99		-	
1,000 (2016 - Nil; 2015 - Nil) 7.95% Secured Redeemable Non-Convertible Taxable Bonds in the nature of Promissory Note Series XXIX (18 October 2019) of ₹ 1000000.00 each, fully paid	100.32		-		-	
100 (2016 - Nil; 2015 - Nil) 8.23% Secured Redeemable Non-Convertible Bonds in the nature of Promissory Note Series XXII (09 April 2019) of ₹ 1000000.00 each, fully paid	10.11		-		-	
<b>Rural Electrification Corporation Limited</b>						
800 (2016 - 800; 2015 - Nil) 8.46% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series 3B (29 August 2028) of ₹ 1000000.00 each, fully paid	86.39		86.73		-	
50 (2016 - 50; 2015 - Nil) 8.54% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 4B (11 October 2028) of ₹ 1000000.00 each, fully paid	5.43		5.45		-	
250 (2016 - 250; 2015 - Nil) 8.87% Unsecured 7 Year Non-Convertible Non-Cumulative Redeemable Taxable Bonds - 2020 (113th Series) (08 March 2020) of ₹ 1000000.00 each, fully paid	25.34		25.44		-	
Carried over	5821.90	210.27	4304.10	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	5821.90	210.27	4304.10	203.80	1190.34	222.38
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
Nil (2016 - 1,000; 2015 - Nil) 9.40% Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds-2017 Series-108 (Option I) (20 July 2017) of ₹ 1000000.00 each, fully paid	-		101.33		-	
850 (2016 - Nil; 2015 - Nil) 7.17% Secured Redeemable Non-Convertible Tax Free Bonds Series 5-A (23 July 2025) of ₹ 1000000.00 each, fully paid	89.64		-		-	
Small Industries Development Bank Of India 1,000 (2016 - 1,000; 2015 - Nil) 8.28% Unsecured Redeemable Non-Convertible Bonds in the nature of Promissory Notes Series 7 of 2015-16 (26 February 2019 with Put Option on 27 February 2017) of ₹ 1000000.00 each, fully paid	100.00		100.00		-	
<b>INVESTMENT IN MUTUAL FUNDS (at fair value through profit or loss)</b>						
Birla Sun Life Fixed Term Plan - Series LQ (1113 D) Nil (2016 - 50,00,000; 2015 - Nil) Units of ₹ 10.00 each	-		5.80		-	
HDFC Fixed Maturity Plan 1114D March 2016 (1) - Series-35 12,80,00,000 (2016 - 12,80,00,000; 2015 - Nil) Units of ₹ 10.00 each	140.79		128.34		-	
HDFC Fixed Maturity Plan 1132D February 2016 (1) - Series-35 4,30,00,000 (2016 - 4,30,00,000; 2015 - Nil) Units of ₹ 10.00 each	47.43		43.30		-	
HDFC Fixed Maturity Plan 1107D March 2016 (1) - Series-36 4,00,00,000 (2016 - 4,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	43.97		40.07		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan I - 1170 Days 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.64		15.21		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan J - 1168 Days 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.06		10.11		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan N - 1150 Days 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.56		15.14		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan T - 1130 Days 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	10.96		10.03		-	
ICICI Prudential Fixed Maturity Plan - Series 78 - Plan W - 1135 Days 1,20,00,000 (2016 - 1,20,00,000; 2015 - Nil) Units of ₹ 10.00 each	13.15		12.07		-	
Carried over	6312.10	210.27	4785.50	203.80	1190.34	222.38

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>4. Non-current investments (Contd.)</b>						
Brought forward	6312.10	210.27	4785.50	203.80	1190.34	222.38
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
ICICI Prudential Fixed Maturity Plan - Series 79 - Plan P - 1104 Days 40,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	4.17		-		-	
Kotak Fixed Maturity Plan - Series 190 50,00,000 (2016 - 50,00,000; 2015 - Nil) Units of ₹ 10.00 each	5.55		5.07		-	
Kotak Fixed Maturity Plan - Series 191 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.47		15.06		-	
Reliance Fixed Horizon Fund - XXVI - Series 31 Nil (2016 - 50,00,000; 2015 - Nil) Units of ₹ 10.00 each	-		5.78		-	
Reliance Fixed Horizon Fund - XXX - Series 5 1,50,00,000 (2016 - 1,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	16.54		15.09		-	
Reliance Fixed Horizon Fund - XXX - Series 12 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.03		10.07		-	
Reliance Fixed Horizon Fund - XXX - Series 13 2,00,00,000 (2016 - 2,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	22.06		20.13		-	
Reliance Fixed Horizon Fund - XXX - Series 17 3,50,00,000 (2016 - 3,50,00,000; 2015 - Nil) Units of ₹ 10.00 each	38.41		35.00		-	
Reliance Fixed Horizon Fund - XXX - Series 6 1,00,00,000 (2016 - 1,00,00,000; 2015 - Nil) Units of ₹ 10.00 each	11.07		10.10		-	
Reliance Fixed Horizon Fund - XXXI - Series 9 1,80,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	18.92		-		-	
UTI Fixed Term Income Fund Series XXIV - VI - 1181 Days 1,20,00,000 (2016 - 1,20,00,000; 2015 - Nil) Units of ₹ 10.00 each	13.32		12.16		-	
UTI Fixed Term Income Fund Series XXIV - VIII - 1184 Days 80,00,000 (2016 - 80,00,000; 2015 - Nil) Units of ₹ 10.00 each	8.83		8.05		-	
UTI Fixed Term Income Fund Series XXV - V - 1100 Days 50,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	5.25		-		-	
<b>Aggregate amount of quoted and unquoted Investments</b>	<b>6483.72</b>	<b>210.27</b>	<b>4922.01</b>	<b>203.80</b>	<b>1190.34</b>	<b>222.38</b>
<b>TOTAL</b>		<b>6693.99</b>		<b>5125.81</b>		<b>1412.72</b>

Aggregate market value of quoted investments ₹ 6502.72 Crores (2016 - ₹ 4929.80 Crores; 2015 - 1215.76 Crores)

Aggregate amount of impairment in value of investments ₹ 25.58 Crores (2016 - ₹ 25.58 Crores; 2015 - ₹ 25.58 Crores)

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>5. Loans</b>						
<b>Loans to related parties</b> (Refer Note 30)						
– Secured, considered good	1.40	–	1.40	1.40	1.40	2.80
	<b>1.40</b>	<b>–</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>2.80</b>
<b>Other Loans</b>						
Others (Employees, suppliers etc.)						
– Unsecured, considered good	5.38	8.54	6.67	11.56	7.26	13.67
– Doubtful	–	0.22	–	0.22	–	0.22
	<b>5.38</b>	<b>8.76</b>	<b>6.67</b>	<b>11.78</b>	<b>7.26</b>	<b>13.89</b>
Less: Allowance for doubtful loans	–	0.22	–	0.22	–	0.22
	<b>5.38</b>	<b>8.54</b>	<b>6.67</b>	<b>11.56</b>	<b>7.26</b>	<b>13.67</b>
<b>TOTAL</b>	<b>6.78</b>	<b>8.54</b>	<b>8.07</b>	<b>12.96</b>	<b>8.66</b>	<b>16.47</b>

<b>6. Other financial assets</b>						
Bank deposits with more than 12 months maturity	–	1.21	–	931.02	–	1320.30
Other financial assets						
Advances	4.83	1.48	18.39	1.40	17.02	2.29
Deposits*	533.10	98.02	29.19	105.59	31.51	61.42
Interest accrued on Loans, Deposits, Investments etc.	326.67	–	259.67	–	143.64	–
Other Receivables**	225.42	–	262.18	–	188.69	–
<b>TOTAL</b>	<b>1090.02</b>	<b>100.71</b>	<b>569.43</b>	<b>1038.01</b>	<b>380.86</b>	<b>1384.01</b>

\* Deposits includes deposits to directors ₹ 0.07 Crore (2016 - ₹ 0.07 Crore; 2015 - ₹ 0.05 Crore) (Refer Note 30).

\*\* Others comprise receivables on account of claims, interest, rentals, derivatives designated as hedging instruments etc.



## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>7. Deferred tax</b>			
Deferred tax liabilities (Net)	1878.77	1880.00	1688.47
Deferred tax assets (Net)	44.95	40.54	36.91
<b>TOTAL</b>	<b>1833.82</b>	<b>1839.46</b>	<b>1651.56</b>

### Movement in deferred tax liabilities/assets balances

(₹ in Crores)

2016-17	Opening Balance	Recognised in profit or loss	Recognised in OCI	Recognised directly in Equity	Reclassified to profit or loss	Acquisitions through business combination	Effect of foreign exchange	Closing Balance
<b>Deferred tax liabilities/assets in relation to:</b>								
On fiscal allowances on property, plant and equipment etc.	1760.55	113.69	-	-	-	(0.03)	-	1874.21
On excise duty on closing stock	600.92	(228.68)	-	-	-	-	-	372.24
On cash flow hedges	3.40	-	(7.18)	5.77	(7.69)	-	-	(5.70)
On employees' separation and retirement etc.	-	0.02	(0.02)	-	-	-	-	-
Other timing differences	44.55	145.06	-	-	-	(0.15)	0.01	189.47
<b>Total deferred tax liabilities</b>	<b>2409.42</b>	<b>30.09</b>	<b>(7.20)</b>	<b>5.77</b>	<b>(7.69)</b>	<b>(0.18)</b>	<b>0.01</b>	<b>2430.22</b>
On fiscal allowances on property, plant and equipment etc.	13.07	3.46	-	-	-	-	(0.29)	16.24
On employees' separation and retirement etc.	99.19	4.59	2.71	-	-	-	(0.13)	106.36
On provision for doubtful debts/advances	33.05	9.48	-	-	-	-	(0.09)	42.44
On state and central taxes etc.	322.60	13.23	-	-	-	-	-	335.83
On unabsorbed tax losses and depreciation	0.64	0.50	-	-	-	-	-	1.14
Other timing differences	99.32	(4.10)	-	-	-	(3.30)	0.02	91.94
<b>Total deferred tax assets before MAT credit entitlement</b>	<b>567.87</b>	<b>27.16</b>	<b>2.71</b>	<b>-</b>	<b>-</b>	<b>(3.30)</b>	<b>(0.49)</b>	<b>593.95</b>
<b>Total deferred tax liabilities before MAT credit entitlement (Net)</b>	<b>1841.55</b>	<b>2.93</b>	<b>(9.91)</b>	<b>5.77</b>	<b>(7.69)</b>	<b>3.12</b>	<b>0.50</b>	<b>1836.27</b>
Less: MAT credit entitlement	2.09	0.36	-	-	-	-	-	2.45
<b>Total deferred tax liabilities (Net)</b>	<b>1839.46</b>	<b>2.57</b>	<b>(9.91)</b>	<b>5.77</b>	<b>(7.69)</b>	<b>3.12</b>	<b>0.50</b>	<b>1833.82</b>

# Notes to the Consolidated Financial Statements

(₹ in Crores)

## 7. Deferred tax (contd.)

2015-16	Opening Balance	Recognised in profit or loss	Recognised in OCI	Recognised directly in Equity	Reclassified to profit or loss	Acquisitions through business combination	Effect of foreign exchange	Closing Balance
<b>Deferred tax liabilities/assets in relation to:</b>								
On fiscal allowances on property, plant and equipment etc.	1583.47	177.07	-	-	-	-	0.01	1760.55
On excise duty on closing stock	513.00	87.92	-	-	-	-	-	600.92
On cash flow hedges	4.20	-	(0.65)	-	(0.15)	-	-	3.40
Other timing differences	61.44	(16.90)	-	-	-	-	0.01	44.55
<b>Total deferred tax liabilities</b>	<b>2162.11</b>	<b>248.09</b>	<b>(0.65)</b>	<b>-</b>	<b>(0.15)</b>	<b>-</b>	<b>0.02</b>	<b>2409.42</b>
On fiscal allowances on property, plant and equipment etc.	5.06	7.86	-	-	-	-	0.15	13.07
On employees' separation and retirement etc.	104.97	(23.15)	16.94	-	-	-	0.43	99.19
On provision for doubtful debts/advances	28.70	4.21	-	-	-	-	0.14	33.05
On State and Central taxes etc.	312.54	10.06	-	-	-	-	-	322.60
On unabsorbed tax losses and depreciation	2.42	(1.78)	-	-	-	-	-	0.64
Other timing differences	56.01	43.05	-	-	-	-	0.26	99.32
<b>Total deferred tax assets before MAT credit entitlement</b>	<b>509.70</b>	<b>40.25</b>	<b>16.94</b>				<b>0.98</b>	<b>567.87</b>
<b>Total deferred tax liabilities before MAT credit entitlement (Net)</b>	<b>1652.41</b>	<b>207.84</b>	<b>(17.59)</b>	<b>-</b>	<b>(0.15)</b>	<b>-</b>	<b>(0.96)</b>	<b>1841.55</b>
Less: MAT credit entitlement	0.85	1.24	-	-	-	-	-	2.09
<b>Total deferred tax liabilities (Net)</b>	<b>1651.56</b>	<b>206.60</b>	<b>(17.59)</b>	<b>-</b>	<b>(0.15)</b>	<b>-</b>	<b>(0.96)</b>	<b>1839.46</b>

The Group has losses of ₹ 292.20 Crores (2016 - ₹ 523.41 Crores; 2015 - ₹ 473.20 Crores) for which no deferred tax assets have been recognised. A part of these losses will expire between financial year 2018-19 to 2031-32.

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>8. Other assets</b>						
Capital Advances (Refer Note 29)	-	1133.06	-	1037.31	-	411.36
Advances other than capital advances						
Security Deposits						
- With Statutory Authorities	10.85	864.83	9.00	742.63	9.15	632.10
- Others	6.91	109.82	6.57	49.09	13.29	42.22
Advances to related parties (Refer Note 30)	-	-	12.98	-	48.48	-
Advance Tax (net of provisions)	-	38.57	-	27.56	-	59.48
Fringe Benefit Tax (net of provisions)	-	0.02	-	0.02	-	...
Other Advances (including advances with statutory authorities, prepaid expenses, employees etc.)	576.63	1051.80	460.79	1085.86	437.92	1053.75
Other Receivables*	62.68	4.51	64.05	3.24	90.17	1.24
<b>TOTAL</b>	<b>657.07</b>	<b>3202.61</b>	<b>553.39</b>	<b>2945.71</b>	<b>599.01</b>	<b>2200.15</b>

\* Includes receivables on account of export incentives.

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>9. Inventories*</b>			
(At lower of cost and net realisable value)			
Stocks and shares	555.00	337.18	458.24
Raw materials (including packing materials)	4984.01	4989.23	4494.17
Work-in-progress	178.16	182.59	186.02
Finished goods (manufactured)	2137.25	2826.52	2639.74
Stock-in-trade (goods purchased for resale)	439.34	351.38	355.17
Stores and spares	313.45	308.21	306.12
Intermediates - Tissue paper and Paperboards	63.89	66.99	67.24
<b>TOTAL</b>	<b>8671.10</b>	<b>9062.10</b>	<b>8506.70</b>
The above includes goods in transit as under:			
Raw materials (including packing materials)	90.12	112.14	84.38
Stock-in-trade (goods purchased for resale)	2.55	5.76	0.53
Stores and spares	1.77	3.59	5.40
<b>TOTAL</b>	<b>94.44</b>	<b>121.49</b>	<b>90.31</b>

The cost of inventories recognised as an expense includes ₹ 15.07 Crores (2016 - ₹ 29.80 Crores) in respect of write-downs of inventory to net realisable value, and the same has been reduced by ₹ 0.65 Crore (2016 - ₹ 2.10 Crores) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales prices in certain markets.

Inventories of ₹ 640.28 Crores (2016 - ₹ 714.51 Crores; 2015 - ₹ 592.64 Crores) are expected to be recovered after more than twelve months.

\* Also Refer Note 20.

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)
<b>10. Biological assets other than bearer plants</b>		
Balance at the beginning of the year	67.25	51.18
Biological assets acquired during the year	0.77	2.03
Cost Incurred during the year	69.36	73.08
Changes in fair value	27.00	28.33
Transfer of Biological Assets to Inventories	(6.31)	(3.77)
Biological assets sold during the year	(87.78)	(83.68)
Effect of foreign exchange translation	(0.24)	0.08
<b>Balance at the end of the year</b>	<b>70.05</b>	<b>67.25</b>

The Group had 1,19,66,076 numbers of TECHNITUBER® seed potatoes (2016 - 1,24,14,580 numbers; 2015 - 1,35,45,164 numbers). There were 57605.71 MT of field generated seed potatoes (2016 - 54806.74 MT; 2015 - 42659.00 MT). During the year, output of agricultural produce (potatoes) is 18050.00 MT (2016 - 7281.00 MT).

Estimated amount of contracts remaining to be executed for acquisition/development of biological assets are ₹ 0.09 Crore (2016 - ₹ 0.09 Crore; 2015 - ₹ 0.57 Crore).

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise)</b>						
<b>INVESTMENT IN PREFERENCE SHARES</b>						
ICICI Bank Limited 310 (2016 - 310; 2015 - 310) Non-Cumulative Redeemable Non-Convertible Non-Participative Preference Shares (20 April 2018) of ₹ 10000000.00 each, fully paid		277.65		248.76		214.85
<b>INVESTMENT IN BONDS/DEBENTURES</b>						
Export Import Bank of India 300 (2016 - 300; 2015 - 300) 9.15% Unsecured Non-Convertible Bonds Series P-16 (05 September 2022) of ₹ 1000000.00 each, fully paid	30.92		31.12		31.61	
Indian Railway Finance Corporation Limited Nil (2016 - 10,000; 2015 - 10,000) 6.30% Secured Non-Convertible Tax Free Bonds in the form of Promissory Notes 68th 'A' Series (08 March 2017) of ₹ 100000.00 each, fully paid	–		98.91		95.54	
10,00,000 (2016 - 10,00,000; 2015 - 10,00,000) 7.18% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds in the nature of Debentures 86th Series (19 February 2023) of ₹ 1000.00 each, fully paid	101.98		100.00		93.72	
20,00,000 (2016 - 20,00,000; 2015 - 20,00,000) 8.23% Tax Free Secured Non-Convertible Redeemable Bonds Series 91st (18 February 2024) of ₹ 1000.00 each, fully paid	200.00		200.00		199.19	
4,35,012 (2016 - 4,35,012; 2015 - 4,35,012) 8.00% Tax Free Non-Cumulative Non-Convertible Redeemable Bonds 80th Series (23 February 2022) of ₹ 1000.00 each, fully paid	43.50		43.50		42.84	
LIC Housing Finance Limited Nil (2016 - 2,000; 2015 - Nil) Zero Coupon Secured Redeemable Non-Convertible Debentures Tranche 242 Option 2 (24 February 2017) of ₹ 1000000.00 each, fully paid	–		219.06		–	
National Bank for Agriculture and Rural Development 4,100 (2016 - 4,100; 2015 - 4,100) Zero Coupon Unsecured Non-Convertible Bonds in the form of Promissory Notes Series BNB (01 August 2017) 2D of ₹ 20000.00 each, fully paid	7.96		7.35		6.54	
1,41,270 (2016 - 1,41,270; 2015 - 1,41,270) Zero Coupon Unsecured Non-Convertible Bonds in the form of Promissory Notes Series BNB (01 January 2019) of ₹ 20000.00 each, fully paid	243.86		226.26		197.03	
National Highways Authority of India 4,94,476 (2016 - 4,94,476; 2015 - 4,94,476) 8.20% Tax Free Secured Redeemable Non-Convertible Bonds (25 January 2022) of ₹ 1000.00 each, fully paid	49.45		49.45		49.20	
Carried over	677.67	277.65	975.65	248.76	715.67	214.85

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	677.67	277.65	975.65	248.76	715.67	214.85
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
National Housing Bank 1,03,785 (2016 - 1,03,785; 2015 - 1,03,785) Zero Coupon Unsecured Non-Convertible Taxable Bonds in the form of Promissory Notes (24 December 2018) of ₹ 10000.00 each, fully paid	89.67		83.30		72.53	
Power Finance Corporation Limited Nil (2016 - Nil; 2015 - 450) 9.69% Secured Non-Convertible Non-Cumulative Taxable Bonds Series 113 (02 March 2019) of ₹ 1000000.00 each, fully paid	–		–		46.85	
1,500 (2016 - 1,500; 2015 - 1,500) 8.09% Secured Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series-80-A (25 November 2021) of ₹ 100000.00 each, fully paid	15.48		15.49		14.84	
1,000 (2016 - 1,000; 2015 - 1,000) 8.01% Secured Redeemable Non-Convertible Non-Cumulative Tax Free Bonds in the nature of Debentures Series 107-A (30 August 2023) of ₹ 1000000.00 each, fully paid	100.00		99.95		98.27	
450 (2016 - 450; 2015 - 450) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 119 B (17 September 2019) of ₹ 1000000.00 each, fully paid	45.83		46.18		46.52	
Nil (2016 - Nil; 2015 - 500) 8.36% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 127 (26 February 2020) of ₹ 1000000.00 each, fully paid	–		–		50.07	
1,00,000 (2016 - 1,00,000; 2015 - 1,00,000) 8.20% Secured Non-Convertible Tax Free Bonds Series-I (01 February 2022) of ₹ 1000.00 each, fully paid	10.35		10.39		9.95	
12,95,560 (2016 - 12,95,560; 2015 - 12,95,560) 8.18% Secured Tax Free Redeemable Non-Convertible Bonds Series 1A (16 November 2023) of ₹ 1000.00 each, fully paid	129.56		129.56		128.60	
Rural Electrification Corporation Limited Nil (2016 - Nil; 2015 - 750) 9.38% Secured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series 117th (06 November 2018) of ₹ 1000000.00 each, fully paid	–		–		77.35	
Nil (2016 - Nil; 2015 - 400) 8.44% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds in the nature of Debentures Series 127th (04 December 2021) of ₹ 1000000.00 each, fully paid	–		–		40.24	
30,00,000 (2016 - 30,00,000; 2015 - 30,00,000) 7.22% Secured Tax Free Redeemable Non-Convertible Bonds Tranche 1 Series 1(19 December 2022) of ₹ 1000.00 each, fully paid	300.00		299.99		282.01	
Carried over	1368.56	277.65	1660.51	248.76	1582.90	214.85

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1368.56	277.65	1660.51	248.76	1582.90	214.85
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
1,000 (2016 - 1,000; 2015 - 1,000) 8.01% Secured Redeemable Non-Convertible Tax Free Bonds in the nature of Debentures Series 3A (29 August 2023) of ₹ 1000000.00 each, fully paid	100.00		99.96		98.27	
<b>INVESTMENT IN CERTIFICATE OF DEPOSITS</b>						
Nil (2016 - 15,000; 2015 - Nil) 8.17% Export Import Bank of India Certificate of Deposit (10 February 2017) of ₹ 100000.00 each, fully paid		–		140.12		–
10,000 (2016 - Nil; 2015 - Nil) IndusInd Bank Limited Certificate of Deposit (31 August 2017) of ₹ 100000.00 each, fully paid		97.34		–		–
15,000 (2016 - Nil; 2015 - Nil) IDFC Bank Limited Certificate of Deposit (06 October 2017) of ₹ 100000.00 each, fully paid		145.10		–		–
<b>INVESTMENT IN GOVERNMENT OR TRUST SECURITIES</b>						
National Saving Certificate pledged at Mandi Samiti (cost ₹ 13000.00)		...		...		...
National Savings Certificates (cost ₹ 10000.00)		...		...		–
Kisan Vikas Patra (cost ₹ 1000.00)		–		...		–
<b>INVESTMENT IN MUTUAL FUNDS</b>						
Axis Liquid Fund 28,120 (2016 - Nil; 2015 - 32,301) Units of ₹ 1000.00 each		5.07		–		5.00
Axis Short Term Fund 22,61,88,081 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		416.22		–		–
Axis Treasury Advantage Fund 5,46,967 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		100.98		–		–
Birla Sun Life Fixed Term Plan - Series LQ (1113 Days) 50,00,000 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each	6.26		–		–	
Birla Sun Life Fixed Term Plan - Series LQ (368 Days) Nil (2016 - Nil; 2015 - 50,00,000) Units of ₹ 10.00 each	–		–		5.33	
Birla Sun Life Cash Manager Nil (2016 - 4,60,214; 2015 - 1,26,84,353) Units of ₹ 100.00 each		–		17.16		433.82
Birla Sun Life Short Term Fund 2,82,03,277 (2016 - 1,07,82,737; 2015 - 5,18,77,366) Units of ₹ 10.00 each		176.39		61.54		59.71
Birla Sun Life Treasury Optimizer Plan 15,45,665 (2016 - 15,45,665; 2015 - 15,45,666) Units of ₹ 100.00 each		32.51		29.37		26.97
Birla Sun Life Floating Rate Fund - Long Term 1,73,63,566 (2016 - 2,01,946; 2015 - 55,45,297) Units of ₹ 100.00 each		348.36		3.68		92.91
Carried over	1474.82	1599.62	1760.47	500.63	1686.50	833.26

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1474.82	1599.62	1760.47	500.63	1686.50	833.26
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
Birla Sun Life Savings Fund 1,50,00,045 (2016 - 23,45,049; 2015 - 23,45,048) Units of ₹ 100.00 each		479.83		68.68		63.10
DSP BlackRock Liquidity Fund - Institutional Plan Nil (2016 - Nil; 2015 - 1,00,106) Units of ₹ 1000.00 each		–		–		20.02
DSP BlackRock Short Term Fund 8,80,67,259 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		252.18		–		–
DSP BlackRock Ultra Short Term Fund 26,30,57,340 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		311.78		–		–
DHFL Pramerica Ultra Short Term Fund (Formerly known as DWS Ultra Short Term Fund) 5,09,80,716 (2016 - 5,09,80,716; 2015 - 6,74,76,680) Units of ₹ 10.00 each		60.40		55.83		78.97
DHFL Pramerica Fixed Maturity Plan Series 62 (Formerly known as DWS FMP Series 62) 916 (2016 - 916; 2015 - 916) Units of ₹ 10.00 each	...		...		...	
DWS Fixed Maturity Plan - Series 31 Nil (2016 - Nil; 2015 - 1,00,00,000) Units of ₹ 10.00 each	–		–		10.68	
DWS Treasury Fund Nil (2016 - Nil; 2015 - 8,24,18,752) Units of ₹ 10.00 each		–		–		89.28
Franklin India Ultra Short Bond Fund Super Institutional Plan Nil (2016 - Nil; 2015 - 8,10,224) Units of ₹ 10.00 each		–		–		1.50
Franklin India Treasury Management Account - Super Institutional Plan Nil (2016 - Nil; 2015 - 18,996) Units of ₹ 1000.00 each		–		–		3.97
HDFC Liquid Fund Nil (2016 - Nil; 2015 - 1,43,72,056) Units of ₹ 10.00 each		–		–		39.63
HDFC Cash Management Fund - Treasury Advantage Plan Nil (2016 - Nil; 2015 - 2,34,21,163) Units of ₹ 10.00 each		–		–		70.21
HDFC Floating Rate Income Fund - Short Term Plan 10,23,22,267 (2016 - 10,23,22,267; 2015 - Nil) Units of ₹ 10.00 each		290.18		267.06		–
HDFC High Interest Fund - Short Term Plan Nil (2016 - Nil; 2015 - 5,58,29,541) Units of ₹ 10.00 each		–		–		155.67
HDFC High Interest Fund - Dynamic Plan 1,06,18,432 (2016 - 1,06,18,432; 2015 - 1,06,18,417) Units of ₹ 10.00 each		62.22		55.64		52.15
HDFC Medium Term Opportunities Fund 13,70,31,285 (2016 - 13,70,31,285; 2015 - 13,70,33,144) Units of ₹ 10.00 each		249.09		226.61		208.61
HDFC Short Term Opportunities Fund 14,94,65,786 (2016 - 14,94,65,786; 2015 - 14,94,65,765) Units of ₹ 10.00 each		268.91		246.95		227.75
Carried over	1474.82	3574.21	1760.47	1421.40	1697.18	1844.12

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1474.82	3574.21	1760.47	1421.40	1697.18	1844.12
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
ICICI Prudential Liquid Plan Nil (2016 - Nil; 2015 - 6,53,865) Units of ₹ 100.00 each		–		–		13.52
ICICI Prudential Fixed Maturity Plan Series 72 - 370 Days Plan G 10,00,000 (2016 - 10,00,000; 2015 - 10,00,000) Units of ₹ 10.00 each	1.29		1.20		1.11	
ICICI Prudential Banking & PSU Debt Fund 5,39,16,760 (2016 - 5,39,16,760; 2015 - 5,39,16,760) Units of ₹ 10.00 each		64.90		58.32		58.96
ICICI Prudential - Flexible Income Plan 53,44,324 (2016 - 53,44,324; 2015 - Nil) Units of ₹ 100.00 each		167.05		153.38		–
ICICI Prudential Blended Plan B Nil (2016 - Nil; 2015 - 3,86,97,174) Units of ₹ 10.00 each		–		–		41.05
ICICI Prudential Dynamic Bond Fund Nil (2016 - Nil; 2015 - 3,59,60,193) Units of ₹ 10.00 each		–		–		57.02
ICICI Prudential Income Opportunities Fund 7,98,55,052 (2016 - 7,98,55,052; 2015 - 7,98,54,771) Units of ₹ 10.00 each		186.27		168.21		156.10
ICICI Prudential Savings Fund Nil (2016 - Nil; 2015 - 50,35,980) Units of ₹ 100.00 each		–		–		105.86
ICICI Prudential Short Term 7,64,50,849 (2016 - 7,64,50,849; 2015 - 7,68,00,364) Units of ₹ 10.00 each		267.81		241.15		222.65
ICICI Prudential Ultra Short Term 22,03,55,476 (2016 - 22,53,87,574; 2015 - 16,18,17,990) Units of ₹ 10.00 each		358.63		327.07		213.55
ICICI Prudential Money Market Fund 8,80,448 (2016 - 15,646; 2015 - Nil) Units of ₹ 100.00 each		19.76		0.33		–
IDFC Dynamic Bond Fund Nil (2016 - 4,64,29,475; 2015 - 4,64,29,475) Units of ₹ 10.00 each		–		51.16		56.25
IDFC Corporate Bond Fund 20,53,11,314 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		230.28		–		–
IDFC Cash Fund Nil (2016 - Nil; 2015 - 4,531) Units of ₹ 1000.00 each		–		–		0.77
IDFC Money Manager Fund - Investment Plan 7,43,04,224 (2016 - 1,22,42,641; 2015 - 1,12,84,393) Units of ₹ 10.00 each		172.89		12.42		11.89
IDFC Money Manager Fund - Treasury Plan 5,21,99,899 (2016 - 4,22,87,680; 2015 - Nil) Units of ₹ 10.00 each		136.69		102.19		–
Carried over	1476.11	5178.49	1761.67	2535.63	1698.29	27781.74



## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1476.11	5178.49	1761.67	2535.63	1698.29	27781.74
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
IDFC Super Saver Income Fund - Short Term 7,02,30,210 (2016 - Nil; 2015 - Nil) Units of ₹ 10.00 each		241.02		–		–
JPMorgan India Active Bond Fund Nil (2016 - Nil; 2015 - 9,68,66,060) Units of ₹ 10.00 each		–		–		150.33
JPMorgan India Liquid Fund Nil (2016 - Nil; 2015 - 20,35,37,192) Units of ₹ 10.00 each		–		–		215.04
JPMorgan India Treasury Fund Nil (2016 - Nil; 2015 - 5,78,55,112) Units of ₹ 10.00 each		–		–		106.59
Kotak Floater Short Term Nil (2016 - 9,167; 2015 - 4,303) Units of ₹ 1000.00 each		–		2.28		0.99
Kotak Bond Short Term 16,24,19,814 (2016 - 2,49,65,867; 2015 - 2,49,65,867) Units of ₹ 10.00 each		463.19		25.82		26.12
Kotak Liquid Scheme Plan A Nil (2016 - Nil; 2015 - 17,641) Units of ₹ 1000.00 each		–		–		5.00
Kotak Treasury Advantage Fund 17,04,16,740 (2016 - 13,17,66,857; 2015 - 4,76,54,096) Units of ₹ 10.00 each		449.20		320.94		106.67
L&T Short Term Opportunities Fund Nil (2016 - Nil; 2015 - 3,00,07,277) Units of ₹ 10.00 each		–		–		40.54
L&T Triple Ace Bond Fund Nil (2016 - Nil; 2015 - 1,62,81,386) Units of ₹ 10.00 each		–		–		60.28
Reliance Floating Rate Fund - Short Term Plan 40,11,92,118 (2016 - 38,18,89,185; 2015 - 19,74,70,372) Units of ₹ 10.00 each		498.44		411.58		258.71
Reliance Liquid Fund - Treasury Plan Nil (2016 - 2,73,025; 2015 - Nil) Units of ₹ 1000.00 each		–		100.66		–
Reliance Medium Term Fund 10,67,50,776 (2016 - 10,67,50,776; 2015 - 12,80,94,023) Units of ₹ 10.00 each		238.05		217.77		267.98
Reliance Short Term Fund 2,07,06,236 (2016 - 2,07,06,236; 2015 - 20,42,82,694) Units of ₹ 10.00 each		65.43		59.68		462.10
Reliance Money Manager Fund 6,71,878 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		152.95		–		–
Reliance Fixed Horizon Fund - XXVI - Series 31 (366 Days) 50,00,000 (2016 - Nil; 2015 - 50,00,000) Units of ₹ 10.00 each		6.30		–		5.35
Reliance Liquidity Fund Nil (2016 - 8986; 2015 - Nil) Units of ₹ 1000.00 each		–		2.05		–
SBI Premier Liquid Fund 10,71,366 (2016 - Nil; 2015 - 1,13,914) Units of ₹ 1000.00 each		272.75		–		25.01
Carried over	1482.41	7559.52	1761.67	3676.41	1703.64	4507.10

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1482.41	7559.52	1761.67	3676.41	1703.64	4507.10
<b>INVESTMENT IN MUTUAL FUNDS (Contd.)</b>						
Tata Ultra Short Term 12,53,751 (2016 - Nil; 2015 - Nil) Units of ₹ 1000.00 each		311.12		–		–
Tata Money Market Fund 1,05,626 (2016 - Nil; 2015 - 13,616) Units of ₹ 1000.00 each		26.99		–		3.00
UTI - Short Term Income Fund - Institutional Option Nil (2016 - Nil; 2015 - 5,06,50,712) Units of ₹ 10.00 each		–		–		52.56
UTI - Money Market Fund - Institutional Plan 2,42,908 (2016 - 22,804; 2015 - Nil) Units of ₹ 1000.00 each		44.15		3.87		–
<b>Current Portion of Non Current Investment (at amortised cost)</b>						
<b>INVESTMENT IN BONDS/DEBENTURES</b>						
Export Import Bank of India Nil (2016 - 450; 2015 - Nil) 8.20% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-10-2019 (18 February 2019 with Call/Put Option on 18 February 2017) of ₹ 1000000.00 each, fully paid		–	45.00			–
Nil (2016 - 1,000; 2015 - Nil) 8.33% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-12-2019 (20 March 2019 with Call/Put Option on 20 March 2017) of ₹ 1000000.00 each, fully paid		–	100.00			–
Nil (2016 - 500; 2015 - Nil) 7.825% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-07-2018 (30 November 2018 with Call/Put Option on 15 March 2017) of ₹ 1000000.00 each, fully paid		–	49.83			–
Nil (2016 - 500; 2015 - Nil) 8.20% Unsecured Redeemable Non-Convertible Bonds 2015-16 Series S-14-2019 (15 March 2019 with Call/Put Option on 16 March 2017) of ₹ 1000000.00 each, fully paid		–	50.00			–
National Bank for Agriculture and Rural Development Nil (2016 - 4,000; 2015 - Nil) 8.05% Unsecured Redeemable Non-Convertible Taxable Bonds Series 16 H (04 January 2019 with Call/Put Option on 14 March 2017) of ₹ 1000000.00 each, fully paid		–	400.00			–
Power Finance Corporation Limited 1500 (2016 - Nil; 2015 - Nil) 9.11% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 115 I (07 July 2017) of ₹ 1000000.00 each, fully paid	150.22			–		–
150 (2016 - Nil; 2015 - Nil) 9.32% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 117A (19 August 2017) of ₹ 1000000.00 each, fully paid	15.06			–		–
Carried over	1647.69	7941.78	2406.50	3680.28	1703.64	4562.66

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
<b>11. Current investments (at fair value through profit or loss, unless stated otherwise) (Contd.)</b>						
Brought forward	1647.69	7941.78	2406.50	3680.28	1703.64	4562.66
<b>INVESTMENT IN BONDS/DEBENTURES (Contd.)</b>						
1,000 (2016 - Nil; 2015 - Nil) 8.12% Unsecured Redeemable Non-Convertible Taxable Bonds in the nature of Debentures Series 139-B (22 May 2017) of ₹ 1000000.00 each, fully paid	99.99		-		-	
379 (2016 - Nil; 2015 - Nil) 9.27% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series 92-B (21 August 2017) of ₹ 1000000.00 each, fully paid	38.04		-		-	
Rural Electrification Corporation Limited Nil (2016 - 2,850; 2015 - Nil) 8.28% Unsecured Redeemable Non-Convertible Non-Cumulative Taxable Bonds Series 138 (04 March 2017) of ₹ 1000000.00 each, fully paid	-		285.00		-	
1,000 (2016 - Nil; 2015 - Nil) 9.40% Unsecured Non-Convertible Non-Cumulative Redeemable Taxable Bonds - 2017 Series -108 (Option I) (20 July 2017) of ₹ 1000000.00 each, fully paid	100.31		-		-	
Small Industries Development Bank of India Nil (2016 - 2,500; 2015 - Nil) 8.05% Unsecured Redeemable Non-Convertible Bonds in the nature of Promissory Notes Series 1 of 2015 -16 (28 January 2019 with Call/Put Option on 14 March 2017) of ₹ 1000000.00 each, fully paid	-		250.00		-	
LIC Housing Finance Limited 30 (2016 - Nil; 2015 - Nil) 8.50% Secured Redeemable Non-Convertible Debentures Tranche 187 (13 April 2017) of ₹ 1000000.00 each, fully paid	3.00		-		-	
1,000 (2016 - Nil; 2015 - Nil) 9.18% Secured Redeemable Non-Convertible Debentures Tranche 219 (03 July 2017) of ₹ 1000000.00 each, fully paid	100.11		-		-	
300 (2016 - Nil; 2015 - Nil) 9.29% Secured Redeemable Non-Convertible Debentures Tranche 230 Option 1 (16 October 2017) of ₹ 1000000.00 each, fully paid	30.12		-		-	
170 (2016 - Nil; 2015 - Nil) 9.80% Secured Redeemable Non-Convertible Debentures Tranche XXVI (22 October 2017) of ₹ 1000000.00 each, fully paid	17.10		-		-	
IDFC Bank Limited 3,000 (2016 - Nil; 2015 - Nil) Zero Coupon Unsecured Redeemable Non-Convertible Debentures Series IDFC Bank OBB 20/2015 (27 November 2017) of ₹ 1000000.00 each, fully paid	354.25		-		-	
<b>Aggregate amount of quoted and unquoted Investments</b>	<b>2390.61</b>	<b>7941.78</b>	<b>2941.50</b>	<b>3680.28</b>	<b>1703.64</b>	<b>4562.66</b>
<b>TOTAL</b>		<b>10332.39</b>		<b>6621.78</b>		<b>6266.30</b>

Aggregate market value of quoted investments ₹ 2394.82 Crores (2016 - ₹ 2942.01 Crores; 2015 - ₹ 1703.64 Crores)

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>12. Trade receivables (Current)</b>			
Secured, considered good	29.14	27.50	25.43
Unsecured, considered good	2445.15	1889.68	1952.89
Doubtful	120.55	95.90	73.73
Less: Allowance for doubtful receivables	120.55	95.90	73.73
<b>TOTAL</b>	<b>2474.29</b>	<b>1917.18</b>	<b>1978.32</b>

<b>13. Cash and cash equivalents @</b>			
Balances with Banks			
Current accounts	233.82	135.63	139.76
Deposit accounts	92.31	134.96	7.16
Cheques, drafts on hand	4.65	9.98	5.60
Cash on hand	2.29	3.02	3.17
<b>TOTAL</b>	<b>333.07</b>	<b>283.59</b>	<b>155.69</b>

@ Cash and cash equivalents include cash on hand, cheques, drafts on hand, cash at bank and deposits with banks with original maturity of 3 months or less.

<b>14. Other bank balances</b>			
Earmarked balances	157.68	153.99	134.89
In deposit accounts*	2476.65	5625.72	6280.66
<b>TOTAL</b>	<b>2634.33</b>	<b>5779.71</b>	<b>6415.55</b>

\* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from the Balance Sheet date.

# Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 (₹ in Crores)
<b>15. Equity share capital</b>						
<b>Authorised</b>						
Ordinary Shares of ₹ 1.00 each	20,00,00,00,000	2000.00	10,00,00,00,000	1000.00	10,00,00,00,000	1000.00
<b>Issued and Subscribed</b>						
Ordinary Shares of ₹ 1.00 each, fully paid	12,14,73,83,071	1214.74	8,04,72,06,991	804.72	8,01,55,19,541	801.55
<b>A) Reconciliation of number of Ordinary Shares outstanding</b>						
As at beginning of the year	8,04,72,06,991	804.72	8,01,55,19,541	801.55		
Add: Issue of Bonus Shares	4,02,66,57,100	402.67	—	—		
Add: Issue of Shares on exercise of Options	7,35,18,980	7.35	3,16,87,450	3.17		
As at end of the year	<b>12,14,73,83,071</b>	<b>1214.74</b>	<b>8,04,72,06,991</b>	<b>804.72</b>		
<b>B) Shareholders holding more than 5% of the Ordinary Shares in the Company</b>						
	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2017 %	As at 31st March, 2016 (No. of Shares)	As at 31st March, 2016 %	As at 1st April, 2015 (No. of Shares)	As at 1st April, 2015 %
Tobacco Manufacturers (India) Limited	2,97,83,47,320	24.52	1,98,55,64,880	24.68	1,98,55,64,880	24.77
Life Insurance Corporation of India	1,97,50,75,980	16.26	1,15,50,35,797	14.35	1,15,50,35,797	14.41
Specified Undertaking of the Unit Trust of India	1,10,25,91,521	9.08	89,67,42,540	11.14	89,67,24,540	11.19
<b>C) Ordinary Shares allotted as fully paid pursuant to contract(s) without payment being received in cash during the period of five years immediately preceding 31st March</b>						
					2017 (No. of Shares)	2016 (No. of Shares)
Shares issued in 2014-15 pursuant to the Scheme of Arrangement between Wimco Limited and ITC Limited					87,761	87,761
<b>D) Ordinary Shares allotted as fully paid up Bonus Shares for the period of five years immediately preceding 31st March</b>						
					2017 (No. of Shares)	2016 (No. of Shares)
Bonus Shares issued in 2016-17					4,02,66,57,100	—
<b>E) Rights, preferences and restrictions attached to the Ordinary Shares</b>						
The Ordinary Shares of the Company, having par value of ₹ 1.00 per share, rank <i>pari passu</i> in all respects including voting rights and entitlement to dividend.						
<b>F) Shares reserved for issue under Options</b>						
	As at 31st March, 2017 (No. of Shares)	As at 31st March, 2016 (No. of Shares)	As at 1st April, 2015 (No. of Shares)			
Ordinary Shares of ₹ 1.00 each	43,15,59,080	30,12,99,270	26,93,51,410			

## Terms and Conditions of Options Granted

Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of the Company of ₹ 1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from (i) the date of grant in respect of Options granted under the ITC Employee Stock Option Scheme (introduced in 2001) and (ii) the date of vesting in respect of Options granted under the ITC Employee Stock Option Scheme - 2006 & the ITC Employee Stock Option Scheme - 2010.

The vesting period for conversion of Options is as follows:

On completion of 12 months from the date of grant of the Options :	30% vests
On completion of 24 months from the date of grant of the Options :	30% vests
On completion of 36 months from the date of grant of the Options :	40% vests

The Options have been granted at the 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Further details of ITC Employee Stock Option Schemes are provided in Note 28 (xiii).

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>16. Non-current borrowings</b>			
Unsecured			
Term loans			
– From Others	0.41	0.83	1.08
Deferred payment liabilities			
– Sales tax deferment loans	17.99	25.83	38.69
<b>TOTAL</b>	<b>18.40</b>	<b>26.66</b>	<b>39.77</b>

**Terms of borrowings are as under:**

**Term Loans from Others:**

Comprise two interest free loans. One of the loans is repayable by 2017-18 in annual instalments and the other loan stipulates repayment on the basis of 33% (2016 - 50% ; 2015 - 50%) of the net profits earned by a subsidiary or the residual balance, whichever is less.

**Sales tax deferment loans:**

Interest free deferral period ranging from 10 to 14 years and are repayable by 2025-26.

The scheduled maturity of the Non-current borrowings are summarised as under:

	Term Loans	Deferred Payment Liabilities	Term Loans	Deferred Payment Liabilities	Term Loans	Deferred Payment Liabilities
<b>Borrowings repayable</b>						
In the first year (Refer Note 17)	0.37	7.84	0.31	12.86	0.42	12.31
<b>Current maturities of long-term debt</b>	<b>0.37</b>	<b>7.84</b>	<b>0.31</b>	<b>12.86</b>	<b>0.42</b>	<b>12.31</b>
In the second year	0.13	6.86	0.67	7.84	0.52	12.86
In the third to fifth year	0.28	5.85	0.16	12.36	0.56	17.94
After five years	–	5.28	–	5.63	–	7.89
<b>Non-current borrowings</b>	<b>0.41</b>	<b>17.99</b>	<b>0.83</b>	<b>25.83</b>	<b>1.08</b>	<b>38.69</b>

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>17. Other financial liabilities</b>			
<b>Non-current</b>			
Others			
(Consists of retention money payable towards property, plant and equipment, deposits etc.)	41.21	46.77	39.31
<b>TOTAL</b>	<b>41.21</b>	<b>46.77</b>	<b>39.31</b>
<b>Current</b>			
Current maturities of long-term debt (Refer Note 16)	8.21	13.17	12.73
Interest accrued	1.78	2.07	4.03
Unpaid dividend *	157.42	153.56	134.50
Unpaid matured deposits and interest accrued thereon	...	...	...
Unpaid matured debentures / bonds and interest accrued thereon **	0.30	0.32	0.33
Others			
(Consists of payable for property, plant and equipment, derivatives designated as hedging instruments etc.)	735.54	553.38	631.84
<b>TOTAL</b>	<b>903.25</b>	<b>722.50</b>	<b>783.43</b>

\* Represents dividend amounts either not claimed or kept in abeyance in accordance with Section 126 of the Companies Act, 2013, or such amounts in respect of which Prohibitory / Attachment Orders are on record with the Company.

\*\* Represents amounts which are subject matter of a pending legal dispute with a bank for which the Company has filed a suit.

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>18. Provisions</b>						
Provision for employee benefits [Refer Note 28 (vii)]						
Retirement benefits	29.97	99.37	40.42	87.36	58.27	78.28
Other benefits	31.19	58.76	30.98	47.77	31.46	45.30
Provision for standard assets	–	0.29	–	0.29	–	0.09
<b>TOTAL</b>	<b>61.16</b>	<b>158.42</b>	<b>71.40</b>	<b>135.42</b>	<b>89.73</b>	<b>123.67</b>

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>19. Other liabilities</b>						
<b>Non-current</b>						
Advances received from customers	–		2.12		1.68	
Revenue received in advance	3.14		2.03		1.68	
Deferred revenue arising from Government grant	14.65		–		–	
<b>TOTAL</b>	<b>17.79</b>		<b>4.15</b>		<b>3.36</b>	
<b>Current</b>						
Statutory liabilities	2732.20		2468.29		2400.70	
Advances received from customers	494.82		805.26		524.83	
Revenue received in advance	9.79		8.27		3.62	
Others						
– Deferred revenue arising from Government grant related to assets	0.79		–		–	
– Others (includes deferred revenue, accruals, customer deposits etc.)	89.86		114.70		85.65	
<b>TOTAL</b>	<b>3327.46</b>		<b>3396.52</b>		<b>3014.80</b>	

	As at 31st March, 2017 (₹ in Crores)		As at 31st March, 2016 (₹ in Crores)		As at 1st April, 2015 (₹ in Crores)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>20. Current borrowings</b>						
<b>Secured</b>						
Loans from Banks						
Cash credit facilities	1.11		43.95		184.95	
<b>Unsecured</b>						
Loans from related parties (Refer Note 30)	18.00		–		–	
<b>TOTAL</b>	<b>19.11</b>		<b>43.95</b>		<b>184.95</b>	

Cash credit facilities are secured by hypothecation of certain property, plant and equipment, investments and current assets, both present and future. The carrying amounts for hypothecated assets are as under:

Property, plant and equipment	341.70	399.29	402.28
Investments	1.60	1.60	1.60
Inventories	8097.07	8697.50	8027.57

## Notes to the Consolidated Financial Statements

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
<b>21. Current tax liabilities (Net)</b>			
Current taxation (net of advance payment)	150.70	84.80	41.13
Fringe benefit tax (net of advance payment)	–	–	1.55
<b>TOTAL</b>	<b>150.70</b>	<b>84.80</b>	<b>42.68</b>

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>22A. Revenue from operations</b>		
Sale of Products	55486.62	51959.60
Sale of Services	2801.33	2713.57
Gross Revenue from sale of products and services* [including excise duty of ₹ 16564.98 Crores (2016 - ₹ 15622.46 Crores)]	58287.95	54673.17
Other Operating Revenues#	443.57	387.91
<b>TOTAL</b>	<b>58731.52</b>	<b>55061.08</b>

\* Net of sales returns and damaged stocks.

# Includes Government grants received of ₹ 140.90 Crores (2016 - ₹ 75.20 Crores) on account of Export Promotion Capital Goods, Served from India Scheme, Service Export from India Scheme, Merchandise Export from India Scheme etc.

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>22B. Gross revenue from sale of products and services *</b>		
<b>FMCG</b>		
– Cigarettes etc.	35877.66	34062.67
– Branded Packaged Food Products	8035.34	7097.43
– Others (Apparel, Education and Stationery Products, Personal Care Products, Safety Matches, Agarbattis etc.)	2488.22	2641.14
<b>Hotels</b>		
– Hotels Sales/Income from Hotel Services	1400.35	1343.49
<b>Agri Business</b>		
– Unmanufactured Tobacco	1664.26	1562.22
– Other Agri Products and Commodities (Wheat, Soya, Spices, Coffee, Aqua etc.)	3649.87	2800.56
<b>Paperboards, Paper and Packaging</b>		
– Paperboards and Paper	3210.92	3266.30
– Printed Materials	521.71	491.57
<b>Others</b>		
– Others	1439.62	1407.79
<b>TOTAL</b>	<b>58287.95</b>	<b>54673.17</b>

\* Net of sales returns and damaged stocks.



## Notes to the Consolidated Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>23. Other income</b>		
Interest income	903.16	881.02
Dividend income	0.14	59.87
Other non-operating income	41.27	42.68
Other gains and losses	816.96	547.23
<b>TOTAL</b>	<b>1761.53</b>	<b>1530.80</b>
Interest income comprises interest from:		
a) Deposits with Banks etc. - carried at amortised cost	341.71	574.71
b) Financial assets mandatorily measured at FVTPL	170.69	144.89
c) Other financial assets measured at amortised cost	389.90	153.28
d) Others (from statutory authorities etc.)	0.86	8.14
<b>TOTAL</b>	<b>903.16</b>	<b>881.02</b>
Dividend income comprises dividend from:		
a) Equity instruments measured at FVTOCI held at the end of reporting period	0.02	20.30
b) Equity instruments measured at FVTOCI derecognised during the period	-	0.10
c) Other investments	0.12	39.47
<b>TOTAL</b>	<b>0.14</b>	<b>59.87</b>
Other gains and losses:		
Net foreign exchange gain/(loss)	8.39	(5.50)
Net gain/(loss) arising on financial assets mandatorily measured at FVTPL*	663.62	552.73
Gain recognised on disposal of subsidiary	144.95	-
<b>TOTAL</b>	<b>816.96</b>	<b>547.23</b>

\* Includes ₹ 153.69 Crores (2016 - ₹ 454.44 Crores) being net gain/(loss) on sale of investments.

<b>24. Employee benefits expense</b>		
Salaries and wages	2744.64	2536.27
Contribution to Provident and other funds	212.40	188.30
Share based payments to employees	496.02	548.42
Staff welfare expenses	206.38	194.46
	<b>3659.44</b>	<b>3467.45</b>
Less: Recoveries made/reimbursements received	27.71	26.48
<b>TOTAL</b>	<b>3631.73</b>	<b>3440.97</b>

## Notes to the Consolidated Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>25. Finance costs</b>		
Interest expense:		
– On financial liabilities measured at amortised cost	8.77	6.13
– Others	15.53	47.47
<b>TOTAL</b>	<b>24.30</b>	<b>53.60</b>
<b>26. Other expenses</b>		
Power and fuel	584.33	571.88
Change in carrying value of biological assets	27.00	28.33
Consumption of stores and spare parts	271.11	254.14
Contract processing charges	858.35	839.60
Rent [Refer Note 28 (ix)]	327.55	314.90
Rates and taxes	569.05	642.54
Insurance	89.98	86.45
Repairs		
– Buildings	67.55	65.76
– Machinery	224.60	197.99
– Others	66.62	54.69
Maintenance and upkeep	195.67	169.41
Outward freight and handling charges	855.97	852.77
Warehousing charges	131.83	142.72
Advertising/Sales promotion	810.70	894.93
Market research	114.63	93.78
Design and product development	50.80	47.04
Hotel reservation/Marketing expenses	32.61	33.02
Retail accessories	205.12	191.08
Brokerage and discount - sales	9.01	8.74
Commission to selling agents	40.88	46.81
Doubtful and bad debts	34.08	29.33
Doubtful and bad advances, loans and deposits	1.25	0.03
Provision for standard assets	–	0.20
Impairment of goodwill on consolidation	–	25.46
Bank and credit card charges	24.73	24.53
Information technology services	143.63	148.35
Travelling and conveyance	345.26	357.13
Training and development	25.37	24.75
Legal expenses	49.08	37.89
Consultancy/Professional fees	320.10	280.73
Postage, telephone etc.	39.82	39.94
Printing and stationery	18.35	18.21
Loss on sale of property, plant and equipment - Net	8.87	56.11
Loss on sale of stores and spare parts - Net	4.58	2.41
Miscellaneous expenses	1138.33	1150.13
<b>TOTAL</b>	<b>7686.81</b>	<b>7731.78</b>

## Notes to the Consolidated Financial Statements

	For the year ended 31st March, 2017 (₹ in Crores)	For the year ended 31st March, 2016 (₹ in Crores)
<b>27. Income tax expenses</b>		
<b>A. Amount recognised in profit or loss</b>		
<b>Current tax</b>		
Income tax for the year	5601.57	5204.36
Adjustments / (credits) related to previous years - Net		
Current tax	(55.05)	(51.20)
Fringe benefit tax	-	(1.55)
MAT credit entitlement	(0.36)	(1.24)
<b>Total current tax</b>	<b>5546.16</b>	<b>5150.37</b>
<b>Deferred tax</b>		
Deferred tax for the year	(51.10)	156.69
Adjustments / (credits) related to previous years - Net	54.03	51.15
<b>Total deferred tax</b>	<b>2.93</b>	<b>207.84</b>
<b>TOTAL</b>	<b>5549.09</b>	<b>5358.21</b>
<b>B. Amount recognised in other comprehensive income</b>		
The tax (charge)/credit arising on income and expenses recognised in other comprehensive income is as follows:		
<b>Deferred tax</b>		
On items that will not be reclassified to profit or loss		
Remeasurement gains / (losses) on defined benefit plans	2.73	16.94
Related to designated portion of hedging instruments in cash flow hedges	21.18	-
	<b>23.91</b>	<b>16.94</b>
On items that will be reclassified to profit or loss		
Related to designated portion of hedging instruments in cash flow hedges	(6.31)	0.80
<b>TOTAL</b>	<b>17.60</b>	<b>17.74</b>
<b>C. Amount recognised directly in equity</b>		
The income tax (charged)/credited directly to equity during the year is as follows:		
<b>Deferred tax</b>		
Arising on gains/(losses) of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	5.77	-
<b>TOTAL</b>	<b>5.77</b>	<b>-</b>
<b>D. Reconciliation of effective tax rate</b>		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
<b>Profit before tax</b>	16026.32	14859.07
Income tax expense calculated @ 34.608% (2016: 34.608%)	5546.39	5142.43
Effect of tax relating to uncertain tax positions	106.28	113.53
Effect of different tax rate on certain items	(48.44)	52.13
Difference in tax rates of subsidiary companies	(41.19)	(30.35)
Effect of income not taxable	(86.98)	(81.59)
Other differences	128.86	178.10
Benefit of previously unrecognised tax loss to reduce current tax expense	(43.15)	(13.88)
Benefit of previously unrecognised tax loss to reduce deferred tax expense	(11.48)	(0.56)
<b>Total</b>	<b>5550.29</b>	<b>5359.81</b>
Adjustments recognised in the current year in relation to the current tax of prior years	(1.20)	(1.60)
<b>Income tax recognised in profit or loss</b>	<b>5549.09</b>	<b>5358.21</b>

The tax rate used for the year 2015-16 and 2016-17 reconciliations above is the corporate tax rate of 34.608% (30% + surcharge @ 12% and education cess @ 3%) payable on taxable profits under the Income Tax Act, 1961.

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements

	2017	2016
(i) Earnings per share:		
Earnings per share has been computed as under:		
(a) Profit for the year (₹ in Crores)	10289.44	9344.45
(b) Weighted average number of Ordinary shares outstanding for the purpose of basic earnings per share	12,10,38,51,999	12,05,36,13,518*
(c) Effect of potential Ordinary shares on Employee Stock Options outstanding	7,54,20,442	6,64,08,089*
(d) Weighted average number of Ordinary shares in computing diluted earnings per share [(b) + (c)]	12,17,92,72,441	12,12,00,21,607
(e) Earnings per share on profit for the year (Face Value ₹ 1.00 per share)		
– Basic [(a)/(b)]	₹ 8.50	₹ 7.75
– Diluted [(a)/(d)]	₹ 8.45	₹ 7.71

\* After considering Bonus Issue

During the year Bonus Shares were allotted on 7th July, 2016 in the ratio of 1:2. Previous year figures have been restated for the purpose of computation of Earnings per share.

(ii) (a) The subsidiaries (which along with ITC Limited, the parent, constitute the Group) considered in the preparation of these Consolidated Financial Statements are:

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2017	Percentage of ownership interest as at 31st March, 2016	Percentage of ownership interest as at 1st April, 2015
Srinivasa Resorts Limited	India	68	68	68
Fortune Park Hotels Limited	India	100	100	100
Bay Islands Hotels Limited	India	100	100	100
Surya Nepal Private Limited	Nepal	59	59	59
Landbase India Limited	India	100	100	100
BFIL Finance Limited*	India	–	–	100
MRR Trading & Investment Company Limited (a 100% subsidiary of ITC Investments & Holdings Limited)	India	100	100	100
Russell Credit Limited	India	100	100	100
Greenacre Holdings Limited (a 100% subsidiary of Russell Credit Limited)	India	100	100	100
Wimco Limited	India	98.21	98.21	98.21
Prag Agro Farm Limited	India	100	100	100
Pavan Poplar Limited	India	100	100	100
Technico Agri Sciences Limited (a 100% subsidiary of ITC Limited w.e.f. 22nd March 2016) (previously, a 100% subsidiary of Technico Pty Limited )	India	100	100	100
Technico Pty Limited	Australia	100	100	100
Technico Technologies Inc. (a 100% subsidiary of Technico Pty Limited)	Canada	100	100	100
Technico Asia Holdings Pty Limited (a 100% subsidiary of Technico Pty Limited)	Australia	100	100	100

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2017	Percentage of ownership interest as at 31st March, 2016	Percentage of ownership interest as at 1st April, 2015
Technico Horticultural (Kunming) Co. Limited (a 100% subsidiary of Technico Asia Holdings Pty Limited)	China	100	100	100
ITC Infotech India Limited	India	100	100	100
ITC Infotech Limited (a 100% subsidiary of ITC Infotech India Limited)	UK	100	100	100
ITC Infotech (USA), Inc. (a 100% subsidiary of ITC Infotech India Limited)	USA	100	100	100
Pyxis Solutions, LLC (a 100% subsidiary of ITC Infotech (USA), Inc., merged with that company w.e.f. 1st April, 2016)	USA	–	100	100
Indivate Inc. (a 100% subsidiary of ITC Infotech (USA), Inc. w.e.f. 18th November, 2016)	USA	100	–	–
Wills Corporation Limited*	India	–	–	100
Gold Flake Corporation Limited	India	100	100	100
King Maker Marketing, Inc. (ceased to be a subsidiary w.e.f. 16th November, 2016)	USA	–	100	100
WelcomHotels Lanka (Private) Limited	Sri Lanka	100	100	100
ITC Investments & Holdings Limited	India	100	100	100
North East Nutrients Private Limited	India	76	76	76

\*Amalgamated with Russell Credit Limited (a wholly owned subsidiary of ITC Limited) with effect from 1st April, 2015. ITC Global Holdings Pte. Limited, Singapore (a wholly owned subsidiary of ITC Limited), in liquidation, has not been considered in the preparation of these Consolidated Financial Statements.

The financial statements of all subsidiaries, considered in the Consolidated Accounts, are drawn upto 31st March other than for Surya Nepal Private Limited where it is upto 13th March, based on the local laws of Nepal where the company is incorporated.

### (b) Interests in Joint Ventures:

The Group's interests in jointly controlled entities (incorporated Joint Ventures) are:

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2017	Percentage of ownership interest as at 31st March, 2016	Percentage of ownership interest as at 1st April, 2015
Maharaja Heritage Resorts Limited	India	50	50	50
Espirit Hotels Private Limited	India	26	26	26
Logix Developers Private Limited	India	27.90	27.90	27.90
ITC Essentra Limited (a joint venture of Gold Flake Corporation Limited)	India	50	50	50

## Notes to the Consolidated Financial Statements

### 28. Additional Notes to the Consolidated Financial Statements (Contd.)

The Group's interests in jointly controlled operations:

Technico Technologies Inc., Canada has entered into a farming arrangement with Shamrock Seed Potato Farm Limited, Canada for production and sale of Early Generation seed potatoes. The participating share of Technico Technologies Inc., Canada is 35% (2016 - 35%; 2015 - 35%).

ITC Essentra Limited has aligned its financial year to 31st day of March in accordance with Section 2(41) of the Companies Act, 2013 with effect from financial year 2015-16. Consequently, the financial statements of all the Joint Ventures, considered in the Consolidated Accounts, are drawn upto 31st March.

(c) Investments in Associates:

The Group's Associates are:

Name	Country of Incorporation	Percentage of ownership interest as at 31st March, 2017	Percentage of ownership interest as at 31st March, 2016	Percentage of ownership interest as at 1st April, 2015
Gujarat Hotels Limited	India	45.78	45.78	45.78
International Travel House Limited	India	48.96	48.96	48.96
Russell Investments Limited	India	25.43	25.43	25.43
Divya Management Limited	India	33.33	33.33	33.33
Antrang Finance Limited	India	33.33	33.33	33.33
ATC Limited	India	47.50	47.50	47.50
Classic Infrastructure and Development Limited*	India	—	—	42.35

\* Amalgamated with Greenacre Holdings Limited (a wholly owned step down subsidiary of ITC Limited) with effect from 1st October, 2015.

The financial statements of all Associates, considered in the Consolidated Accounts, are drawn upto 31st March.

(d) These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries, associates and joint ventures on the audited financial statements prepared for consolidation in accordance with the requirements of Indian Accounting Standard - 110 (Ind AS 110) on "Consolidated Financial Statements", Indian Accounting Standard - 28 (Ind AS 28) on "Investments in Associates and Joint Ventures" and Indian Accounting Standard - 111 (Ind AS 111) on "Joint Arrangements" by each of the included entities.

(iii) Expenditure incurred under Section 135 of the Companies Act, 2013 on Corporate Social Responsibility (CSR) activities - ₹ 281.00 Crores (2016 - ₹ 252.13 Crores) comprising employee benefits expenses of ₹ 6.75 Crores (2016 - ₹ 7.01 Crores) and other expenses of ₹ 274.25 Crores (2016 - ₹ 245.12 Crores) of which ₹ 16.80 Crores (2016 - ₹ 17.04 Crores) is accrued for payment as on 31st March, 2017. Such CSR expenditure of ₹ 281.00 Crores (2016 - ₹ 252.13 Crores) excludes ₹ 11.80 Crores (2016 - ₹ 11.43 Crores) being the excess of expenditure of salaries of CSR personnel and administrative expenses over the limit imposed of 5% of total CSR expenditure laid down under Rule 4(6) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 as applicable to individual entities.

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

### (iv) Contingent liabilities and commitments:

#### (a) Contingent liabilities:

Claims against the Group not acknowledged as debts, are ₹ 775.69 Crores (2016 - ₹ 665.46 Crores; 2015 - ₹ 636.54 Crores), including interest on claims, where applicable, estimated to be ₹ 198.28 Crores (2016 - ₹ 180.57 Crores; 2015 - ₹ 153.37 Crores), including share of joint venture ₹ 0.11 Crore (2016 - ₹ 0.11 Crore; 2015 - Nil) and share of associates ₹ 0.15 Crore (2016 - ₹ 0.15 Crore; 2015 - ₹ 0.16 Crore). These comprise:

- Excise duty, VAT / sales taxes and other indirect taxes claims disputed by the Group relating to issues of applicability and classification aggregating ₹ 591.98 Crores (2016 - ₹ 481.58 Crores; 2015 - ₹ 458.59 Crores), including interest on claims, where applicable, estimated to be ₹ 186.79 Crores (2016 - ₹ 161.25 Crores; 2015 - ₹ 135.58 Crores), including share of joint venture ₹ 0.11 Crore (2016 - ₹ 0.11 Crore; 2015 - Nil) and share of associates ₹ 0.12 Crore (2016 - ₹ 0.12 Crore; 2015 - ₹ 0.12 Crore).
- Local Authority taxes/cess/royalty on property, utilities etc. claims disputed by the Group relating to issues of applicability and determination aggregating ₹ 61.26 Crores (2016 - ₹ 75.20 Crores; 2015 - ₹ 68.90 Crores), including interest on claims, where applicable, estimated to be ₹ 4.99 Crores (2016 - ₹ 14.46 Crores; 2015 - ₹ 13.47 Crores) including share of associates ₹ 0.03 Crore (2016 - ₹ 0.03 Crore; 2015 - ₹ 0.04 Crore).
- Third party claims arising from disputes relating to contracts aggregating ₹ 39.12 Crores (2016 - ₹ 29.16 Crores; 2015 - ₹ 29.23 Crores), including interest on claims, where applicable, estimated to be ₹ 0.36 Crore (2016 - ₹ 0.25 Crore; 2015 - ₹ 0.14 Crore).
- Other matters aggregating ₹ 83.33 Crores (2016 - ₹ 79.52 Crores; 2015 - ₹ 79.82 Crores), including interest on other matters, where applicable, estimated to be ₹ 6.14 Crores (2016 - ₹ 4.61 Crores; 2015 - ₹ 4.18 Crores).
- In respect of Surya Nepal Private Limited (SNPL), Excise, Income Tax and VAT authorities issued Show Cause Notices (SCNs) and raised demands to recover taxes for different years on theoretical production of cigarettes. The basis for all these SCNs and demands is an untenable contention by the Revenue Authorities that SNPL could have produced more cigarettes than it has actually produced in a given year, by applying an input-output ratio allegedly submitted by SNPL in the year 1990-91 and, that, SNPL is liable to pay taxes on such cigarettes that could have been theoretically produced and sold. This, despite the fact that SNPL's cigarette factory was under 'physical control' of the Revenue Authorities and cigarettes produced are duly accounted for and certified as such by the Revenue Authorities.

The above basis of theoretical production has been rejected by the Supreme Court of Nepal vide its orders dated 29th October, 2009 and 1st April, 2010. In the said order of the Supreme Court of Nepal dated 1st April, 2010, the Excise demands (for the financial years 1998-99 to 2002-03) and Income Tax demands (for the financial year 2001-02) were set aside. Citing the aforesaid decisions of the Supreme Court of Nepal, the Inland Revenue Department has, on 11th February, 2011 and 12th August, 2013 decided the following administrative review petitions in favour of SNPL relating to theoretical production:

- (i) Value Added Tax - ₹ 11.88 Crores [Nepalese Rupee (NRs.) 19.01 Crores] for the financial years 2001-02 and 2007-08.
- (ii) Income Tax - ₹ 3.07 Crores (NRs. 4.91 Crores) for the financial year 2005-06.

SNPL's counsel appearing in the matter has opined that the verdict of the Supreme Court of Nepal dated 29th October, 2009, which was delivered by a Full Bench of the Supreme Court of Nepal, will add substantial strength to SNPL's case in all the other matters relating to the issue of theoretical production.

Following is the status of pending demands and Show Cause Notices received from the Revenue Authorities based on similar untenable contention:

#### (i) Excise Demands and Show Cause Notices

1. Excise demand letter dated 22nd February, 2008 for ₹ 9.34 Crores (NRs. 14.95 Crores) relating to the financial years 2003-04 to 2005-06. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 2nd April, 2008 and it has issued Show Cause Notices to the respondents.

## Notes to the Consolidated Financial Statements

### 28. Additional Notes to the Consolidated Financial Statements (Contd.)

2. Excise demand letter dated 30th November, 2008 for ₹ 8.03 Crores (NRs. 12.85 Crores) relating to the financial year 2006-07. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 6th January, 2009 and it has issued Show Cause Notices to the respondents.
3. Show Cause Notice dated 19th January, 2010 seeking to demand ₹ 12.28 Crores (NRs. 19.65 Crores) by way of Excise Duty for the financial year 2007-08. SNPL's writ petition challenging the Notice was admitted by the Supreme Court of Nepal. On 7th March, 2010, Supreme Court of Nepal issued interim order directing Inland Revenue Department not to raise demand, pending final disposal of the writ petition.

#### (ii) Value Added Tax (VAT) Demands

1. VAT demand letter dated 8th August, 2007 for ₹ 3.58 Crores (NRs. 5.72 Crores) relating to the financial year 2002-03. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September, 2007 and it has issued Show Cause Notices to the respondents.
2. VAT demand letter dated 5th August, 2008 for ₹ 0.67 Crore (NRs. 1.07 Crores) relating to the financial year 2003-04. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 5th September, 2008 and it has issued Show Cause Notices to the respondents.
3. VAT demand letter dated 10th July, 2009, for ₹ 6.69 Crores (NRs. 10.70 Crores) relating to the financial years 2004-05 to 2006-07. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 9th August, 2009 and it has issued Show Cause Notices to the respondents.

#### (iii) Income Tax Demands

1. Income Tax demand letter dated 12th August, 2007 for ₹ 12.26 Crores (NRs. 19.61 Crores) relating to the financial year 2002-03. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 12th September, 2007 and it has issued Show Cause Notices to the respondents.
2. Income Tax demand letter dated 15th September, 2008 for the financial year 2003-04. Out of total demand of ₹ 1.41 Crores (NRs. 2.26 Crores), the basis of the demand for ₹ 1.19 Crores (NRs. 1.91 Crores) is on theoretical production. SNPL's writ petition, challenging the demand, has been admitted by the Supreme Court of Nepal on 8th December, 2008 and it has issued Show Cause Notices to the respondents.
3. Income Tax demand letter dated 16th October, 2009 for the financial year 2004-05. Out of a total demand of ₹ 1.41 Crores (NRs. 2.26 Crores), the basis of the demand for ₹ 1.35 Crores (NRs. 2.16 Crores) is on theoretical production. SNPL has filed an administrative review petition before the Director General, Inland Revenue Department on 18th December, 2009. The Director General without dealing with the issues raised by SNPL, summarily dismissed the petition by an order dated 2nd March, 2010. SNPL thereafter filed an appeal before the Revenue Tribunal, on 17th June, 2010. The Revenue Tribunal, vide its order dated 9th July, 2012 (received by SNPL on 2nd November, 2012), has directed Director General, Inland Revenue Department to reassess the case. The Director General appealed to the Supreme Court of Nepal for admission of the case against the decision of the Revenue Tribunal. The Supreme Court has admitted the case on 11th March, 2016 and issued notice to SNPL for hearing, which is pending.

SNPL considers that all the demands and show cause notice listed above have no legal or factual basis. Accordingly, SNPL is of the view that there is no liability that is likely to arise, particularly in the light of the decisions in favour of SNPL by the Supreme Court of Nepal and the Inland Revenue Department.

It is not practicable for the Group to estimate the closure of these issues and the consequential timings of cash flows, if any, in respect of the above.

- (b) Uncalled liability on shares partly paid is ₹ 1.25 Crores (2016 - ₹ 1.25 Crores; 2015 - ₹ 1.25 Crores).
- (c) Corporate Guarantee given to Yes Bank Limited for credit facility availed by Broadcast Audience Research Council (BARC) outstanding - ₹ 1.30 Crores (2016 - ₹ 1.30 Crores; 2015 - ₹ 1.30 Crores).



# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

- (d) Commitments: Estimated amount of contracts remaining to be executed on capital accounts and not provided for, including share of joint ventures ₹ 9.47 Crores (2016 - ₹ 9.49 Crores; 2015 - ₹ 9.30 Crores), are ₹ 3026.69 Crores (2016 - ₹ 2150.26 Crores; 2015 - ₹ 1626.69 Crores).
- (v) Research and Development expenses for the year amount to ₹ 134.83 Crores (2016 - ₹ 122.02 Crores).
- (vi) Cost of inventory recognised as expense during the year amount to ₹ 35412.73 Crores (2016 - ₹ 32622.57 Crores).
- (vii) The Group has adopted Indian Accounting Standard 19 (Ind AS 19) on 'Employee Benefits'. These Consolidated Financial Statements include the obligations as per requirement of this standard except for those subsidiaries which are incorporated outside India who have determined the valuation/provision for employee benefits as per requirements of their respective countries. In the opinion of the management, the impact of this deviation is not considered material.
- (a) Defined Benefit Plans/Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2017 and recognised in the financial statements in respect of Employee Benefit Schemes:

### Description of Plans

The Group makes contributions to both Defined Benefit and Defined Contribution Plans for qualifying employees. These Plans are administered through approved Trusts, which operate in accordance with the Trust Deeds, Rules and applicable Statutes. The concerned Trusts are managed by Trustees who provide strategic guidance with regard to the management of their investments and liabilities and also periodically review their performance.

Provident Fund and Pension Benefits are funded, Gratuity Benefits are both funded as well unfunded; and Leave Encashment Benefits are unfunded in nature. The Defined Benefit Pension Plans are based on employees' pensionable remuneration and length of service. Under the Provident Fund, Gratuity and Leave Encashment Schemes, employees are entitled to receive lump sum benefits.

The liabilities arising in the Defined Benefit Schemes are determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method as at year end. The Group makes regular contributions to these Employee Benefit Plans. Additional contributions are made to these plans as and when required based on actuarial valuation.

### Risk Management

The Defined Benefit Plans expose the Group to risk of actuarial deficit arising out of investment risk, interest rate risk and salary cost inflation risk.

**Investment Risks:** This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses. These Plans primarily invest in debt instruments such as Government securities and highly rated corporate bonds – the valuation of which is inversely proportional to the interest rate movements.

**Interest Rate Risk:** The present value of Defined Benefit Plans liability is determined using the discount rate based on the market yields prevailing at the end of reporting period on Government bonds. A decrease in yields will increase the fund liabilities and vice-versa.

**Salary Cost Inflation Risk:** The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

These Plans have a relatively balanced mix of investments in order to manage the above risks. The investment strategy is designed based on the interest rate scenario, liquidity needs of the Plans and pattern of investment as prescribed under various Statutes.

The Trustees regularly monitor the funding and investments of these Plans. Risk mitigation systems are in place to ensure that the health of the portfolio is regularly reviewed and investments do not pose any significant risk of impairment. Periodic audits are conducted to ensure adequacy of internal controls. Pension obligation of the employees is secured by purchasing annuities thereby de-risking the Plans from future payment obligation.

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

I	Components of Employer Expense	For the year ended 31st March, 2017 (₹ in Crores)				For the year ended 31st March, 2016 (₹ in Crores)				
		Pension		Gratuity		Pension		Gratuity		Leave Encashment
		Funded	Funded	Unfunded	Unfunded	Funded	Funded	Unfunded	Unfunded	
-	<b>Recognised in Profit or Loss</b>									
1	Current Service Cost	46.29	33.51	0.25	8.91	46.62	22.75	0.14	7.21	
2	Past Service Cost	-	-	-	-	-	-	-	(2.07)	
3	Net Interest Cost	(5.09)	(1.31)	0.06	6.91	(6.67)	(0.30)	0.10	6.79	
4	<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>41.20</b>	<b>32.20</b>	<b>0.31</b>	<b>15.82</b>	<b>39.95</b>	<b>22.45</b>	<b>0.24</b>	<b>11.93</b>	
-	<b>Re-measurements recognised in Other Comprehensive Income</b>									
5	Return on plan assets (excluding amounts included in net interest cost)	(20.45)	(4.35)	-	-	1.49	(1.94)	-	-	
6	Effect of changes in demographic assumptions	-	(0.22)	-	(0.01)	-	(0.01)	-	-	
7	Effect of changes in financial assumptions	31.73	15.69	0.05	4.86	(9.81)	(3.06)	(0.02)	(1.76)	
8	Changes in asset ceiling (excluding interest income)	-	-	-	-	-	-	-	-	
9	Effect of experience adjustments	9.01	(11.83)	(0.03)	2.74	32.02	18.34	0.05	13.79	
10	<b>Total re-measurements included in Other Comprehensive Income</b>	<b>20.29</b>	<b>(0.71)</b>	<b>0.02</b>	<b>7.59</b>	<b>23.70</b>	<b>13.33</b>	<b>0.03</b>	<b>12.03</b>	
11	<b>Total defined benefit cost recognised in Profit and Loss and Other Comprehensive Income (4+10)</b>	<b>61.49</b>	<b>31.49</b>	<b>0.33</b>	<b>23.41</b>	<b>63.65</b>	<b>35.78</b>	<b>0.27</b>	<b>23.96</b>	

The current service cost and net interest cost for the year pertaining to Pension and Gratuity expenses have been recognised in "Contribution to Provident and other funds" and Leave Encashment in "Salaries and wages" under Note 24. The re-measurements of the net defined benefit liability are included in Other Comprehensive Income.

II	<b>Actual Returns</b>	73.45	28.24	-	-	51.11	24.31	-	-
III	<b>Net Asset/(Liability) recognised in Balance Sheet</b>								
1	Present Value of Defined Benefit Obligation	755.94	342.62	0.83	113.09	656.69	320.08	0.57	104.30
2	Fair Value of Plan Assets	745.55	337.59	-	-	667.76	299.08	-	-
3	Status [Surplus/(Deficit)]	(10.39)	(5.03)	(0.83)	(113.09)	11.07	(21.00)	(0.57)	(104.30)
4	Restrictions on Asset Recognised	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

(₹ in Crores)

		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Current	Non-current	Current	Non-Current	Current	Non-Current
<b>5</b>	<b>Net Asset/(Liability) recognised in Balance Sheet</b>						
	– Pension	(8.01)	(2.38)	12.98	(1.91)	48.43	(2.10)
	– Gratuity	(5.09)	(0.77)	(21.15)	(0.42)	(38.42)	(0.47)
	– Leave Encashment	(16.87)	(96.22)	(19.27)	(85.03)	(19.85)	(75.71)

		For the year ended 31st March, 2017				For the year ended 31st March, 2016			
		Pension		Gratuity		Leave Encashment			
		Funded	Funded	Unfunded	Unfunded	Funded	Funded	Unfunded	Unfunded
<b>IV</b>	<b>Change in Defined Benefit Obligation (DBO)</b>								
1	Present Value of DBO at the beginning of the year	656.69	320.08	0.57	104.30	643.34	309.48	0.34	95.56
2	Current Service Cost	46.29	33.51	0.25	8.91	46.62	22.75	0.14	7.21
3	Interest Cost	47.91	22.58	0.06	6.91	45.93	22.07	0.10	6.79
4	Past Service Cost	–	–	–	–	–	–	–	(2.07)
5	Re-measurement Gains/(Losses):								
	a. Effect of changes in demographic assumptions	–	(0.22)	–	(0.01)	–	(0.01)	–	–
	b. Effect of changes in financial assumptions	31.73	15.69	0.05	4.86	(9.81)	(3.06)	(0.02)	(1.76)
	c. Changes in asset ceiling (excluding interest income)	–	–	–	–	–	–	–	–
	d. Effect of experience adjustments	9.01	(11.83)	(0.03)	2.74	32.02	18.34	0.05	13.79
6	Curtailment Cost / (Credit)	–	–	–	–	–	–	–	–
7	Settlement Cost / (Credit)	–	–	–	–	–	–	–	–
8	Liabilities assumed in business combination	–	–	–	–	–	–	–	–
9	Exchange difference on foreign plans	–	–	–	–	–	–	–	–
10	Benefits Paid	(35.69)	(37.19)	(0.07)	(14.62)	(101.41)	(49.49)	(0.04)	(15.22)
11	<b>Present Value of DBO at the end of the year</b>	<b>755.94</b>	<b>342.62</b>	<b>0.83</b>	<b>113.09</b>	<b>656.69</b>	<b>320.08</b>	<b>0.57</b>	<b>104.30</b>

		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
<b>V</b>	<b>Best Estimate of Employers' Expected Contribution for the next year</b>						
	– Pension	110.29		27.36		75.01	
	– Gratuity	28.41		23.25		40.51	

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

		For the year ended 31st March, 2017 (₹ in Crores)				For the year ended 31st March, 2016 (₹ in Crores)			
		Pension		Gratuity		Leave Encashment		Leave Encashment	
		Funded	Funded	Unfunded	Unfunded	Funded	Funded	Unfunded	Unfunded
<b>VI</b>	<b>Change in Fair Value of Assets</b>								
1	Plan Assets at the beginning of the year	667.76	299.08	–	–	689.67	270.93	–	–
2	Asset acquired in Business Combination	–	–	–	–	–	–	–	–
3	Interest Income	53.00	23.89	–	–	52.60	22.37	–	–
4	Re-measurement Gains/(Losses) on plan assets	20.45	4.35	–	–	(1.49)	1.94	–	–
5	Actual Company Contributions	40.03	47.46	–	–	28.39	53.33	–	–
6	Benefits Paid	(35.69)	(37.19)	–	–	(101.41)	(49.49)	–	–
7	<b>Plan Assets at the end of the year</b>	<b>745.55</b>	<b>337.59</b>	<b>–</b>	<b>–</b>	<b>667.76</b>	<b>299.08</b>	<b>–</b>	<b>–</b>

		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)	Discount Rate (%)	Expected Return on Plan Assets (%)
<b>VII</b>	<b>Actuarial Assumptions</b>						
1	Pension	6.75	7.50	7.50	7.75	7.75	7.75
2	Gratuity	6.75	6.50 – 7.50	7.50	6.15 – 9.00	7.75	5.78 – 9.00
3	Leave Encashment	6.75	–	7.50	–	7.75	–
The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.							

		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
<b>VIII</b>	<b>Major Category of Plan Assets as a % of the Total Plan Assets</b>						
1	Government Securities/Special Deposit with RBI	27.75%		33.75%		34.70%	
2	High Quality Corporate Bonds	19.89%		25.40%		28.27%	
3	Insurer Managed Funds*	41.79%		31.63%		26.61%	
4	Mutual Funds	2.38%		2.27%		2.73%	
5	Cash and Cash Equivalents	5.35%		3.94%		4.65%	
6	Term Deposits	2.84%		3.01%		3.04%	

\* In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed. The fair value of Government Securities, Corporate Bonds, Mutual Funds are determined based on quoted market prices in active markets. The employee benefit plans do not hold any securities issued by the participating company.

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

### IX Basis used to determine the Expected Rate of Return on Plan Assets

The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

X	Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)	For the year ended 31st March, 2017 (₹ in Crores)				For the year ended 31st March, 2016 (₹ in Crores)				As at 1st April, 2015 (₹ in Crores)			
		Pension		Gratuity		Pension		Gratuity		Pension		Gratuity	
		Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
1	Present Value of Defined Benefit Obligation	755.94	342.62	0.83	113.09	656.69	320.08	0.57	104.30	643.34	309.48	0.34	95.56
2	Fair Value of Plan Assets	745.55	337.59	-	-	667.76	299.08	-	-	689.67	270.93	-	-
3	Status [Surplus/(Deficit)]	(10.39)	(5.03)	(0.83)	(113.09)	11.07	(21.00)	(0.57)	(104.30)	46.33	(38.55)	(0.34)	(95.56)
4	Experience Adjustment of Plan Assets [Gain/ (Loss)]	20.45	4.35	-	-	(1.49)	1.94	-	-	20.85	6.71	-	-
5	Experience Adjustment of obligation [(Gain)/ Loss]	9.01	(11.83)	(0.03)	2.74	32.02	18.34	0.05	13.79	(56.02)	14.86	(0.01)	(6.13)

### XI. Sensitivity Analysis

The Sensitivity Analysis below has been determined based on reasonably possible change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the asset value changes may offset the impact to some extent. For presenting the sensitivities, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the Defined Benefit Obligation presented above. There was no change in the methods and assumptions used in the preparation of the Sensitivity Analysis from previous year.

(₹ in Crores)

	DBO as at 31st March, 2017	DBO as at 31st March, 2016
1 Discount Rate + 100 basis points	1148.58	1016.09
2 Discount Rate - 100 basis points	1292.20	1147.64
3 Salary Increase Rate + 1%	1278.05	1139.25
4 Salary Increase Rate - 1%	1150.58	1019.46

### Maturity Analysis of the Benefit Payments

1 Year 1	172.50	107.96
2 Year 2	154.02	115.17
3 Year 3	97.76	134.56
4 Year 4	121.02	119.14
5 Year 5	121.99	89.46
6 Next 5 Years	532.96	486.69

(b) Amount towards Defined Contribution Plans have been recognised under "Contribution to Provident and other funds" in Note 24: ₹ 139.00 Crores (2016 - ₹ 125.90 Crores).

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

- (viii) Details of Specified Bank Notes (SBNs) held and transacted during the period from 8th November, 2016 to 30th December, 2016 as provided in the table below:-

Particulars	SBNs	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	3.18	1.06	4.24
(+) Permitted receipts	6.78	20.57	27.35
(-) Permitted payments	...	2.60	2.60
(-) Amount deposited in banks	9.96	16.13	26.09
Closing cash in hand as on 30.12.2016	–	2.90	2.90

- (ix) The Group's significant leasing arrangements are in respect of operating leases for land and building premises (residential, office, stores, godowns etc.). These leasing arrangements which are not non-cancellable range between 11 months and 9 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as 'Rent' under Note 26.

With regard to certain other non-cancellable operating leases for premises, the future minimum rentals are as follows:

	As at 31st March, 2017 (₹ in Crores)	As at 31st March, 2016 (₹ in Crores)	As at 1st April, 2015 (₹ in Crores)
Not later than one year	18.21	16.97	23.03
Later than one year and not later than five years	40.87	21.71	16.51
Later than five years	0.33	0.43	3.18

- (x) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 on 17th March, 2017 notifying the amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment'. These amendments are applicable for annual periods beginning on or after 1st April, 2017. The Group expects that there will be no material impact on the financial statements resulting from the implementation of these standards.
- (xi) Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013:

Name of the Entity	Net Assets		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income		
	As % of Consolidated Net Assets	Amount (₹ in Crores)	As % of Consolidated Profit or (Loss)	Amount (₹ in Crores)	As % of Consolidated Other Comprehensive Income	Amount (₹ in Crores)	As % of Consolidated Total Comprehensive Income	Amount (₹ in Crores)	
<b>Parent</b>									
ITC Limited	92.73%	43310.96	94.60%	9911.03	165.57%	70.12	94.88%	9981.15	
<b>Subsidiaries</b>									
<b>Indian</b>									
1	Russell Credit Limited	1.51%	703.88	0.32%	33.44	22.88%	9.69	0.41%	43.13
2	Greenacre Holdings Limited	0.11%	51.28	0.02%	2.25	(0.14%)	(0.06)	0.02%	2.19
3	Wimco Limited	0.01%	2.37	...	(0.07)	(0.05%)	(0.02)	...	(0.09)
4	Prag Agro Farm Limited	...	1.07	...	(0.06)	–	–	...	(0.06)

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

Name of the Entity	Net Assets		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income		
	As % of Consolidated Net Assets	Amount (₹ in Crores)	As % of Consolidated Profit or (Loss)	Amount (₹ in Crores)	As % of Consolidated Other Comprehensive Income	Amount (₹ in Crores)	As % of Consolidated Total Comprehensive Income	Amount (₹ in Crores)	
<b>Indian</b>									
5	Pavan Poplar Limited	...	1.33	...	(0.32)	(0.05%)	(0.02)	...	(0.34)
6	Technico Agri Sciences Limited	0.27%	125.14	0.14%	14.52	(0.09%)	(0.04)	0.14%	14.48
7	Srinivasa Resorts Limited	0.14%	67.39	(0.01%)	(1.03)	0.02%	0.01	(0.01%)	(1.02)
8	Fortune Park Hotels Limited	0.07%	32.95	0.02%	2.44	(0.12%)	(0.05)	0.02%	2.39
9	Bay Islands Hotels Limited	0.03%	14.78	0.01%	0.76	–	–	0.01%	0.76
10	ITC Infotech India Limited	0.64%	300.00	0.03%	3.65	(20.56%)	(8.71)	(0.05%)	(5.06)
11	Gold Flake Corporation Limited	0.04%	19.63	0.01%	0.53	–	–	0.01%	0.53
12	ITC Investments & Holdings Limited	0.01%	5.12	...	0.05	–	–	...	0.05
13	MRR Trading & Investment Company Limited	...	0.01	...	...	–	–	...	...
14	Landbase India Limited	0.48%	222.31	0.02%	2.10	(0.02%)	(0.01)	0.02%	2.09
15	North East Nutrients Private Limited	0.22%	100.68	(0.01%)	(1.38)	(0.02%)	(0.01)	(0.01%)	(1.39)
<b>Foreign</b>									
1	Technico Pty Limited	0.04%	17.94	0.09%	9.48	(3.80%)	(1.61)	0.07%	7.87
2	Technico Technologies Inc.	...	1.01	...	0.23	–	–	...	0.23
3	Technico Asia Holdings Pty Limited	–	–	–	–	–	–	–	–
4	Technico Horticultural (Kunming) Co. Limited	0.01%	5.07	...	(0.20)	–	–	...	(0.20)
5	WelcomHotels Lanka (Private) Limited	1.38%	645.68	...	0.17	(88.90%)	(37.65)	(0.36%)	(37.48)

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

Name of the Entity		Net Assets		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
		As % of Consolidated Net Assets	Amount (₹ in Crores)	As % of Consolidated Profit or (Loss)	Amount (₹ in Crores)	As % of Consolidated Other Comprehensive Income	Amount (₹ in Crores)	As % of Consolidated Total Comprehensive Income	Amount (₹ in Crores)
6	ITC Infotech Limited	0.09%	42.68	0.09%	9.79	–	–	0.09%	9.79
7	ITC Infotech (USA), Inc.	0.34%	156.92	0.24%	25.13	–	–	0.24%	25.13
8	Indivate Inc.	...	0.05	(0.01%)	(0.60)	–	–	(0.01%)	(0.60)
9	Surya Nepal Private Limited	0.64%	298.77	2.59%	271.56	–	–	2.58%	271.56
<b>Non-Controlling Interest in all subsidiaries</b>		<b>0.63%</b>	<b>294.74</b>	<b>1.79%</b>	<b>187.79</b>	<b>...</b>	<b>...</b>	<b>1.79%</b>	<b>187.79</b>
<b>Associates</b>									
<b>Indian</b>									
1	International Travel House Limited	0.20%	91.91	0.05%	5.13	(0.83%)	(0.35)	0.05%	4.78
2	Gujarat Hotels Limited	0.03%	13.24	0.02%	1.65	–	–	0.02%	1.65
3	Russell Investments Limited	0.08%	39.12	0.01%	0.78	25.90%	10.97	0.11%	11.75
4	Divya Management Limited	0.02%	7.22	...	0.07	–	–	...	0.07
5	Antrang Finance Limited	0.01%	4.82	...	0.03	–	–	...	0.03
6	ATC Limited	0.01%	6.50	...	0.10	0.09%	0.04	...	0.14
<b>Joint Ventures</b>									
<b>Indian</b>									
1	ITC Essentra Limited	0.10%	46.67	0.04%	4.56	0.12%	0.05	0.04%	4.61
2	Maharaja Heritage Resorts Limited	...	...	–	–	–	–	–	–
3	Espirit Hotels Private Limited	0.10%	46.17	...	...	–	–	...	...
4	Logix Developers Private Limited	0.06%	30.26	(0.06%)	(6.35)	–	–	(0.06%)	(6.35)
<b>Total</b>		<b>100.00%</b>	<b>46707.67</b>	<b>100.00%</b>	<b>10477.23</b>	<b>100.00%</b>	<b>42.35</b>	<b>100.00%</b>	<b>10519.58</b>



# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

Notes:

The Subsidiary not considered in the preparation of the above statement is ITC Global Holding Pte. Limited, Singapore, ('Global') a wholly owned subsidiary of ITC Limited, which is under liquidation vide Singapore High Court's Order dated 30th November, 2007. Prior to this, Global was under Judicial Management in terms of an Interim Order passed by the Singapore High Court on 8th November, 1996, and confirmed by the Singapore High Court on 6th December, 1996.

(xii) Changes in Group Structure:

- A. During the year, King Maker Marketing, Inc. USA (KMM) ceased to be a subsidiary of the Group with effect from 16th November, 2016 consequent to divestment of the Group's entire shareholding in KMM along with certain related trademarks owned by the Group. Details of the assets and liabilities which were derecognised are as under:

	2017
	₹ in Crores
Current assets	22.58
Non-current assets	8.28
Current liabilities	(19.37)
Net assets disposed of	11.49

- B. During the previous year ended 31st March, 2016, the following changes in Group Structure have taken place and the same have been appropriately dealt with in the Consolidated Financial Statements:

- (a) the shares of Wills Corporation Limited, a wholly owned subsidiary of the Company, were sold to Russell Credit Limited, a wholly owned subsidiary of the Company. Subsequently, in accordance with the Scheme of Amalgamation sanctioned by the Hon'ble High Court at Calcutta on 16th February, 2016, the assets and liabilities of Wills Corporation Limited were transferred to Russell Credit Limited with effect from 1st April, 2015, the Appointed Date. The Scheme became effective on 22nd March, 2016 upon filing of the Order of the Hon'ble High Court with the Registrar of Companies, West Bengal. Consequent to such filing, the Scheme has been given effect to in these Financial Statements.
- (b) the shares of BFIL Finance Limited, a wholly owned subsidiary of the Company were sold to Russell Credit Limited, a wholly owned subsidiary of the Company. Subsequently, in accordance with the Scheme of Amalgamation sanctioned by the Hon'ble High Court at Calcutta and Bombay on 27th November, 2015 and on 4th May, 2016 respectively, the assets and liabilities of BFIL Finance Limited were transferred to Russell Credit Limited with effect from 1st April, 2015, the Appointed Date. The Scheme became effective on 16th May, 2016 upon filing of the Order of the Hon'ble High Court with the Registrar of Companies, West Bengal. Consequent to such filing, the Scheme has been given effect to in these Financial Statements.
- (c) Classic Infrastructure & Development Limited, an associate of the Group, became a wholly owned subsidiary of Greenacre Holdings Limited, a step down wholly owned subsidiary of the Company, on further acquisition of its shares. Subsequently, in accordance with the Scheme of Amalgamation as sanctioned by the Hon'ble High Court at Calcutta on 17th March, 2016, the assets and liabilities of Classic Infrastructure & Development Limited were transferred to Greenacre Holdings Limited with effect from 1st October, 2015, the Appointed Date. The Scheme became effective on 5th April, 2016 upon filing of the Order of the Hon'ble High Court with the Registrar of Companies, West Bengal. Consequent to such filing, the Scheme has been given effect to in these Financial Statements.

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

### (xiii) Information in respect of Options granted under the Company's Employee Stock Option Schemes ('Schemes'):

Sl. No.		ITC Employee Stock Option Scheme (introduced in 2001)	ITC Employee Stock Option Scheme - 2006	ITC Employee Stock Option Scheme - 2010
1.	Date of Shareholders' approval	17-01-2001	22-01-2007	23-07-2010
2.	Total number of Options approved under the Schemes	Options equivalent to 12,27,07,450 Ordinary Shares of ₹ 1.00 each	Options equivalent to 37,89,18,503 Ordinary Shares of ₹ 1.00 each	Options equivalent to 55,60,44,823 Ordinary Shares of ₹ 1.00 each
		<i>Note: Adjusted for Bonus Shares issued in terms of Shareholders approval.</i>		
3.	Vesting Schedule	<p>The vesting period for conversion of Options is as follows:</p> <ul style="list-style-type: none"> <li>On completion of 12 months from the date of grant of the Options : 30% vests</li> <li>On completion of 24 months from the date of grant of the Options : 30% vests</li> <li>On completion of 36 months from the date of grant of the Options : 40% vests</li> </ul>		
4.	Pricing Formula	<p>The Pricing Formula, as approved by the Shareholders of the Company, is such price, as determined by the Nomination &amp; Compensation Committee, which is no lower than the closing price of the Company's Share on the National Stock Exchange of India Limited ('the NSE') on the date of grant, or the average price of the Company's Share in the six months preceding the date of grant based on the daily closing price on the NSE, or the 'market price' as defined from time to time under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.</p> <p>The Options have been granted at 'market price' as defined from time to time under the aforesaid Regulations.</p>		
5.	Maximum term of Options granted	5 years from the date of grant	5 years from the date of vesting	
6.	Source of Shares	Primary		
7.	Variation in terms of Options	None		
8.	Method used for accounting of share-based payment plans	<p>The employee compensation cost has been calculated using the fair value method of accounting for Options issued under the Company's Employee Stock Option Schemes. The total fair value cost for the the financial year 2016-17 is ₹ 502.85 Crores (2016- ₹ 553.65 Crores), out of which, ₹ 496.02 Crores (2016 - ₹ 548.42 Crores) relate to employee benefits expense, ₹ 2.98 Crores (2016 - ₹ 0.76 Crore) to property, plant and equipment and ₹ 3.85 Crores (2016 - ₹ 4.47 Crores) to group entities.</p>		
9.	Nature and extent of employee share based payment plans that existed during the period including the general terms and conditions of each plan.	<p>Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of the Company of ₹ 1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from (i) the date of grant in respect of Options granted under the ITC Employee Stock Option Scheme (introduced in 2001) and (ii) the date of vesting in respect of Options granted under the ITC Employee Stock Option Scheme - 2006 &amp; the ITC Employee Stock Option Scheme - 2010. The above is in addition to the other terms and conditions provided in the table under Serial Nos. (3) to (5) hereinbefore.</p>		
10.	Weighted average exercise prices and weighted average fair values of Options whose exercise price either equals or exceeds or is less than the market price of the stock.	<p>Weighted average exercise price per Option: ₹ 2505.93 Weighted average fair value per Option: ₹ 550.67</p>		

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

Sl. No.		ITC Employee Stock Option Scheme (introduced in 2001)	ITC Employee Stock Option Scheme - 2006	ITC Employee Stock Option Scheme - 2010	
11.	Option movements during the year				
	a) Options outstanding at the beginning of the year	1,81,060	35,39,624	2,64,09,243	
	b) Options granted during the year (Including Bonus Options allocated consequent to the Bonus Share issue in 2016-17 in the ratio of 1 Bonus Share for every 2 Ordinary Shares)	–	17,04,882	1,95,60,729	
	c) Options cancelled and lapsed during the year	–	1,03,099	7,84,633	
	d) Options vested and exercisable during the year (net of Options lapsed and exercised)	–	1,03,618	1,14,39,825	
	e) Options exercised during the year	1,81,060	27,00,607	44,70,231	
	f) Number of Ordinary Shares of ₹ 1.00 each arising as a result of exercise of Options during the year	18,10,600	2,70,06,070	4,47,02,310	
	g) Options outstanding at the end of the year	–	24,40,800	4,07,15,108	
	h) Options exercisable at the end of the year	–	23,18,163	2,38,40,646	
	i) Money realised by exercise of the Options during the year (₹ in Crores)	36.63	256.33	774.00	
12.	Summary of the status of Options				
	<b>Particulars</b>	<b>As at 31st March, 2017</b>		<b>As at 31st March, 2016</b>	
		<b>No. of Options</b>	<b>Weighted Average Exercise Prices (₹)</b>	<b>No. of Options</b>	<b>Weighted Average Exercise Prices (₹)</b>
	Outstanding at the beginning of the year	3,01,29,927	2835.55	2,69,35,141	2609.34
	Add: Granted during the year (Includes Bonus Options allocated consequent to the Bonus Share issue in 2016-17)	2,12,65,611	2088.96 *	69,09,600	3200.41
	Less: Lapsed during the year	8,87,732	2128.33 *	5,46,069	3012.09
	Less: Exercised during the year	73,51,898	1451.27 *	31,68,745	1677.95
	Outstanding at the end of the year	4,31,55,908	2066.94 *	3,01,29,927	2835.55
	Options exercisable at the end of the year	2,61,58,809	1897.24 *	1,62,05,121	2452.64
	* Adjusted for Bonus Share Issue 1:2 in 2016-17				

# Notes to the Consolidated Financial Statements

## 28. Additional Notes to the Consolidated Financial Statements (Contd.)

13.	Weighted average share price of Shares arising upon exercise of Options	:	The Options were exercised during the periods permitted under the Schemes, and weighted average share price of Shares arising upon exercise of Options, based on the closing market price on NSE on the date of exercise of Options (i.e. the date of allotment of shares by the Securityholders Relationship Committee) for the year ended 31st March, 2017 was ₹ 265.38 (2016 - ₹ 322.18).					
14.	Summary of Options outstanding, scheme-wise:							
	Particulars		As at 31st March, 2017			As at 31st March, 2016		
		No. of Options Outstanding	Range of Exercise Prices* (₹)	Weighted Average remaining contractual life	No. of Options Outstanding	Range of Exercise Prices (₹)	Weighted Average remaining contractual life	
	ITC Employee Stock Option Scheme (introduced in 2001)	:	–	–	–	1,81,060	2023.50	0.40
	ITC Employee Stock Option Scheme - 2006	:	24,40,800	726.67 – 2506.00	1.55	35,39,624	948.00 – 3572.00	1.79
	ITC Employee Stock Option Scheme - 2010	:	4,07,15,108	1349.00 – 2655.00	3.32	2,64,09,243	2023.50 – 3572.00	4.91
	* Adjusted for Bonus Share Issue 1:2 in 2016-17							
15.	A description of the method used during the year to estimate the fair values of Options, the weighted average exercise prices and weighted average fair values of Options granted.	:	The fair value of each Option is estimated using the Black Scholes Option Pricing model. Weighted average exercise price per Option : ₹ 2505.93 Weighted average fair value per Option : ₹ 550.67					
	The significant assumptions used to ascertain the above.	:	The fair value of each Option is estimated using the Black Scholes Option Pricing model after applying the following key assumptions on a weighted average basis:					
			(i) Risk-free interest rate					6.91%
			(ii) Expected life					3.29 years
			(iii) Expected volatility					25.53%
			(iv) Expected dividends					2.63%
			(v) The price of the underlying shares in market at the time of Option grant					₹ 2498.29
			(One Option = 10 Ordinary Shares)					
16.	Methodology for determination of expected volatility.	:	The volatility used in the Black Scholes Option Pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. The period considered for the working is commensurate with the expected life of the Options and is based on the daily volatility of the Company's stock price on NSE. The Company has incorporated the early exercise of Options by calculating expected life on past exercise behaviour. There are no market conditions attached to the grant and vest.					

Bonus Options were allocated during 2016-17 on unvested Options in the same ratio as Bonus Shares (i.e., in the ratio of 1 Bonus Share for every 2 Ordinary Shares), in accordance with the ITC Employee Stock Option Scheme read with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

(xiv) Movement in 'Exchange differences on translating the financial statements of foreign operations' includes reclassification from other comprehensive income to profit or loss of ₹ 9.36 Crores (2016 - Nil) on account of disposal of a subsidiary and return of capital by a subsidiary.

(xv) The financial statements were approved for issue by the Board of Directors on 26th May, 2017.

# Notes to the Consolidated Financial Statements

## 29. Segment reporting

(₹ in Crores)

	2017			2016		
	External	Inter Segment	Total	External	Inter Segment	Total
<b>1. Segment Revenue - Gross</b>						
FMCG - Cigarettes	35877.66	–	35877.66	34062.67	–	34062.67
FMCG - Others	10523.56	13.90	10537.46	9738.57	12.07	9750.64
<b>FMCG - Total</b>	<b>46401.22</b>	<b>13.90</b>	<b>46415.12</b>	<b>43801.24</b>	<b>12.07</b>	<b>43813.31</b>
Hotels	1400.35	14.04	1414.39	1343.49	13.94	1357.43
Agri Business	5314.13	3070.73	8384.86	4362.78	3199.96	7562.74
Paperboards, Paper and Packaging	3732.63	1630.23	5362.86	3757.87	1569.83	5327.70
Others	1439.62	74.06	1513.68	1407.79	133.36	1541.15
<b>Segment Total</b>	<b>58287.95</b>	<b>4802.96</b>	<b>63090.91</b>	<b>54673.17</b>	<b>4929.16</b>	<b>59602.33</b>
Eliminations			(4802.96)			(4929.16)
<b>Gross Revenue from sale of products and services</b>			<b>58287.95</b>			<b>54673.17</b>
<b>2. Segment Results</b>						
FMCG - Cigarettes			13203.70			12348.08
FMCG - Others			26.15			88.71
<b>FMCG - Total</b>			<b>13229.85</b>			<b>12436.79</b>
Hotels			117.12			61.61
Agri Business			926.32			950.88
Paperboards, Paper and Packaging			965.84			907.62
Others			102.71			127.11
<b>Segment Total</b>			<b>15341.84</b>			<b>14484.01</b>
Eliminations			41.46			(51.13)
<b>Consolidated Total</b>			<b>15383.30</b>			<b>14432.88</b>
Unallocated corporate expenses net of unallocated income			1007.60			1001.49
<b>Profit before interest etc. and taxation</b>			<b>14375.70</b>			<b>13431.39</b>
Finance Costs			24.30			53.60
Interest earned on loans and deposits, income from current and non current investments, profit and loss on sale of investments etc. - Net			1668.95			1472.86
Share of net profit of associates & joint ventures			5.97			8.42
<b>Profit before tax</b>			<b>16026.32</b>			<b>14859.07</b>
Tax expense			5549.09			5358.21
<b>Profit for the year</b>			<b>10477.23</b>			<b>9500.86</b>
<b>3. Other Information</b>						
	2017		2016		2015	
	Segment Assets	Segment Liabilities*	Segment Assets	Segment Liabilities*	Segment Assets*	Segment Liabilities*
FMCG - Cigarettes	8573.92	2561.31	8531.08	2754.52	8647.38	2301.36
FMCG - Others	7257.61	1411.58	6238.11	1186.92	4922.38	870.90
<b>FMCG - Total</b>	<b>15831.53</b>	<b>3972.89</b>	<b>14769.19</b>	<b>3941.44</b>	<b>13569.76</b>	<b>3172.26</b>
Hotels**	5849.59	446.94	5470.24	363.99	5225.95	369.74
Agri Business	3255.76	723.60	3231.28	519.41	2878.75	601.72
Paperboards, Paper and Packaging	6313.82	623.85	6020.39	510.39	5919.52	495.68
Others	771.74	209.52	809.90	218.79	855.40	223.17
<b>Segment Total</b>	<b>32022.44</b>	<b>5976.80</b>	<b>30301.00</b>	<b>5554.02</b>	<b>28449.38</b>	<b>4862.57</b>
Unallocated Corporate Assets / Liabilities	23920.83	3258.80	21390.88	3197.44	18097.59	3124.54
<b>Total</b>	<b>55943.27</b>	<b>9235.60</b>	<b>51691.88</b>	<b>8751.46</b>	<b>46546.97</b>	<b>7987.11</b>

\* Segment Liabilities of FMCG - Cigarettes is before considering ₹ 629.83 Crores (2016 - ₹ 651.54 Crores; 2015 - ₹ 629.98 Crores) in respect of disputed taxes, the recovery of which has been stayed or where States' appeals are pending before Courts. These have been included under 'Unallocated Corporate Liabilities'.

\*\*Includes ₹ 541.21 Crores (2016 - ₹ 541.21 Crores; 2015 - ₹ 515.44 Crores) towards payment to IFCI Limited and applicable stamp duty for purchase of a five star hotel resort in Goa operating under the name Park Hyatt Goa Resort & Spa and IFCI Limited issued required sale certificate in favour of the Company. The erstwhile owners of the property thereafter challenged the sale. By its judgement dated 23.03.2016, the Bombay High Court set aside the sale and directed IFCI Limited to refund the sale consideration to the Company. The Company and IFCI Limited have approached the Hon'ble Supreme Court against the High Court judgement. The Hon'ble Supreme Court by its order dated 22.04.2016 directed maintenance of status quo and that the amount paid by ITC shall remain with IFCI Limited until further orders. The matter is pending before the Hon'ble Supreme Court. The amount of ₹ 515.44 Crores and the stamp duty paid in 2015-16 amounting to ₹ 25.77 Crores, was adjusted in 2015-16 from Capital Work In Progress and reflected in Capital Advances (Refer Note 3B and Note 8).

# Notes to the Consolidated Financial Statements

## 29. Segment reporting (Contd.)

(₹ in Crores)

	2017		2016	
	Capital expenditure	Depreciation and amortization	Capital expenditure	Depreciation and amortization
FMCG - Cigarettes	262.35	305.15	256.05	280.48
FMCG - Others	1157.41	246.08	814.71	208.49
<b>FMCG - Total</b>	<b>1419.76</b>	<b>551.23</b>	<b>1070.76</b>	<b>488.97</b>
Hotels	472.19	172.31	384.18	190.07
Agri Business	160.63	50.42	130.38	51.84
Paperboards, Paper and Packaging	560.63	254.14	349.76	242.52
Others	10.46	28.53	28.16	28.60
<b>Segment Total</b>	<b>2623.67</b>	<b>1056.63</b>	<b>1963.24</b>	<b>1002.00</b>
Unallocated	553.76	96.16	290.32	75.40
<b>Total</b>	<b>3177.43</b>	<b>1152.79</b>	<b>2253.56</b>	<b>1077.40</b>

	Non Cash expenditure other than depreciation	Non Cash expenditure other than depreciation
FMCG - Cigarettes	3.42	6.76
FMCG - Others	40.14	25.19
<b>FMCG - Total</b>	<b>43.56</b>	<b>31.95</b>
Hotels	11.30	4.21
Agri Business	0.52	2.12
Paperboards, Paper and Packaging	22.97	23.54
Others	5.67	41.22
<b>Segment Total</b>	<b>84.02</b>	<b>103.04</b>

## GEOGRAPHICAL INFORMATION

	2017	2016	2015
<b>1. Revenue from external customers</b>			
– Within India	51796.82	48606.30	
– Outside India	6491.13	6066.87	
<b>Total</b>	<b>58287.95</b>	<b>54673.17</b>	
<b>2. Non Current Assets</b>			
– Within India	21816.13	19638.05	18385.10
– Outside India	1009.85	974.01	949.49
<b>Total</b>	<b>22825.98</b>	<b>20612.06</b>	<b>19334.59</b>

## NOTES:

- The Group's corporate strategy aims at creating multiple drivers of growth anchored on its core competencies. The Group is currently focused on four business groups : FMCG, Hotels, Paperboards, Paper and Packaging and Agri Business. The Group's organisational structure and governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them.  
The Operating Segments have been reported in a manner consistent with the internal reporting provided to the Corporate Management Committee, which is the Chief Operating Decision Maker.
- The business groups comprise the following :
 

FMCG	: Cigarettes	– Cigarettes, Cigars etc.
	: Others	– Branded Packaged Foods Businesses (Staples; Snacks and Meals; Dairy and Beverages; Confections); Apparel; Education and Stationery Products; Personal Care Products; Safety Matches and Agarbattis.
Hotels		– Hoteliering.
Paperboards, Paper and Packaging		– Paperboards, Paper including Specialty Paper and Packaging including Flexibles.
Agri Business		– Agri commodities such as soya, spices, coffee and leaf tobacco.
Others		– Information Technology services etc.
- The Group companies have been included in segment classification as follows:
 

FMCG	: Cigarettes	– Surya Nepal Private Limited.
	: Others	– Surya Nepal Private Limited and North East Nutrients Private Limited.
Hotels		– Srinivasa Resorts Limited, Fortune Park Hotels Limited, Bay Islands Hotels Limited and WelcomHotels Lanka (Private) Limited.
Agri Business		– Technico Agri Sciences Limited, Technico Pty Limited and its subsidiaries Technico Technologies Inc., along with its jointly controlled operation with Shamrock Seed Potato Farm Limited, Technico Asia Holdings Pty Limited and Technico Horticultural (Kunming) Co. Limited.
Others		– ITC Infotech India Limited and its subsidiaries ITC Infotech Limited, ITC Infotech (USA), Inc. and Indivate Inc., Russell Credit Limited and its subsidiary Greenacre Holdings Limited, Wimco Limited, Pavan Poplar Limited, Prag Agro Farm Limited, ITC Investments & Holdings Limited and its subsidiary MRR Trading & Investment Company Limited, Landbase India Limited and Gold Flake Corporation Limited.
- The geographical information considered for disclosure are :
 

	– Sales within India
	– Sales outside India
- Segment results of 'FMCG : Others' are after considering significant business development, brand building and gestation costs of the Branded Packaged Foods businesses and Personal Care Products business.
- As stock options are granted under ITC ESOS to align the interests of employees with those of shareholders and also to attract and retain talent for the Group as a whole, the option value of ITC ESOS do not form part of the segment performance reviewed by the Corporate Management Committee.
- The Group is not reliant on revenues from transactions with any single external customer and does not receive 10% or more of its revenues from transactions with any single external customer.

# Notes to the Consolidated Financial Statements

## 30. Related Party Disclosures

### 1. OTHER RELATED PARTIES WITH WHOM THE COMPANY AND ITS SUBSIDIARIES HAD TRANSACTIONS:

#### i) Associates & Joint Ventures:

##### Associates

- a) Gujarat Hotels Limited
- b) Russell Investments Limited
- c) ATC Limited
- d) International Travel House Limited
- e) Divya Management Limited
- f) Antrang Finance Limited
  - being associates of the Group
- g) Tobacco Manufacturers (India) Limited, UK
  - of which the Company is an associate

##### Joint Ventures

- a) Maharaja Heritage Resorts Limited
- b) Espirit Hotels Private Limited
- c) Logix Developers Private Limited
- d) ITC Essentra Limited

#### ii) a) Key Management Personnel (KMP):

Y. C. Deveshwar <sup>1</sup>	Chairman & Non-Executive Director
S. Puri <sup>2</sup>	Chief Executive Officer & Executive Director
N. Anand	Executive Director
R. Tandon	Executive Director & Chief Financial Officer
Z. Alam	Non-Executive Director (w.e.f. 26.10.2016)
A. Baijal*	Non-Executive Director (ceased w.e.f. 30.12.2016)
S. Banerjee*	Non-Executive Director
A. Duggal*	Non-Executive Director
A. V. Girija Kumar	Non-Executive Director (upto conclusion of AGM on 22.07.2016)
R. E. Lerwill	Non-Executive Director (ceased w.e.f. 22.06.2016)
S. B. Mainak	Non-Executive Director
S. B. Mathur*	Non-Executive Director
P. B. Ramanujam*	Non-Executive Director
N. Rao*	Non-Executive Director (w.e.f. 08.04.2016)
S. S. H. Rehman*	Non-Executive Director
M. Shankar*	Non-Executive Director

D.R. Simpson Non-Executive Director (w.e.f. 27.01.2017)

K. Vaidyanath Non-Executive Director (ceased w.e.f. 29.07.2016)

<sup>1</sup> Chairman & Non-Executive Director since 05.02.2017, prior to which Mr. Deveshwar was Executive Chairman

<sup>2</sup> Appointed also as Chief Executive Officer from 05.02.2017

\* Independent Directors

Members - Corporate Management Committee

Y. C. Deveshwar (ceased as Chairman of CMC w.e.f. 05.02.2017)

S. Puri (appointed Chairman of CMC w.e.f. 05.02.2017)

N. Anand

R. Tandon

B. B. Chatterjee

S. Sivakumar

K. S. Suresh

C. Dar

R. Sridhar (w.e.f. 01.04.2016)

B. Sumant (w.e.f. 01.04.2016)

S. K. Singh (w.e.f. 27.01.2017)

#### b) Relatives of Key Management Personnel:

Mrs. B. Deveshwar (wife of Mr. Y. C. Deveshwar)

Mrs. R. Tandon (wife of Mr. R. Tandon)

#### iii) Employee Trusts where there is significant influence:

- a) IATC Provident Fund
- b) ITC Defined Contribution Pension Fund
- c) ITC Management Staff Gratuity Fund
- d) ITC Employees Gratuity Fund
- e) ITC Gratuity Fund 'C'
- f) ITC Pension Fund
- g) ILTD Seasonal Employees Pension Fund
- h) ITC Platinum Jubilee Pension Fund
- i) Tribeni Tissues Limited Gratuity Fund
- j) ITC Bhadrachalam Paperboards Limited Management Staff Pension Fund
- k) ITC Bhadrachalam Paperboards Limited Gratuity Fund 'A'
- l) ITC Bhadrachalam Paperboards Limited Gratuity Fund 'C'
- m) ITC Hotels Limited Employees Superannuation Scheme
- n) Greenacre Holdings Limited Provident Fund
- o) Greenacre Holdings Limited Gratuity Fund

# Notes to the Consolidated Financial Statements

## 30. Related Party Disclosures (Contd.)

### 2. DISCLOSURE OF TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES AND THE STATUS OF OUTSTANDING BALANCES AS AT 31.03.2017

(₹ in Crores)

RELATED PARTY TRANSACTIONS SUMMARY	Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Employee Trusts		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	1. Sale of Goods/Services	2.88	2.57	6.88	9.40							9.76
2. Purchase of Goods/Services	105.56	111.79	252.97	291.67							358.53	403.46
3. Acquisition cost of Property, Plant and Equipments etc.	-	0.37									-	0.37
4. Sale of Property, Plant and Equipments etc./Scraps	0.05	0.27									0.05	0.27
5. Value of share based payment												
5A. Capital Contribution for Share Based Payments	-	3.33	-	1.14							-	4.47
5B. Reimbursement for Share Based Payments for current year	2.89	-	0.96	-							3.85	-
5C. Reimbursement for Capital Contribution for Share Based Payments for previous year	3.33	-	1.14	-							4.47	-
6. Interest Income	0.24	0.42									0.24	0.42
7. Interest Paid	0.43	-									0.43	-
8. Rent Received	1.03	1.17									1.03	1.17
9. Rent Paid	3.74	3.49			0.14	0.14	0.72	0.66			4.60	4.29
10. Remuneration of Managers on Deputation reimbursed	5.32	4.17	1.53	1.38							5.32	4.17
11. Remuneration of Managers on Deputation recovered	4.45	3.85									5.98	5.23
12. Contribution to Employees' Benefit Plans									128.18	113.03	128.18	113.03
13. Dividend Income	2.27	2.27	2.03	2.02							4.30	4.29
14. Dividend Payments	1687.73	1240.98			3.77	3.33					1691.50	1244.31
15. Expenses Recovered	0.39	0.19	0.33	0.39							0.72	0.58
16. Expenses Reimbursed	0.73	0.61	0.09	0.03	0.03	-					0.85	0.64
17. Receipt towards Loan Repayment	1.40	1.40									1.40	1.40
18. Loans Taken	18.00	-									18.00	-
19. Deposits Received during the year	-	...									-	...
20. Adjustment/Payment towards Refund of Deposits	0.04	-									0.04	-
21. Transactions with Key Management Personnel <sup>1</sup>												
21A. - Short term benefits <sup>2</sup>					37.83	31.66					37.83	31.66
21B. - Other remuneration					5.05	3.44					5.05	3.44
21C. - Stock options granted <sup>3</sup>												

<sup>1</sup> post employment benefits are actuarially determined on overall basis and hence not separately provided. Payments made on settlement of leave liability upon retirement - ₹ 4.10 Crores (2016 - ₹ 2.50 Crores) has not been included in the above;

<sup>2</sup> includes ₹ 4.10 Crores (2016 - ₹ 1.22 Crores) paid/provided for on account of remuneration of Directors, which is subject to approval of the shareholders;

<sup>3</sup> The Company grants Stock Options to the Directors, Key Management Personnel (KMP) and other employees under its Employee Stock Option Schemes at 'market price' [within the meaning of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]. Since such options are not tradeable, no perquisite or benefit is immediately conferred upon an employee by such grant. However, the Company has recorded employee benefits expense by way of share based payments to employees, in accordance with Ind AS 102, at ₹ 496.02 Crores for the year ended 31st March, 2017 (2016 - ₹ 548.42 Crores), out of which ₹ 74.05 Crores (2016 - ₹ 102.71 Crores) is attributable to KMP.

RELATED PARTY TRANSACTIONS SUMMARY	Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Employee Trusts		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	22. Outstanding Balances <sup>#</sup>											
i) Receivables	7.58	0.39	1.00	1.00							12.12	3.25
ii) Advances Given	1.40	2.80	4.20	4.20							-	12.98
iii) Loans Given	-	-	0.10	0.10	0.07	0.07	0.30	0.30			1.40	2.80
iv) Deposits Given <sup>4</sup>	18.00	0.67	0.67	0.67							18.00	0.67
v) Loans Taken	0.62	9.87	13.74	13.74							0.62	0.67
vi) Deposits Taken	9.31	9.87	4.75	4.75					8.00	22.50	18.00	38.29
vii) Payables											18.18	58.77

<sup>#</sup> The amounts outstanding are unsecured and will be settled in cash

<sup>4</sup> includes transfer of deposit of ₹ 0.10 Crore, with an Associate in 2015, to a subsidiary during the year pursuant to amalgamation of the Associate with the subsidiary, which was subsequently refunded in 2016-17



# Notes to the Consolidated Financial Statements

## 30. Related Party Disclosures (Contd.)

### 3. INFORMATION REGARDING SIGNIFICANT TRANSACTIONS / BALANCES (Generally in excess of 10% of the total transaction value of the same type)

(₹ in Crores)

RELATED PARTY TRANSACTIONS SUMMARY		2017	2016	RELATED PARTY TRANSACTIONS SUMMARY		2017	2016
1.	<b>Sale of Goods/Services</b> International Travel House Limited ITC Essentra Limited	2.77 6.88	2.47 9.30	11.	<b>Remuneration of Managers on Deputation recovered</b> International Travel House Limited ATC Limited Maharaja Heritage Resorts Limited Gujarat Hotels Limited	2.02 1.81 0.96 0.62	1.54 1.88 0.95 -
2.	<b>Purchase of Goods/Services</b> International Travel House Limited ITC Essentra Limited	85.02 252.65	89.21 291.32	12.	<b>Contribution to Employees' Benefit Plans</b> IATC Provident Fund ITC Defined Contribution Pension Fund ITC Pension Fund ITC Management Staff Gratuity Fund ITC Employees Gratuity Fund	25.32 17.81 37.49 14.63 11.00	22.95 16.16 20.58 16.81 21.00
3.	<b>Acquisition cost of Property, Plant and Equipments etc.</b> Classic Infrastructure & Development Limited	-	0.37	13.	<b>Dividend Income</b> Gujarat Hotels Limited International Travel House Limited ITC Essentra Limited	0.61 1.66 2.03	0.61 1.66 2.02
4.	<b>Sale of Property, Plant and Equipments etc./ Scraps</b> ATC Limited	0.05	0.27	14.	<b>Dividend Payments</b> Tobacco Manufacturers (India) Limited, UK	1687.73	1240.98
5.	<b>Value of share based payment</b> <i>Capital Contribution for Share Based</i> ATC Limited International Travel House Limited	0.63 2.58	- -	15.	<b>Expenses Recovered</b> International Travel House Limited Maharaja Heritage Resorts Limited	0.36 0.29	0.18 0.35
5A.	<i>Reimbursement for Capital Contribution for Share Based Payment for current period</i> Maharaja Heritage Resorts Limited International Travel House Limited ITC Essentra Limited ATC Limited	0.44 2.27 0.52 0.57	- - - -	16.	<b>Expenses Reimbursed</b> Gujarat Hotels Limited International Travel House Limited ATC Limited	0.09 0.03 0.62	0.06 0.17 0.38
5B.	<i>Reimbursement for Capital Contribution for Share Based Payment for previous period</i> Maharaja Heritage Resorts Limited International Travel House Limited ITC Essentra Limited ATC Limited	0.53 2.58 0.60 0.63	- - - -	17.	<b>Receipt towards Loan Repayment</b> ATC Limited	1.40	1.40
5C.	<i>Reimbursement for Capital Contribution for Share Based Payment for previous period</i> Maharaja Heritage Resorts Limited International Travel House Limited ITC Essentra Limited ATC Limited	0.24 0.43	0.42 -	18.	<b>Loans Taken</b> Russell Investments Limited	18.00	-
6.	<b>Interest Income</b> ATC Limited	0.24	0.42	19.	<b>Deposit Received during the year</b> International Travel House Limited	-	...
7.	<b>Interest Paid</b> Russell Investments Limited	0.43	-	20.	<b>Adjustment / Payment towards Refund of deposit</b> International Travel House Limited	0.04	-
8.	<b>Rent Received</b> International Travel House Limited	1.02	1.17	21.	<b>Transactions with Key Management Personnel</b> <sup>^</sup> 21A. <i>Short term benefits</i> Mr. Y. C. Deveshwar Other Remuneration	18.82	13.73
9.	<b>Rent Paid</b> Gujarat Hotels Limited Mrs. B. Deveshwar	3.74 0.72	3.49 0.66	21B. Ms. M. Shankar Mr. S. B. Mathur Mr. S. S. H. Rehman	0.51 0.51 0.51	0.30 0.31 0.30	
10.	<b>Remuneration of Managers on Deputation reimbursed</b> Gujarat Hotels Limited	5.05	3.93				

### RELATED PARTY TRANSACTIONS SUMMARY

RELATED PARTY TRANSACTIONS SUMMARY		2017	2016
22.	<b>Outstanding Balances</b>		
i)	Receivables ATC Limited Maharaja Heritage Resorts Limited International Travel House Limited ITC Essentra Limited	2.21 3.32 5.20 1.22	0.11 2.73 - -
ii)	Advances Given Employees Trust - Pension Funds	-	12.98
iii)	Loans Given ATC Limited	1.40	2.80
iv)	Loans Taken Russell Investments Limited	18.00	-
v)	Deposits Given Mr. Y. C. Deveshwar Mrs. B. Deveshwar	0.05 0.30	0.05 0.30
vi)	Deposits Taken Classic Infrastructure & Development Limited <sup>#</sup>	-	0.10
vii)	Payables International Travel House Limited	0.63	0.67
	Employees Trust - Gratuity Funds Employee Trust - Pension Funds International Travel House Limited ITC Essentra Limited	1.56 6.44 6.16 0.87	20.59 - 7.14 5.78

<sup>^</sup>In accordance with Ind AS-102, the Company has recognised employee benefits expense by way of share based payments [refer Note 30.2], of which ₹ 74.05 Crores (2016 - ₹ 102.71 Crores) is attributable to key managerial personnel: Mr. Y. C. Deveshwar ₹ 33.34 Crores (2016 - ₹ 24.91 Crores), Mr. S. Puri ₹ 5.31 Crores (2016 - ₹ 3.61 Crores), Mr. N. Anand ₹ 7.24 Crores (2016 - ₹ 13.33 Crores), Mr. R. Tandon ₹ 7.54 Crores (2016 - ₹ 4.67 Crores) and Mr. B. B. Chatterjee ₹ 2.82 Crores (2016 - ₹ 3.69 Crores).

<sup>#</sup> ₹ 0.10 Crore denotes deposits given to Classic Infrastructure & Development Limited which was amalgamated with Greenacre Holdings Limited w.e.f. 01.10.2015. The maximum indebtedness during the year Nil (2016 - Nil; 2015 - ₹ 0.10 Crore).

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures

### A. Capital Management

The Group's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Group funds its operations through internal accruals. The Group aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

During the year, the Group issued 7,35,18,980 equity shares of ₹ 1.00 each amounting to ₹ 7.35 Crores (2016 - ₹ 3.17 Crores) towards its equity-settled employee stock options. The securities premium stood at ₹ 6403.41 Crores as at 31st March, 2017 (2016 - ₹ 5657.03 Crores).

### B. Categories of Financial Instruments

(₹ in Crores)

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>A. Financial assets</b>							
<b>a) Measured at amortised cost</b>							
i) Cash and cash equivalents	13	333.07	333.07	283.59	283.59	155.69	155.69
ii) Other bank balances	14	2634.33	2634.33	5779.71	5779.71	6415.55	6415.55
iii) Investment in Bonds/ Debentures & Government or Trust Securities	4, 11	5615.95	5645.53	4522.60	4548.13	1.61	1.61
iv) Loans	5	15.32	14.74	21.03	20.11	25.13	23.70
v) Trade receivables	12	2474.29	2474.29	1917.18	1917.18	1978.32	1978.32
vi) Other financial assets	6	1157.63	1097.90	1579.38	1518.59	1744.78	1726.76
<b>Sub - total</b>		<b>12230.59</b>	<b>12199.86</b>	<b>14103.49</b>	<b>14067.31</b>	<b>10321.08</b>	<b>10301.63</b>
<b>b) Measured at Fair value through OCI</b>							
i) Equity shares	4	1228.15	1228.15	1088.48	1088.48	1120.66	1120.66
<b>Sub - total</b>		<b>1228.15</b>	<b>1228.15</b>	<b>1088.48</b>	<b>1088.48</b>	<b>1120.66</b>	<b>1120.66</b>
<b>c) Measured at Fair value through Profit or Loss</b>							
i) Investment in Mutual Funds	4, 11	7907.72	7907.72	3709.18	3709.18	4370.28	4370.28
ii) Investment in Bonds / Debentures, Certificate of Deposits, Preference Shares	11	1988.65	1988.65	2149.36	2149.36	1896.02	1896.02
<b>Sub - total</b>		<b>9896.37</b>	<b>9896.37</b>	<b>5858.54</b>	<b>5858.54</b>	<b>6266.30</b>	<b>6266.30</b>
<b>d) Derivatives measured at fair value</b>							
i) Derivative instruments not designated as hedging instruments	6	6.60	6.60	13.93	13.93	10.43	10.43
ii) Derivative instruments designated as hedging instruments	6	26.50	26.50	14.13	14.13	9.66	9.66
<b>Sub - total</b>		<b>33.10</b>	<b>33.10</b>	<b>28.06</b>	<b>28.06</b>	<b>20.09</b>	<b>20.09</b>
<b>Total financial assets</b>		<b>23388.21</b>	<b>23357.48</b>	<b>21078.57</b>	<b>21042.39</b>	<b>17728.13</b>	<b>17708.68</b>

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures (Contd.)

(₹ in Crores)

Particulars	Note	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>B. Financial liabilities</b>							
<b>a) Measured at amortised cost</b>							
i) Cash credit facilities & loans	20	19.89	19.89	45.09	45.09	186.45	186.45
ii) Sales tax deferment loans	16, 20	25.83	20.23	38.69	30.71	51.00	39.42
iii) Trade payables		2659.33	2659.33	2339.29	2339.29	1976.94	1976.94
iv) Other financial liabilities	15	916.72	915.49	755.20	753.74	808.42	807.53
<b>Sub - total</b>		<b>3621.77</b>	<b>3614.94</b>	<b>3178.27</b>	<b>3168.83</b>	<b>3022.81</b>	<b>3010.34</b>
<b>b) Derivatives measured at fair value</b>							
i) Derivative instruments not designated as hedging instruments	15	0.99	0.99	0.90	0.90	1.55	1.55
ii) Derivative instruments designated as hedging instruments	15	18.54	18.54	–	–	0.04	0.04
<b>Sub - total</b>		<b>19.53</b>	<b>19.53</b>	<b>0.90</b>	<b>0.90</b>	<b>1.59</b>	<b>1.59</b>
<b>Total financial liabilities</b>		<b>3641.30</b>	<b>3634.47</b>	<b>3179.17</b>	<b>3169.73</b>	<b>3024.40</b>	<b>3011.93</b>

### C. Financial risk management objectives

Entities comprising the Group has put in place risk management systems as applicable to the respective operations. The following explains the objective and processes of the Company, being the largest component of the Group: The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as market risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard.

#### Liquidity Risk

The Group's Current assets aggregate to ₹ 26269.10 Crores (2016 – ₹ 24862.50 Crores; 2015 – ₹ 24362.27 Crores) including Current Investments, Cash and cash equivalents and Other Bank Balances of ₹ 13299.79 Crores (2016 – ₹ 12685.08 Crores; 2015 – ₹ 12837.54 Crores) against an aggregate Current liability of ₹ 7121.01 Crores (2016 – ₹ 6658.46 Crores; 2015 – ₹ 6092.53 Crores); Non-current liabilities due between one year to three years amounting to ₹ 50.72 Crores (2016 – ₹ 62.30 Crores; 2015 – ₹ 61.09 Crores) and Non-current liability due after three years amounting to ₹ 8.89 Crores (2016 – ₹ 11.13 Crores; 2015 – ₹ 17.99 Crores) on the reporting date.

Further, while the Group's total equity stands at ₹ 46707.67 Crores (2016 – ₹ 42940.42 Crores; 2015 – ₹ 38559.86 Crores), it has borrowings of ₹ 37.51 Crores (2016 – ₹ 70.61 Crores; 2015 – ₹ 224.72 Crores). In such circumstances, liquidity risk or the risk that the Group may not be able to settle or meet its obligations as they become due does not exist.

#### Market Risks

The Group is not an active investor in equity markets; it continues to hold certain investments in equity for long term value accretion which are accordingly measured at fair value through Other Comprehensive Income. The value of investments in such equity instruments as at 31st March, 2017 is ₹ 1228.15 Crores (2016 – ₹ 1088.48 Crores; 2015 – ₹ 1120.66 Crores). Accordingly, fair value fluctuations arising from market volatility is recognised in Other Comprehensive Income.

As the Group is virtually debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible.

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures (Contd.)

The Group's investments are predominantly held in bonds/debentures, fixed deposits and debt mutual funds. Mark to market movements in respect of the Group's investments in bonds/debentures that are held at amortised cost are temporary and get recouped through fixed coupon accruals. Other investments in bonds / debentures are fair valued through the Statement of Profit and Loss to recognise market volatility, which is not considered to be significant. Fixed deposits are held with highly rated banks and companies and have a short tenure and are not subject to interest rate volatility.

The Group also invests in mutual fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Group has invested, such price risk is not significant.

For select agricultural commodities primarily held for trading, futures contracts are used to hedge price risks till positions in the physical market are matched. The carrying value of inventories is adjusted to the extent of fair value movement of the risk being hedged. Such hedges are generally for short time horizons and recognised in profit or loss within the crop cycle and are managed by the business within the approved policy framework. Accordingly, the Group's net exposure to commodity price risk is considered to be insignificant.

### Foreign currency risk

The Group undertakes transactions denominated in foreign currency (mainly US Dollar, Pound Sterling, Euro and Japanese Yen) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, including the Group's net investments in foreign operations (with a functional currency other than Indian Rupee), are also subject to reinstatement risks.

The carrying amount of foreign currency denominated financial assets and liabilities including derivative contracts, are as follows:

(₹ in Crores)

As at 31st March, 2017	USD	Euro	GBP	JPY	Others	Total
Financial Assets	587.27	40.28	74.80	0.46	39.50	742.31
Financial Liabilities	90.73	34.56	21.12	23.68	17.69	187.78
<b>As at 31st March, 2016</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>JPY</b>	<b>Others</b>	<b>Total</b>
Financial Assets	746.25	67.71	75.96	0.04	29.53	919.49
Financial Liabilities	78.17	20.16	18.26	11.13	9.44	137.16
<b>As at 1st April, 2015</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>JPY</b>	<b>Others</b>	<b>Total</b>
Financial Assets	598.97	81.51	82.12	–	23.39	785.99
Financial Liabilities	55.61	42.35	24.60	5.09	7.62	135.27

The Group uses forward exchange contracts and currency options to hedge its exposures in foreign currency arising from firm commitments and highly probable forecast transactions. Accordingly,

- a. Forward exchange contracts that were outstanding on respective reporting dates:

(in Million)

Designated under Hedge Accounting		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
Currency	Gross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	55.22	71.10	–	97.80	–	92.00
Euro	US Dollar	31.76	–	–	–	–	–
AUD	US Dollar	0.09	–	–	–	–	–
CHF	US Dollar	0.57	–	–	–	–	–
GBP	US Dollar	0.11	–	–	–	–	–
SEK	US Dollar	0.73	–	–	–	–	–
SGD	US Dollar	0.09	–	–	–	–	–
JPY	US Dollar	368.95	–	–	–	–	–

The aforesaid hedges have a maturity of less than 1 year from the year end.

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures (Contd.)

(in Million)

Not designated under Hedge Accounting		As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
Currency	Cross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	2.20	52.34	67.25	90.85	18.94	86.60
Euro	US Dollar	6.04	2.37	53.26	2.65	14.95	13.70
AUD	US Dollar	–	0.29	1.20	0.38	0.55	0.50
CAD	US Dollar	–	0.94	–	0.20	–	1.07
CHF	US Dollar	0.28	–	2.70	–	3.41	–
GBP	US Dollar	–	4.24	–	1.70	0.25	2.68
SEK	US Dollar	4.25	0.85	6.93	–	1.21	–
SGD	US Dollar	–	–	1.78	–	–	–
KWD	US Dollar	–	–	0.04	–	–	–
JPY	US Dollar	272.65	–	699.90	–	172.33	–
DKK	US Dollar	0.40	–	–	–	12.50	–
ZAR	US Dollar	–	6.80	–	8.13	–	1.86
NOK	US Dollar	0.60	–	0.90	–	2.80	–
Euro	Indian Rupee	–	–	–	–	0.05	–
USD	Nepalese Rupee	0.57	–	1.38	–	–	–
Euro	Nepalese Rupee	0.42	–	0.30	–	3.86	–
GBP	Nepalese Rupee	–	–	–	–	0.22	–

b. Currency options that were outstanding on respective reporting dates:

Currency	Cross Currency	Buy	Sell	Buy	Sell	Buy	Sell
US Dollar	Indian Rupee	3.00	7.00	–	–	–	–

### Hedges of foreign currency risk and derivative financial instruments

Each entity comprising the Group manages its own currency risk. Within the Group, derivative instrument are largely entered into by the Company. The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward and options contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecast transaction and market conditions. As the counterparty for such transactions are highly rated banks, the risk of their non-performance is considered to be insignificant.

The Company uses derivatives to hedge its exposure to changes in movement in foreign currency. Where such derivatives are not designated under hedge accounting, changes in the fair value of such hedges are recognised in the Statement of Profit and Loss.

The Company may also designate certain hedges, usually for large transactions, as a cash flow hedge under hedge accounting, with the objective of shielding the exposure from variability in cash flows. The currency, amount and tenure of such hedges are generally matched to the underlying transaction(s). Changes in the fair value of the effective portion of cash flow hedges are recognised as cash flow hedging reserve in Other Comprehensive Income. While the probability of such hedges becoming ineffective is very low, the ineffective portion, if any, is immediately recognised in the Statement of Profit and Loss.

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures (Contd.)

The movement in the cash flow hedging reserve in respect of designated cash flow hedges is summarised below:

(₹ in Crores)

Particulars	2017	2016
<b>At the beginning of the year</b>	<b>6.42</b>	<b>7.94</b>
Add: Changes in the fair value of effective portion of matured cash flow hedges during the year	(3.29)	(11.15)
Add: Changes in fair value of effective portion of outstanding cash flow hedges	(17.38)	9.26
Less: Amounts transferred to the Statement of Profit and Loss on occurrence of forecast hedge transactions during the year	21.71	0.43
Less: Amounts transferred to the Statement of Profit and Loss due to cash flows no longer expected to occur	0.52	—
Less: Amounts transferred to initial cost of non-financial assets	(16.65)	—
Less: Net gain/(loss) transferred to the Statement of Profit and Loss on ineffectiveness	—	—
(Less) / Add: Deferred tax	9.10	0.80
<b>At the end of the year</b>	<b>(10.73)</b>	<b>6.42</b>
Of the above, balances remaining in cash flow hedge reserve for matured hedging relationships	0.64	0.38

Once the hedged transaction materialises, the amount accumulated in the cash flow hedging reserve will be included in the initial cost of the non-financial hedged item on its initial recognition or reclassified to profit or loss, as applicable, in the anticipated timeframes given below:

(₹ in Crores)

Outstanding balance in Cash Flow Hedge Reserve to be subsequently recycled from OCI	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Within one year	(10.62)	4.95	7.03
Between one and three years	(0.11)	1.47	0.91
<b>Total</b>	<b>(10.73)</b>	<b>6.42</b>	<b>7.94</b>

### Foreign Currency Sensitivity

For every percentage point change in the underlying exchange rate of the outstanding foreign currency denominated assets and liabilities, including derivative contracts, holding all other variables constant, the profit before tax for the year ended 31st March, 2017 would change by ₹ 2.65 Crores (2016 - ₹ 7.52 Crores) and pre-tax total equity as at 31st March, 2017 would change by ₹ 4.00 Crores (2016 - ₹ 2.25 Crores; 2015 - ₹ 1.72 Crores).

### Credit Risk

Each entity comprising the Group manages its own credit risk. The following explains the processes followed by the Company, being the largest component of the Group, to manage its credit risk: Company's deployment in debt instruments are primarily in fixed deposits with highly rated banks and companies; bonds issued by government institutions, public sector undertakings and certificate of deposits issued by highly rated banks. As these counter parties are Government institutions, public sector undertakings with investment grade credit ratings and taking into account the experience of the Company over time, the counter party risk attached to such assets is considered to be insignificant.

# Notes to the Consolidated Financial Statements

## 31. Financial Instruments and Related Disclosures (Contd.)

The Group's investments that are held at amortised cost stood at ₹ 8751.49 Crores (2016 - ₹ 11233.34 Crores; 2015 - ₹ 7737.46 Crores).

The Company's customer base is large and diverse limiting the risk arising out of credit concentration. Further, credit is extended in business interest in accordance with guidelines issued centrally and business-specific credit policies that are consistent with such guidelines. Exceptions are managed and approved by appropriate authorities, after due consideration of the counterparty's credentials and financial capacity, trade practices and prevailing business and economic conditions. The Company's historical experience of collecting receivables and the level of default indicate that credit risk is low and generally uniform across markets; consequently, trade receivables are considered to be a single class of financial assets.

The Group's exposure to trade receivables on the reporting date, net of expected loss provisions, stood at ₹ 2474.29 Crores (2016 - ₹ 1917.18 Crores, 2015 - ₹ 1978.32 Crores).

The movement of the expected loss provision (allowance for bad and doubtful loans and receivables etc.) made by the Group are as under:

(₹ in Crores)

Particular	Expected Loss Provision	
	As at 31st March, 2017	As at 31st March, 2016
Opening Balance	103.77	80.47
Add: Provisions made (net)	29.37	26.18
Less: Utilisation for impairment/de-recognition	2.84	3.80
Effects of foreign exchange fluctuation	(0.53)	0.92
Closing Balance	129.77	103.77

### D. Fair value measurement

#### Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using market approach and valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Derivatives are valued using valuation techniques with market observable inputs such as foreign exchange spot rates and forward rates at the end of the reporting period, yield curves, risk free rate of returns, volatility etc., as applicable.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short – term nature. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis. Similarly, unquoted equity instruments where most recent information to measure fair value is insufficient, or if there is a wide range of possible fair value measurements, cost has been considered as the best estimate of fair value.

There has been no change in the valuation methodology for Level 3 inputs during the year. The Company has not classified any material financial instruments under Level 3 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.

## Notes to the Consolidated Financial Statements

### 31. Financial Instruments and Related Disclosures (Contd.)

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis and measured at amortised cost basis:

(₹ in Crores)

Particulars	Fair Value Hierarchy (Level)	Fair Value		
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
<b>A. Financial assets</b>				
<b>a) Measured at amortised cost</b>				
i) Investment in Bonds / Debentures & Government or Trust Securities	2	5645.53	4548.13	1.61
ii) Loans*	3	7.96	12.04	15.04
iii) Other Financial assets*	3	40.98	977.22	1365.99
<b>Sub – total</b>		<b>5694.47</b>	<b>5537.39</b>	<b>1382.64</b>
<b>b) Measured at Fair value through OCI</b>				
i) Equity shares – Quoted	1	1200.25	1060.58	1092.76
<b>Sub – total</b>		<b>1200.25</b>	<b>1060.58</b>	<b>1092.76</b>
<b>c) Measured at Fair value through Profit or Loss</b>				
i) Investment in Mutual Funds	1	7907.32	3709.18	4370.28
ii) Investment in Bonds / Debentures, Certificate of Deposits, Preference Shares	2	1988.65	2149.36	1896.02
<b>Sub – total</b>		<b>9896.37</b>	<b>5858.54</b>	<b>6266.30</b>
<b>d) Derivatives measured at fair value</b>				
i) Derivative instruments not designated as hedging instruments	2	6.60	13.93	10.43
ii) Derivative instruments designated as hedging instrument	2	26.50	14.13	9.66
<b>Sub – total</b>		<b>33.10</b>	<b>28.06</b>	<b>20.09</b>
<b>Total financial assets</b>		<b>16824.19</b>	<b>12484.57</b>	<b>8761.79</b>
<b>B. Financial liabilities</b>				
<b>a) Measured at amortised cost</b>				
i) Sales tax deferment loans*	3	12.39	17.85	27.11
ii) Other Financial liabilities*	3	39.98	45.31	38.24
<b>Sub – total</b>		<b>52.37</b>	<b>63.16</b>	<b>65.35</b>
<b>b) Derivatives measured at fair value</b>				
i) Derivative instruments not designated as hedging instruments	2	0.99	0.90	1.55
ii) Derivative instruments designated as hedging instruments	2	18.54	-	0.04
<b>Sub – total</b>		<b>19.53</b>	<b>0.90</b>	<b>1.59</b>
<b>Total financial liabilities</b>		<b>71.90</b>	<b>64.06</b>	<b>66.94</b>

\*Represents Fair value of Non-current Financial Instruments



## Notes to the Consolidated Financial Statements

### 32. First-time Adoption of Ind AS

- (i) Ind AS 101 (First-time Adoption of Indian Accounting Standards) provides a suitable starting point for accounting in accordance with Ind AS and is required to be mandatorily followed by first-time adopters. The Group has prepared the opening Balance Sheet as per Ind AS as of 1st April, 2015 (the transition date) by:
- recognising all assets and liabilities whose recognition is required by Ind AS,
  - not recognising items of assets or liabilities which are not permitted by Ind AS,
  - reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to Ind AS as required under Ind AS, and
  - applying Ind AS in measurement of recognised assets and liabilities.
- (ii) A. Reconciliation of total comprehensive income for the year ended 31st March, 2016 is summarised as follows:

(₹ in Crores)

Particulars	Notes	Year ended 31/03/2016
<b>Profit After Tax as reported under previous GAAP</b>		<b>10069.45</b>
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL)	(iv) (c,d)	(112.81)
Impact of measuring derivative financial instruments, other than those designated as cash flow hedges, at fair value	(iv) (e)	3.44
Impact of recognising the cost of the employee stock option scheme at fair value	(iii) (e)	(548.42)
Impact of elimination of amortization of certain trademarks	(iii) (f)	31.25
Reclassification of actuarial gains / (losses), arising in respect of employee benefit schemes, to Other Comprehensive Income (OCI)	(iv) (f)	49.09
Others		(2.50)
Tax Adjustments		11.36
<b>Profit After Tax as reported under Ind AS</b>		<b>9500.86</b>
Other Comprehensive Income (net of tax)		(79.91)
<b>Total Comprehensive Income as reported under Ind AS</b>		<b>9420.95</b>

## Notes to the Consolidated Financial Statements

### 32. First-time Adoption of Ind AS (Contd.)

B. Reconciliation of equity as reported under previous GAAP is summarized as follows:

Particulars	Notes	As at 01/04/2015 (Date of Transition)	As at 31/03/2016 (end of last period presented under previous GAAP)
<b>Equity as reported under previous GAAP attributable to:</b>			
ITC Limited		31735.49	33964.41
Non-controlling interests		225.11	262.33
Total		31960.60	34226.74
Dividends not recognised as liability until declared (including tax thereon)	(iv) (b)	6029.56	8232.60
Impact of measuring derivative financial instruments, not being cash flow hedges, at fair value (net of tax)	(iv) (e)	5.82	8.04
Impact of measuring investments at Fair Value through Profit or Loss (FVTPL) or OCI (net of tax)	(iv) (c, d)	537.88	433.18
Impact of recognising the cost of the employee stock option scheme in respect of employees of group companies	(iii) (e)	–	5.22
Impact of elimination of amortization of certain trademarks (net of tax)	(iii) (f)	–	20.43
Others		26.00	14.21
<b>Equity as reported under Ind AS attributable to:</b>			
ITC Limited		38334.74	42679.52
Non-controlling interests		225.12	260.90
Total		38559.86	42940.42

(iii) Ind AS 101 mandates certain exceptions and allows first-time adopters exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions in the consolidated financial statements:

a. Ind AS 103 (Business Combinations) has not been applied retrospectively to business combinations that occurred prior to 1st April, 2015. Use of this exemption means that in the opening Balance Sheet, goodwill and other assets and liabilities acquired in previous business combinations remain at the previous GAAP carrying values.

b. Property, plant and equipment and intangible assets were carried in the Balance Sheet prepared in accordance with previous GAAP on 31st March, 2015. Under Ind AS, the Group has elected to regard such carrying values as deemed cost at the date of transition.

Further, the Group had revalued certain freehold land and buildings based on professional valuation as at 30th June, 1986 and had a balance of ₹ 56.93 Crores in revaluation reserve on the date of transition. On transition such revaluation reserve has been adjusted in retained earnings.

## Notes to the Consolidated Financial Statements

### 32. First-time Adoption of Ind AS (Contd.)

- c. Under previous GAAP, the Group accumulated exchange differences arising on monetary items that, in substance, formed part of Group's net investment in non-integral foreign operations in a foreign currency translation reserve. Such balances are to be recognised in the Statement of Profit and Loss on disposal of the net investment. Ind AS allows an entity an option to reset the cumulative translation differences arising on monetary items that exist as of the transition date to zero. The Group has elected to continue presenting the foreign exchange translation reserve under equity.
- d. Under previous GAAP, investment in subsidiaries, joint ventures and associates were stated at cost and provisions made to recognise the decline, other than temporary. Under Ind AS, the Group has considered their previous GAAP carrying amount as their deemed cost.
- e. Under previous GAAP, the cost of options granted under the ITC Employee Stock Option Scheme (ITC ESOS) [equity - settled] was recognised using the intrinsic value method. Under this method, no expenses were recognised in the Statement of Profit and Loss as the fair value of the shares on the date of grant equalled the exercise price. Under Ind AS, the cost of options granted under ITC ESOS is recognised based on the fair value of the options as on the grant date. In terms of the exemptions, the fair value of unvested options as at the date of transition have been accounted for as part of reserves. The cost of ITC ESOS applicable to employees of group companies, net of reimbursements, have been considered as capital contribution.
- Accordingly, cost of share options totalling ₹ 677.87 Crores which were granted before and still vesting at 1st April, 2015, have been recognised as a separate component of equity in share option outstanding reserve against retained earnings at 1st April, 2015.
- f. Under previous GAAP, Trademarks were necessarily amortized. Under Ind AS, certain trademarks have been determined to be of indefinite useful life. This has been recognised in the current financial year. Accordingly, the amortization thereof considered in the previous year has been eliminated.
- g. The Group has applied Appendix C of Ind AS 17 (Leases) – 'Determining whether an Arrangement contains a Lease' to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.
- h. Under previous GAAP, interest free sales tax deferment loan was carried at cost. Under Ind AS, such interest free loans have been carried at previous GAAP amount at the date of transition.
- (iv) In addition to the above, the principal adjustments made by the Group in restating its previous GAAP financial statements, including the Balance Sheet as at 1st April, 2015 and the financial statements as at and for the year ended 31st March, 2016 are detailed below:
- a. Under previous GAAP, leasehold properties were presented as fixed assets and amortized over the period of the lease. Under Ind AS, such properties have been classified as prepayments within non-current assets (current portion presented as other current assets) and have been amortized over the period of the lease, resulting in decrease in property, plant and equipment by ₹ 227.82 Crores as at 31st March, 2016 and by ₹ 207.22 Crores as at 1st April, 2015 and capital work-in-progress (CWIP) by ₹ 501.65 Crores as at 31st March, 2016 and by ₹ 512.98 Crores as at 1st April, 2015 and corresponding increase in other non-current assets by ₹ 726.77 Crores as at 31st March, 2016 and by ₹ 717.01 Crores as at 1st April, 2015 and in other current assets by ₹ 2.70 Crores as at 31st March, 2016 and by ₹ 3.19 Crores as at 1st April, 2015.

## Notes to the Consolidated Financial Statements

### 32. First-time Adoption of Ind AS (Contd.)

Such reclassification has resulted in decrease in depreciation and amortization expense by ₹ 2.58 Crores for the year ended 31st March, 2016 and corresponding increase in other expenses, but does not affect profit before tax and total profit for the year ended 31st March, 2016.

- b. Under previous GAAP, dividend payable on equity shares (including the tax thereon) was recognised as a liability in the period to which it relates. Under Ind AS, dividends (including the tax thereon) to shareholders are recognised when declared by the members in a general meeting.
- c. Under previous GAAP, non-current investments were stated at cost. Where applicable, provision was made to recognise a decline, other than temporary, in valuation of such investments. Under Ind AS, equity instruments [other than investment in subsidiaries, joint ventures and associates] have been classified as Fair Value through Other Comprehensive Income (FVTOCI) through an irrevocable election at the date of transition. Further, under previous GAAP, joint ventures were consolidated using 'proportionate consolidation' method. Under Ind AS, joint ventures have been accounted using 'equity method'.  
  
Investment in Mutual Funds classified as non-current under previous GAAP and carried at cost as on 31st March, 2016, have been measured at Fair Value through Profit or Loss (FVTPL).
- d. Under previous GAAP, current investments were stated at lower of cost and fair value. Under Ind AS, these financial assets have been classified as Fair Value through Profit or Loss (FVTPL) on the date of transition and fair value changes after the date of transition has been recognised in profit or loss.
- e. The Group uses derivative financial instruments, such as currency forwards, options and exchange

traded commodity futures, to hedge its foreign currency risks and commodity price risks, respectively. Under previous GAAP, the net mark to market losses on the outstanding portfolios of such instruments, other than those designated as cash flow hedges, were recognised in the profit or loss, and the net gain, if any, were ignored.

Under Ind AS, changes in the fair value of derivatives designated as cash flow hedges are recognised in equity. Amounts deferred in equity are transferred to the Statement of Profit and Loss in line with the hedged transaction. Changes in the fair value of any derivative instruments that are not designated for hedge accounting are recognised in the Statement of Profit and Loss.

- f. Under previous GAAP, actuarial gains and losses related to the defined benefit schemes for gratuity and pension plans and liabilities towards employee leave encashment were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability / asset which is recognised in OCI. Consequently, the tax effect of the same has also been recognised in OCI instead of profit or loss.
- g. Under previous GAAP, movements in cash credit facilities, repayable on demand, were reflected in cash flows from financing activities in cash flow statement. Under Ind AS, such cash credit facilities are included in cash and cash equivalents in the cash flow statement.

On behalf of the Board

Y. C. DEVESHWAR	Chairman
S. PURI	Chief Executive Officer & Director
R. TANDON	Director & Chief Financial Officer
B. B. CHATTERJEE	Company Secretary

# Independent Auditor's Report to the Members of ITC Limited

## Report on the Consolidated Ind AS Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of **ITC LIMITED** (hereinafter referred to as "the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), its associates and its joint ventures, comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

## Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and statement of changes in equity of the Group including its associates and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and its joint ventures 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 Ind AS financial statements by the Directors of the Parent, as aforesaid.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 8(a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

7. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries, associates and joint venture referred to in the Other Matters paragraph, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair

## Independent Auditor's Report

view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associates and its joint ventures as at 31st March, 2017, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

### Other Matters

8. (a) We did not audit the financial statements of sixteen subsidiaries, whose financial statements reflect total assets of ₹ 1843.36 Crores as at 31st March, 2017, total revenues of ₹ 2216.57 Crores and net cash outflows amounting to ₹ 100.56 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 17.62 Crores for the year ended 31st March, 2017, as considered in the consolidated Ind AS financial statements, in respect of six associates and one joint venture, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint venture and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, joint venture and associates, is based solely on the reports of the other auditors.

Certain of these subsidiaries are located outside India whose financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

- (b) The comparative financial information for the year ended 31st March, 2016 and the transition date opening balance sheet as at 1st April, 2015 in respect of sixteen subsidiaries, six associates and one joint venture included in this consolidated Ind AS financial statements prepared in accordance with the Ind AS have been audited by other auditors and have been relied upon by us.

Our opinion on the consolidated Ind AS financial statements above, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

### Report on Other Legal and Regulatory Requirements

9. As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements of subsidiaries, associates and joint venture company incorporated in India, referred in the Other Matters paragraph above we report, to the extent applicable, that:
- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
  - In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
  - In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - On the basis of the written representations received from the directors of the Parent as on 31st March, 2017 taken on record by the Board of Directors of the Parent and the reports of the statutory auditors of its subsidiary companies, associate companies and joint

- venture companies incorporated in India, none of the directors of the Group companies, its associate companies and joint venture companies incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditor's reports of the Parent, subsidiary companies, associate companies and joint ventures, which are companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Parent's, subsidiary company's, associate company's and joint venture company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i) The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and joint ventures in accordance with the generally accepted accounting practice – also refer Note 28(iv)(a) to the consolidated Ind AS financial statements.
- ii) The Group, its associates and joint ventures did not have any material foreseeable losses on long-term contracts including derivative contracts.
- iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent and its subsidiary companies, associate companies and joint venture companies incorporated in India.
- iv) The Parent has provided requisite disclosures in the consolidated Ind AS financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the relevant books of accounts maintained by those entities for the purpose of preparation of the consolidated Ind AS financial statements and as produced to us and the other auditors by the Management of the respective Group entities. Also refer Note 28 (viii) to the consolidated Ind AS financial statements.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm's Registration No. 302009E)

P. R. Ramesh  
*Partner*

KOLKATA,  
26th May, 2017

(Membership No. 70928)

# Annexure - A to the Independent Auditor's Report

(Referred to in paragraph 9(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

## Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31st March, 2017, we have audited the internal financial controls over financial reporting of ITC Limited (hereinafter referred to as "the Parent") and its subsidiary companies, its associate companies and joint ventures, which are companies incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Controls

The respective Boards of Directors of the Parent, its subsidiary companies, its associate companies and joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary companies, its associate companies and its joint ventures, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary companies, associate companies and joint venture, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary companies, its associate companies and its joint ventures, which are companies incorporated in India.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance



with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the other auditors referred to in the Other Matters paragraph below, the Parent, its subsidiary companies, its associate companies and joint ventures, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **Other Matters**

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to seven subsidiary companies, six associate companies and one joint venture, which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

For Deloitte Haskins & Sells  
*Chartered Accountants*  
(Firm's Registration No. 302009E)

Kolkata  
26th May, 2017

P. R. Ramesh  
*Partner*  
(Membership No. 70928)

# Ten Years at a Glance

## Standalone Operating Results 2008 - 2017

(₹ in Crores)

Year ending 31st March	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>§</sup>	2017 <sup>§</sup>
<b>TOTAL INCOME</b>	21879	23594	26814	31399	36046	43044	48176	51932	53714	57434
Excise duty on sales	7320	7447	8046	9360	10073	12204	13830	13882	15107	16022
<b>PBDIT</b>	5015	5393	6689	7993	9674	11566	13562	15017	15484	16564
Depreciation & amortization	439	549	609	656	699	795	900	962	1001	1038
<b>PBIT</b>	4576	4844	6080	7337	8975	10771	12662	14055	14483	15526
<b>PBT</b>	4572	4826	6015	7268	8898	10684	12659	13998	14434	15503
Tax	1452	1562	1954	2280	2736	3266	3874	4390	5106	5302
<b>PAT</b>	3120	3264	4061	4988	6162	7418	8785	9608	9328	10201
<b>Proposed Dividends *</b>	1543	1634	4453	4002	4089	4853	5583	6030	8233	6945
- Ordinary Dividend	1543	1634	2004	2518	4089	4853	5583	6030	6296	6945
- Special Dividend			2449	1484					1937	
<b>Earnings Per Share</b>										
Actual (₹) **	8.28	8.65	10.64	6.45	7.88	9.39	11.05	11.99	11.59	8.40
Adjusted (₹) @	2.76	2.88	3.55	4.30	5.25	6.26	7.36	7.99	7.73	8.40
<b>Dividend Per Share</b>										
Actual - Ordinary (₹) **	3.50	3.70	4.50	2.80	4.50	5.25	6.00	6.25	6.50	4.75
Actual - Special (₹) **			5.50	1.65					2.00	
Adjusted - Ordinary (₹) @	1.17	1.23	1.50	1.87	3.00	3.50	4.00	4.17	4.33	4.75
Adjusted - Special (₹) @			1.83	1.10					1.33	
Market Capitalisation ***	77765	69751	100476	140408	177360	244245	280708	260864	263989	340673

\* Including Dividend Distribution Tax.

\*\* Based on number of shares outstanding at the year end; reflects the impact of Corporate Actions.

\*\*\* Based on year end closing prices, quoted on the Bombay Stock Exchange.

@ To facilitate like to like comparison, adjusted for 1:1 Bonus Issue in 2011 and 1:2 Bonus Issue in 2017.

§ 2016 & 2017 as per Indian Accounting Standards (Ind AS); previous GAAP for earlier years.

## Standalone Equity, Liabilities and Assets 2008 - 2017

(₹ in Crores)

Year Ending 31st March	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>#</sup>	2017 <sup>#</sup>
<b>Equity</b>										
Share capital	377	378	382	774	782	790	795	802	805	1215
Other equity	11681	13357	13682	15179	18010	21498	25467	29934	40851	44126
Shareholders' funds	12058	13735	14064	15953	18792	22288	26262	30736	41656	45341
<b>Non-current liabilities</b>										
Borrowings	91	91	92	87	77	66	51	39	26	18
Deferred tax liabilities (Net)	545	867	785	802	873	1204	1297	1632	1867	1872
Non-current liabilities (others)	90	95	45	115	120	129	115	108	127	155
<b>Current liabilities</b>										
Borrowings	92	62		2	2		...	...	4	...
Proposed dividend (including tax)	1543	1634	4453	4002	4089	4853	5583	6030		
Current liabilities (others)	2830	3000	3566	4473	5035	5477	5921	5651	6351	6830
<b>Total Equity and Liabilities</b>	<b>17249</b>	<b>19484</b>	<b>23005</b>	<b>25434</b>	<b>28988</b>	<b>34017</b>	<b>39229</b>	<b>44196</b>	<b>50031</b>	<b>54216</b>
<b>Non-current assets</b>										
Property, plant and equipment and Intangible assets (including capital work-in-progress and intangible assets under development)	7296	8486	9152	9678	11376	12697	14309	16293	16430	18417
Non-current investments	846	892	1357	1563	1953	2001	2512	2442	6853	8486
Non-current assets (others)	859	1117	882	1146	1196	1728	1480	1506	3515	2776
<b>Current assets</b>										
Current investments	2089	1945	4370	3991	4363	5059	6311	5964	6471	10100
Cash and cash equivalents and Other bank balances	570	1031	1126	2243	2819	3615	3289	7589	5639	2747
Current assets (others)	5589	6013	6118	6813	7281	8917	11328	10402	11123	11690
<b>Total Assets</b>	<b>17249</b>	<b>19484</b>	<b>23005</b>	<b>25434</b>	<b>28988</b>	<b>34017</b>	<b>39229</b>	<b>44196</b>	<b>50031</b>	<b>54216</b>
Net Worth Per Share (₹) *	10.67	12.13	12.28	13.74	16.02	18.80	22.01	25.56	34.51	37.33

\*To facilitate like to like comparison, adjusted for 1:1 Bonus Issue in 2011 and 1:2 Bonus Issue in 2017.

Equity includes impact of :

2011 - 1:1 Bonus Issue (₹ 383 Crores) and 2017 - 1:2 Bonus Issue (₹ 403 Crores).

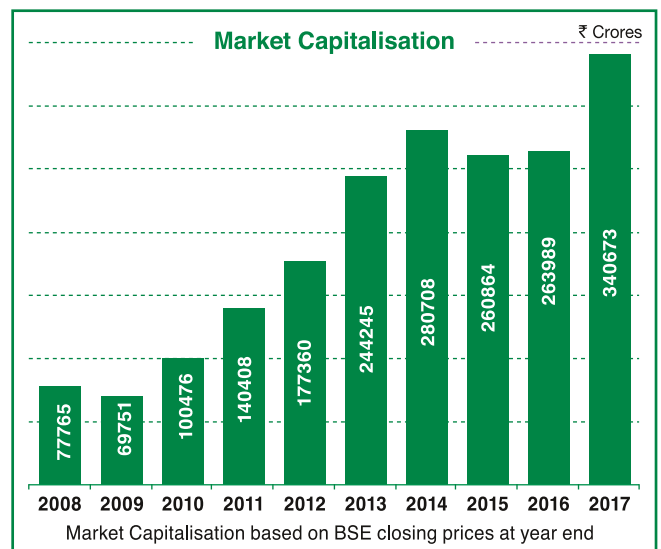
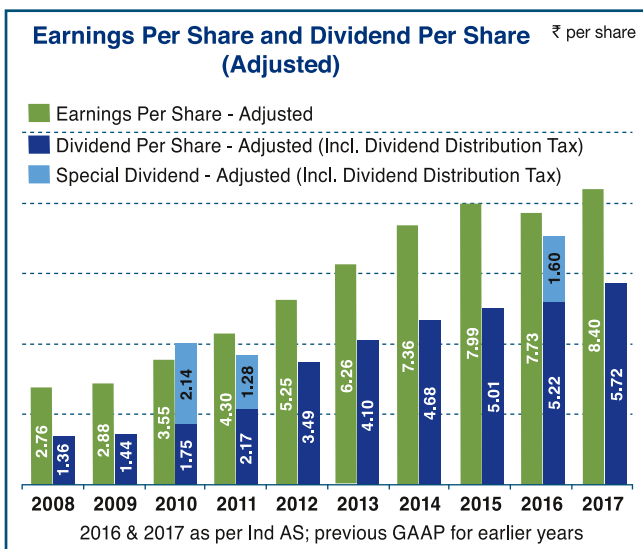
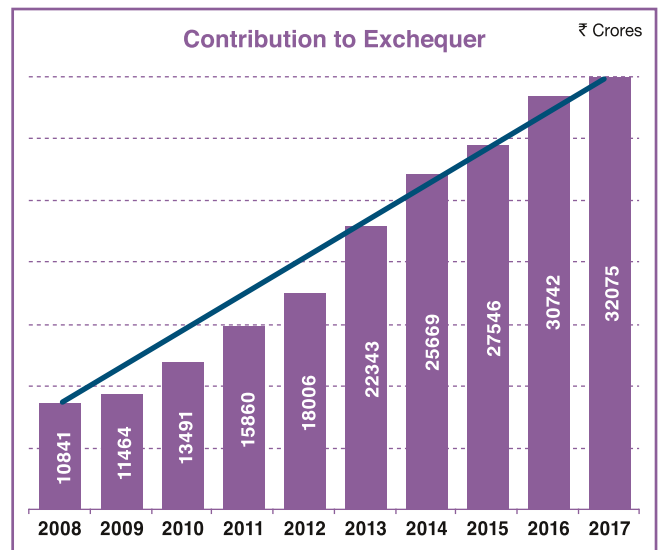
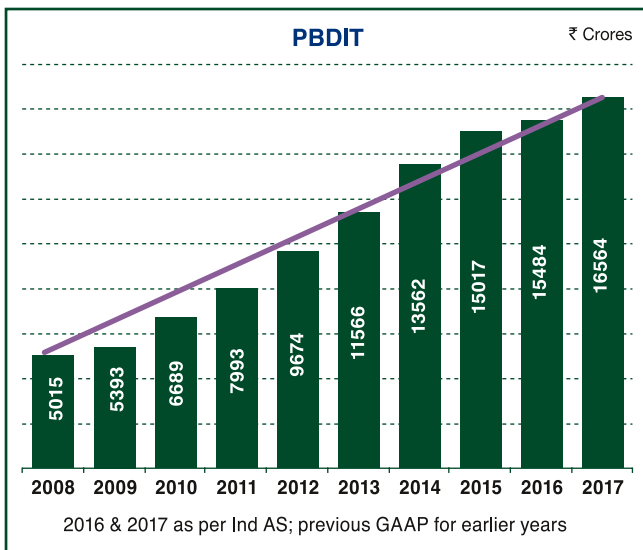
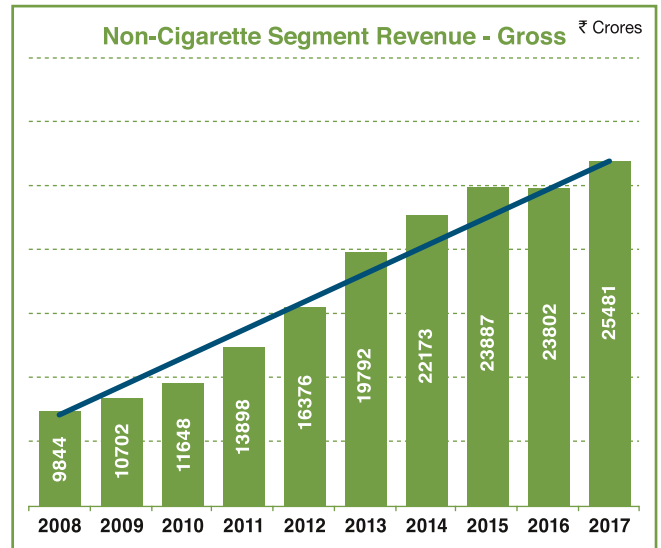
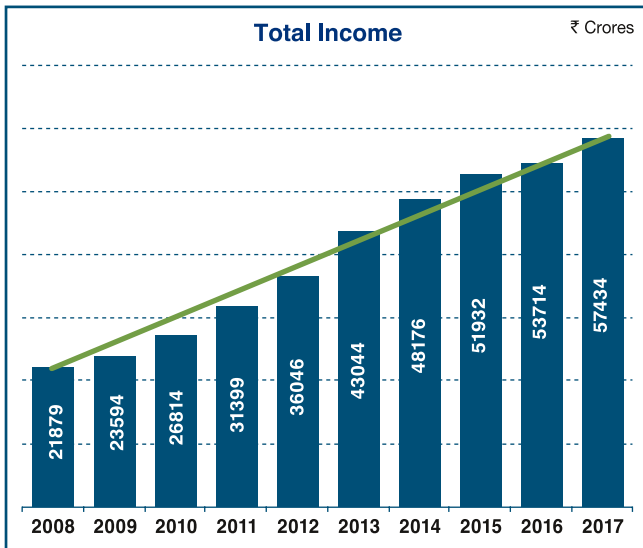
2015 - 87,761 Ordinary Shares of ₹ 1.00 each issued pursuant to Scheme of Amalgamation of Non-Engineering Business of WIMCO Limited with the Company.

Note : Figures for the periods prior to 2011 have been broadly re-classified/re-arranged/ re-grouped, wherever material, as per revised Schedule VI to the erstwhile Companies Act, 1956 in order to facilitate like to like comparison.

#2016 & 2017 as per Ind AS; previous GAAP for earlier years.



# Financial Highlights



These graphs depict the standalone financial position.

Note 1 : EPS and DPS have been adjusted for impact of Corporate Actions to facilitate like to like comparison.



# Business Responsibility Report

The Directors present the Business Responsibility Report of the Company for the financial year ended on 31st March, 2017, pursuant to Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company also publishes annually, a comprehensive Sustainability Report, based on the Global Reporting Initiative (GRI) guidelines.

The details on the aspects discussed in this Report are available in the Company's Sustainability Report. The Company's Board approved Sustainability Policies, ITC Code of Conduct and the Sustainability Report are available on the Company's website — [www.itcportal.com](http://www.itcportal.com).

## General Information

1.	Corporate Identity Number (CIN) of the Company:	L16005WB1910PLC001985
2.	Name of the Company:	ITC Limited
3.	Address of the Registered Office:	Virginia House, 37 Jawahar Lal Nehru Road, Kolkata 700 071
4.	Website:	<a href="http://www.itcportal.com">www.itcportal.com</a>
5.	E-mail ID:	<a href="mailto:enduringvalue@itc.in">enduringvalue@itc.in</a>
6.	Financial Year reported:	2016-17
7.	Key products / services:	
	<b>Businesses</b>	<b>Products / Services</b>
	FMCG:	Branded Packaged Foods Businesses (Staples; Snacks and Meals; Dairy and Beverages; Confections); Apparel; Education and Stationery Products; Personal Care Products; Safety Matches and Agarbattis; Cigarettes, Cigars etc.
	Hotels:	Hoteliering.
	Paperboards, Paper & Packaging:	Paperboards, Paper including Specialty Paper & Packaging including Flexibles.
	Agri Business:	Agri-commodities such as soya, spices, coffee and leaf tobacco.
8.	Locations where business activities undertaken by the Company	The Company's businesses and operations are spread across the country. Details of plant locations, hotels owned / operated by the Company, are provided in the section, 'Shareholder Information', in the Report and Accounts.
9.	Markets served by the Company:	ITC's products and services have a national presence and several products are exported.
10.	Subsidiary companies and their BR initiatives:	The Company has 24 subsidiaries, including 9 subsidiaries outside India. The subsidiary companies define their own initiatives based on their specific context and have access to information and expertise residing with the parent company.

## Financial Details

1.	Paid up Capital (As on 31.03.2017):	₹ 1,214.74 crores
2.	Total Turnover:	₹ 55,001.69 crores
3.	Total Profit after taxes:	₹ 10,200.90 crores
4.	Total Spending on Corporate Social Responsibility (CSR):	₹ 275.96 crores
	As percentage of Profit after taxes:	2.71%

### List of CSR activities in which expenditure has been incurred:

Areas listed under Schedule VII to the Companies Act, 2013		ITC's interventions (including through Trusts established by the Company)
(i)	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 and Eradication of Poverty
(ii)	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 and Livelihood generation
(iii)	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
(iv)	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 and Wasteland Development
(v)	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
(vi)	Rural Development Projects.	Agri Development



## Commitment to Sustainable and Inclusive Growth

ITC's sustainability initiatives are inspired by the opportunity to serve larger national priorities through a Triple Bottom Line contribution. It is the Company's deep conviction that businesses possess the transformative capacity to create far larger societal value by leveraging their entrepreneurial vitality, creativity and innovative capacity. This Vision is manifest in the unique models fashioned by the Company to enable the creation of large scale sustainable livelihoods and the augmentation of natural resources. This Triple Bottom Line commitment of the Company to simultaneously build economic, social and environmental capital has spurred innovation to orchestrate a symphony of efforts that address some of the most challenging societal issues including widespread poverty and environmental degradation. These concerted efforts of the Company over several years have led to the creation of sustainable livelihoods for around 6 million people, many of whom represent the most disadvantaged in society.

While the Company's pioneering work in empowering rural India is a global exemplar, it has also spearheaded several initiatives to achieve new benchmarks in environmental excellence. Recognising that climate change is a threat that particularly makes rural communities extremely vulnerable, the Company has adopted a low carbon growth strategy. This encompasses large scale afforestation, increasing use of renewable energy and a continuous quest to maximise natural resource efficiencies across all its operations. ITC is the only company of comparable dimensions in the world to be carbon positive for 12 years, water positive for 15 years and solid waste recycling positive for 10 years. Its environmental stewardship is also reflected in its luxury hotels being "Leadership in Energy and Environmental

Design" (LEED®) Platinum Certified and the increasing share of renewable energy usage in the Company's total energy consumption, which presently stands at over 48%.

### Business Responsibility Policies and Guidelines

The Company has aligned its policies and guidelines with the principles enunciated under the Business Responsibility Reporting framework on social, environmental and economic responsibilities of business. The context of the BR principles is embodied in the Sustainability Policies and Code of Conduct adopted by the Company, implementation of which is ensured through well-established systems and processes across all its businesses.

### Reporting on Sustainability Initiatives

For the past 13 years, the Company has published Sustainability Reports encapsulating its performance across the three dimensions of the Triple Bottom Line. ITC Sustainability Report 2016 meeting the G4 guidelines of the Global Reporting Initiative (GRI), 'In Accordance - Comprehensive' category was also third party assured at the highest criteria of 'reasonable assurance' as per the International Standard on Assurance Engagements (ISAE) 3000. The 14th Sustainability Report covering the sustainability performance for the financial year ended on 31st March 2017 and prepared in accordance with the GRI G4 Guidelines, will be available shortly. In addition, the Report and Accounts 2017 of the Company provides a review of the Company's Triple Bottom Line performance.

## Sustainability Policies and ITC Code of Conduct aligned with Business Responsibility Principles

ITC Code of Conduct	Freedom of Association
Life-cycle Sustainability	Diversity and Equal Opportunity
Stakeholder Engagement	Prohibition of Child Labour and Prevention of Forced Labour at the Workplace
Responsible Advocacy	Human Rights consideration of stakeholders beyond the Workplace
Product Responsibility	Environment, Health & Safety
Responsible Sourcing	Corporate Social Responsibility



## Business Responsibility Report Index on Social, Environmental & Economic Issues

Sl. No.	BRR Principle	Section in BR Report	Page	Details in ITC Sustainability Report
1.	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	Corporate Governance for Ethics, Transparency and Accountability	V	√
2.	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life-cycle	Sustainability of Products & Services across Life-cycle	VI	√
3.	Businesses should promote the well-being of all employees	Employee Well-being	VIII	√
4.	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	Stakeholder Engagement	XI	√
5.	Businesses should respect and promote human rights	Human Rights	XI	√
6.	Businesses should respect, protect, and make efforts to restore the environment	Protection and Restoration of the Environment	XII	√
7.	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	Responsible Advocacy	XIII	√
8.	Businesses should support inclusive growth and equitable development	Supporting Inclusive Growth and Equitable Development	XIV	√
9.	Businesses should engage with and provide value to their customers and consumers in a responsible manner	Providing Value to Customers and Consumers	XVI	√



# Principle 1: Corporate Governance for Ethics, Transparency and Accountability

A Board approved policy provides the framework for ITC's corporate governance philosophy, which is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability. ITC believes that since large corporations employ societal and environmental resources, governance processes must ensure that they are utilised in a manner that meets stakeholders' aspirations and societal expectations. ITC embeds sustainability principles in its business strategies, and coupled with corporate governance processes, seeks to ensure superior Triple Bottom Line performance.

**The practice of Corporate Governance in ITC takes place at three interlinked levels:**

Strategic supervision	by the Board of Directors
Strategic management	by the Corporate Management Committee headed by the Chief Executive Officer of the Company
Executive management	by the Divisional Chief Executive assisted by the Divisional Management Committee

**The three-tier governance structure ensures that:**

- Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board of Directors with objectivity, thereby sharpening accountability of management;
- Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and
- Executive management of the divisional business free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of its business.

ITC's governance framework enjoys the highest standards of ethical and responsible conduct of business to create value for stakeholders.

For more details on ITC's governance structure, please refer to the section, 'Report on Corporate Governance', in the Report and Accounts.

## Strategic Supervision of Business Responsibility Practices

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 & monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the Companies Act, 2013.

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five other Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee. The names of the members of this Committee and the number of meetings held during the year are provided in the Report and Accounts.

The Sustainability Compliance Review Committee (SCRC) constituted by the Corporate Management Committee presently comprises one member of the Corporate Management Committee (as Chairman) and six senior members of management. The role of the Committee, inter alia, includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report thereon for review by the Corporate Management Committee.

During the year, three meetings of the SCRC were held to review the sustainability performance of the Company.





## Principle 2: Sustainability of Products & Services across Life-cycle



The Company's strategic intent to create enduring value by investing in new engines of growth is powered by its strong and competitive capabilities in R&D, innovation & technology and an array of institutional strengths including deep consumer insights, brand building capability, trade marketing and distribution infrastructure, focus on quality and world-class manufacturing practices, strong rural linkages and outstanding human resources.

The Company endeavours to embed the principles of sustainability, as far as practicable, into the various stages of product or service life-cycle, including procurement of raw material/service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers. Policies on 'Life-cycle Sustainability' and 'Responsible Sourcing' detail the Company's approach in this respect.

**Some of these elements are discussed briefly below:**

### Maximising Resource Efficiency

The Company has been continuously improving on resource use efficiencies, especially that of common resources such as water and energy. Life-cycle Assessment studies have been carried out for some of the Company's products for identifying additional opportunities to

continuously reduce environmental impacts across the value chain. Resource efficiency is integrated into product and process design and is a critical component in the creation of physical infrastructure, operations, logistics and waste management.

The Company's concerted efforts in optimising resource use efficiency, for instance, are evident across businesses including the Company's most resource-intensive business, the Paperboards and Specialty Papers Division, where continuous improvements in energy and water usage, have made it amongst the most efficient within the sector. Similarly, the Company's Hotels Division has also demonstrated high levels of resource efficiency by achieving the LEED® (Leadership in Energy and Environmental Design) certification at the highest Platinum level for all its luxury properties. Several of the Company's factories and office complexes have also received the Green Factory certification from Indian Green Building Council (IGBC), the LEED® certification from US Green Building Council (USGBC) and Bureau of Energy Efficiency's (BEE) star ratings. In order to continually reduce the Company's environmental footprint, green attributes are integrated in all new constructions and are also being incorporated into existing hotels, manufacturing units, warehouses and office complexes during retrofits.



## Sustainable Consumption

The Company has crafted extensive strategies to ensure sustainable consumption of energy, water and other resources in its businesses. Even though Paperboards and Specialty Papers Division accounts for over 89% of total energy consumption and nearly 92% of total water intake of the Company, it is an acknowledged leader in low-carbon operations as well as in resource usage efficiency. This has been achieved by continuously reducing specific energy consumption, increasing share of renewable energy sources, afforestation and recycling internal and post-consumer waste. The Centre for Science and Environment, New Delhi, credited this business division with the lowest specific energy performance in the Indian Paper and Paperboard sector (Challenge of the New Balance, CSE, 2010). In 2016-17, the specific water intake (water withdrawn per unit of product or service) at the Bhadrachalam unit was 38.1% below the standard proposed by the National Productivity Council for large-scale integrated pulp and paper mills.

The Hotels Division pioneered the concept of 'Responsible Luxury' and created design interventions, which have enabled optimisation in the usage of energy and water. The LEED® Platinum certification for the luxury hotels of the Company makes 'ITC Hotels' the greenest luxury hotel chain in the world.

The Company has laid down comprehensive guidelines on waste management for all its units, which cover hazardous as well as non-hazardous waste and monitoring of performance for each unit, is carried out on a regular basis.

## Beyond Boundaries

Vendors/service providers and large outsourced manufacturing facilities are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 and ITC's Corporate Environment, Health and Safety (EHS) Guidelines. Contract manufacturing agreements provide for compliance with accepted standards on issues related to EHS, human rights and labour practices. Most of the outsourced manufacturing units of the Foods Business are HACCP (Hazard Analysis and Critical Control Point) certified and are working towards improvement in energy efficiency. These interventions are some of the examples of the Company's sustainability practices being adopted by its supply chain network partners.

In order to strengthen sustainable procurement processes, Policies on 'Responsible Sourcing' and 'Human Rights Consideration of Stakeholders beyond the Workplace' have been adopted to address issues of labour practices, human rights, bribery, corruption, occupational health, safety and environment.

The Company works in close partnership with small-scale units in businesses such as Safety Matches and Education and Stationery Products. These partnerships have significantly enhanced the competitiveness of a number of units in these sectors.

## Responsible Sourcing

The Company endeavours to integrate sustainability in the procurement process for its products and services

across its diversified business portfolio. The Policy on 'Responsible Sourcing' encourages resource efficiency in the supply chain which together with the 'Code of Conduct for Vendors and Service Providers' provide guidance to supply chain members and partners to adopt sustainable practices.

Recognising that poverty in rural India also gets accentuated by inadequate access to knowledge, information, price discovery, quality agricultural inputs and markets, the Company has devised unique models for farmer empowerment. These interventions not only support sustainable agriculture and enhance productivity, but also contribute to substantial livelihood creation.

The Company's globally acknowledged ITC e-Choupal initiative has transformed rural communities into vibrant economic organisations by leveraging information technology to provide real-time information on weather, market prices, agricultural best practices, etc. It also provides customised extension services and training through 'Choupal Pradarshan Khets' (demonstration farms). Farmers have been empowered through the establishment of integrated rural services hubs called 'Choupal Saagars'. The e-Choupal system has enabled



efficient sourcing and raised rural incomes. The Company promotes environmentally sustainable farm practices such as zero tilling, micro-irrigation and watershed development. In addition, the Company promotes large-scale afforestation through its Social Forestry programmes. Customised extension services, knowledge of silvicultural practices, and bio-diversity enhancement enrich the farmers' capacity whilst augmenting natural capital. The farmers are free to transact at will and sell to whoever they choose, though the Company stands as a willing buyer.



## Principle 3: Employee Well-being

ITC human resource management systems and processes are designed to enhance employee capability, engagement, vitality and well-being so as to ensure that our employees add superior value – value which will help our businesses stay ahead of competition and simultaneously work towards enabling the Company to achieve its ambitious growth plans. From frontline managers to business leaders, ITC has made significant investments in developing 25,883 employees across the organisational spectrum – including 2,298 female employees – all geared to galvanise the organisation and enhance its capability and agility, proactively manage change and win in the market. Focusing on creating a work environment conducive to delivering winning performance, the two critical anchors of ITC's work culture are fostering quality talent and caring for the well-being of all employees. Specific elements of the Company's work practices and culture are directed by the management

approach articulated in Board-approved Policies on 'Diversity and Equal Opportunity', 'Freedom of Association' and 'Environment, Health and Safety', among others.

As a result of our unique employee centric policies, the latest Randstad Brand Research Survey findings have recognised ITC Limited as India's most attractive employer in the FMCG sector. ITC also ranked among the top 10 companies that MBA students in India want to work with, according to an employer branding survey conducted by Universum Global.

In the 2016 Employee engagement survey 'iEngage', 93% of ITC employees said that they were proud to work with ITC – a score that is amongst the highest globally.

## Diversity and Equal Opportunity

ITC's Policy on 'Diversity and Equal Opportunity' is premised on its fundamental belief that diversity at the workplace creates an environment conducive to engagement, alignment, innovation and high performance. The Policy provides for diversity and equal opportunities to all employees across the Company, based on merit and ability. It also ensures a work environment that is free from any form of discrimination among employees based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group. In FY 2016-17 there were no cases of discriminatory employment.

ITC has instituted suitable processes and mechanisms to effectively address employee grievances. The Grievance Redressal Procedure is intended to facilitate open and structured discussions on grievances related to labour practices and human rights to ensure that these are dealt with in a fair and just manner.

## Enabling a Gender Friendly Workplace

As a good corporate citizen, ITC is committed to a gender friendly workplace. It seeks to enhance equal opportunities for men and women, prevent/stop/redress sexual harassment at the workplace and institute good employment practices. ITC has established suitable processes and mechanisms to ensure issues such as sexual harassment, if any, are effectively addressed. Maintaining an open door for reportees, ITC encourages employees to report any harassment concerns and is responsive to complaints about harassment or any other unwelcome and offensive conduct. An Internal Complaints Committee has been constituted in all units to enquire into complaints and recommend

appropriate action, wherever required. ITC demands, demonstrates and promotes professional behaviour and respectful treatment of all employees. During the year, no complaints of sexual harassment were received.

To sensitise employees and enhance awareness, ITC has set up an e-learning portal on prevention of sexual harassment which is accessible to all ITC employees.

## Supporting the Differently Abled

A firm advocate of opening up employment opportunities for people with disabilities, ITC's Hotels Division has proactively created awareness amongst various organisations. Two comprehensive handbooks prepared by the Division continue to guide industry action in this endeavour – 'ITC Hotels Disability Handbook for Industry' and 'A Guide to Universal Design in Built Environments: A Guide for Creating Accessible Building Infrastructure for Persons with Disability'. Currently there are 74 differently abled employees working in ITC, the majority of whom are employed by the Hotels Division.

## Good Labour Practices

ITC's 10 Board-approved Sustainability Policies continue to guide ITC's unflinching commitment to good labour practices. It is ensured that no person below the age of eighteen years is employed by ITC and forced or compulsory labour is prohibited in all units.

ITC does not engage vendors and suppliers who resort to using child and/or forced labour. In 2016-17, approximately 21,000 employees from 1,527 service providers were engaged across ITC. All service providers have signed ITC's Code of Conduct for Vendors and Service Providers which details labour practices expected of them. Non-compliance with the Code results in termination of contracts. The Company had no cases of child or forced labour in 2016-17.



The Company respects the dignity of the individual and the freedom of employees to lawfully organise themselves into interest groups, independent of supervision by the management and to ensure that employees are not discriminated against for exercising this freedom in a lawful manner and one which is consistent with ITC's core values. In the year under report 10,664 employees of the Company were member of unions. There were no cases of violation of freedom of association.

## Ensuring High Quality of Life

Employee health and well-being is a vital area of care and concern for the Company. This is ensured through regular medical check-ups and other benefits provided in accordance with medical needs. In addition, most units have a wellness centre and a resident doctor. The Company's Agri Business Division – ILTD, encourages employees to take individualised health objectives based on Body Mass Index (BMI) as well as strength and endurance tests. ITC's TM&D organisation conducts 'Parenting Workshops' to address essential needs centred on child care, nurturing and development.

The Company also offers best-in-class accommodation, guest houses, transit flats and holiday home facilities to most of its employees and their families across locations.

**WELCOMCARE:** A confidential counselling service offered by ITC Hotels to its employees, Welcomcare enables them to avail of professional help in a safe and secure environment in dealing with issues like developing coping skills to meet life challenges, making important decisions or exploring new avenues for change and growth.

## Well-being of Employees at ITC's Manufacturing Units

Employee Well-being, one of the four constituents of the Company's overall employee relation framework, 'Good ER' (Employee Relations), is addressed through the following initiatives:

### Skill Enhancement

ITC conducts exhaustive capability building programmes at the employee level and appropriate apprenticeship programmes at the community level. Skill building programmes on technical and other aspects such as behaviour, emotions, cultural appreciation, relaxation, etc. are regularly undertaken by units.

### Employee Engagement

Several ITC units periodically conduct employee engagement surveys. At these surveys, employees are

encouraged to share their views about the workplace. Units also regularly conduct sports programmes, scholarships to meritorious children of employees, as well as recreational events that encourage the creative talents of both employees and their families. In some units employees of service providers are also invited to participate in these events.

### Enabling Physical and Mental/Spiritual Well-being

Periodic health/medical camps, awareness programmes on a healthy lifestyle, stress management and development of wellness plans are organised across units. Regular Yoga sessions are held at several units. Opportunities are also provided for employees to volunteer for a variety of social programmes. '5S@Home' – a programme initiated by ITC's Foods Business (Haridwar Unit) – encourages its employees to draw learnings from work and apply these in different aspects of improvement both within their family and society at large.

### Enhancing Employability

**Employee Skill Development Programme (UDAAN):** ITC Foods Business launched a skills upgradation programme at Ranjangaon to provide growth opportunities to workmen in the upcoming Integrated Consumer Goods Manufacturing and Logistics facility. Customised training curricula have been developed for employees across each skill set to build their capabilities and develop their abilities, thereby equipping them with the necessary skills to succeed and prosper.

**The Gurukul:** ITC's state-of-the-art technical training facility located in Ranjangaon – is a significant contributor in the Company's skilling journey. This training institute offers both short term (1 to 2 weeks) and integrated long term (1 year) programmes to enhance shop floor skills.

Gurukul was conferred the 'Best Corporate University Award,' instituted by Leapvault in partnership with the Tata Institute of Social Sciences.

### Learning and Development

Learning and development is a critical business priority for ITC, geared towards enhancing capability, strengthening the leadership pipeline and fostering employee engagement. 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 reinforce organisational systems to facilitate speedy and competitively superior responses to market opportunities. In 2016-17, 104,423 person-days of formal training were provided to employees at various levels.



## Principle 4: Stakeholder Engagement

The Policy on Stakeholder Engagement provides the approach for identifying and engaging with stakeholders that include shareholders, customers, employees, farmers, suppliers, communities, civil society, media and the government.

The Company believes that an effective stakeholder engagement process is necessary for achieving its sustainability goal of inclusive growth. Accordingly, it anchors its stakeholder engagement on the following principles:

- a) Materiality – Prioritised consideration of the economic, environmental and social impacts identified to be important to the organisation as well as its stakeholders.
- b) Completeness – Understanding key concerns of stakeholders and their expectations.
- c) Responsiveness – Responding coherently and transparently to such issues and concerns.

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders across businesses and units in a continuous, consistent and systematic manner.



It has implemented mechanisms to facilitate effective dialogues with all stakeholders across businesses, identify material concerns and their resolution in an equitable and transparent manner. These measures have helped the Company develop strong relationships, which have withstood the test of time.

The Company's collaborative partnerships with communities are manifest in its programmes such as watershed development, social forestry, animal husbandry services and women empowerment. These initiatives augment the natural resource base of the nation and create sustainable rural livelihoods.



## Principle 5: Human Rights

The Company has Policies on Human Rights applicable to its employees and its value chains. The Policies and their implementation are directed towards adherence to applicable laws and to uphold the spirit of human rights, as enshrined in existing international standards such as the Universal Declaration and the Fundamental Human Rights Conventions of the International Labour Organisation (ILO). The Company continued to work towards strengthening and introducing systems to ensure sound implementation of ITC's Sustainability Policies specifically with respect to Human Rights and decent work place.

The Company has in place a Code of Conduct for vendors and service providers across Businesses and a Grievance Redressal Procedure to address concerns, if any, pertaining to Human Rights and decent labour practices for its employees. Vendors and Service Providers across

Businesses have voluntarily accepted and adopted the Company's 'Code of Conduct for Vendors and Service Providers', which requires compliance with applicable laws relating to, inter alia, human rights, environmental conservation, and quality of products and services. The Company has been approached by some of the Vendors and Service Providers seeking the Company's assistance in organising training workshops for educating, creating awareness and building their capacity on human rights and decent labour practices. In furtherance of these requests, the Company proposes to identify experts who shall conduct workshops from time to time throughout the year.

With a view to build awareness and educate employees on the Company's Sustainability Policies including Policies on Human Rights and ITC's Code of Conduct, IT enabled programmes continued to be rolled out across business divisions.



## Principle 6: Protection and Restoration of the Environment

The Company is a global exemplar in environmental sustainability and takes pride in being carbon positive, water positive and solid waste recycling positive for many years. The Company has contributed to environmental stewardship by not only ensuring efficient use of resources but also by augmenting precious natural resources.

The Policies on 'Life-cycle Sustainability', 'Environment, Health and Safety' and 'Responsible Sourcing' provide the necessary direction towards climate change mitigation and adaptation efforts as well as natural resource replenishment initiatives. Such efforts include implementation of a low carbon growth strategy across its businesses, integrated soil and water conservation programmes and the creation of large-scale sustainable livelihoods amongst the marginalised sections of society.

The Company has sought to align with the NAPCC (National Action Plan on Climate Change) of the Government of India to respond to the challenges emerging from the threat of climate change. Some of the measures implemented include continual improvement in specific energy consumption (energy consumed per unit of product or service), enhanced use of renewable energy and expansion of forestry projects to improve the Company's positive carbon footprint.

The Company has also computed its Greenhouse Gas inventory in line with the ISO 14064 standard, which has been assured at the highest 'Reasonable Level' as per the ISAE 3410 standard, by a third-party assurance provider.

### Sustainable Solid Waste Management

The Company has initiated measures across business units to ensure waste minimisation, segregation at source and recycling. For the past 10 years, the Company has been recycling over 98% of solid waste generated by its units and during the year, over 99% was recycled. In addition, around 1,15,000 MT of externally sourced post-consumer waste paper, was used as raw material, enabling the Company to achieve a positive solid waste recycling footprint.

### Water Management Stewardship

The Company has undertaken several water conservation and harvesting initiatives to enhance its positive water



footprint. These include continual improvement in specific water intake, adoption of benchmarked practices and rainwater harvesting both within the Company's premises and in the catchment areas of its operations. These initiatives not only lower fresh water intake but also maximise groundwater recharge, reduce run-off and provide precious water to farmers. Most of the Company's units have achieved reduction in their specific water intake and maximised treated effluents reuse.

Carrying forward the Company's extensive work on integrated watershed management, programs are now underway to achieve water security for all stakeholders within defined catchment area for manufacturing units located in high water stress areas. Based on extensive studies that include water accounting and detailed hydro-geological studies, implementation of necessary initiatives to address both demand and supply side issues have already been rolled out. These include improvement of water usage efficiencies by all stakeholders including the farming community, augmenting groundwater recharge, enhancing surface storage through the rejuvenation and interlinking of existing water bodies, etc. The Company will progressively cover more units under this initiative.

### Cleaner Production Methods, Use of Energy Efficient and Environment-friendly Technologies

The Company is a pioneer in the green buildings movement, which commenced with the establishment of the ITC Green Centre at Gurgaon in 2004, now one of the

highest LEED® Platinum certified buildings in the world. ITC Grand Chola, the 600-key super-premium luxury hotel complex in Chennai, which is amongst the world's largest LEED® Platinum certified green hotel, has also secured a 5 Star Green Rating for Integrated Habitat Assessment (GRIHA) rating, the highest national rating for green buildings in India. Other large infrastructure investments, such as the ITC Green Centre at Manesar (LEED® Platinum certified) and the upcoming ITC Green Centre at Bengaluru (pre-certified for LEED® Platinum) continue to demonstrate the Company's commitment to green buildings. The data centre at Bengaluru, ITC Sankhya is the first data centre in the World to receive the LEED® Platinum certification by USGBC. Totally 22 buildings of the Company have achieved Platinum certification by USGBC/IGBC.

The Company has also pioneered the manufacture of Elemental Chlorine Free (ECF) pulp & paper/paperboards in India and taken further steps towards cleaner production by introducing 'Ozone bleaching' technology, another first in the country. The Company continues to invest in reducing air emission levels through adoption of cleaner technologies/fuels, monitoring of combustion efficiencies and investments in state-of-the-art pollution control equipment, such as plasma filters, electrostatic precipitators, etc. Its units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NOx) and Sulphur Dioxide (SO<sub>2</sub>) to ensure compliance with Company standards that are more stringent than regulatory requirements. The Company has made a commitment to reduce dependence on energy from fossil fuels by progressively moving towards meeting 50% of its total energy requirements from

renewable sources by 2020. In order to meet this goal, the Company has developed a strategic approach and plans that focus on both energy conservation and renewable energy investments.

## Implementation of Environment, Health & Safety Management Systems

In pursuit of its EHS Policy commitments, the Company has established management systems, certified by accredited agencies in line with international standards like ISO 14001 and OHSAS 18001. Within the purview of certified management systems, contingency plans are developed and implemented to prevent, mitigate and control environmental disasters.

An integrated sustainability database management system implemented across the Company ensures monitoring and reviewing of sustainability performance through defined key performance indicators. Standard operating procedures are in place to define, collate and support audits of data for ensuring accuracy and verifiability.

Furthermore, the Company has focused on institutionalising safety as a value-led concept by inculcating a sense of ownership at all levels and driving behavioural change towards creation of a safety culture. In line with this, behavioural based safety initiatives and custom-made risk based training programmes have been implemented at several units which has resulted in improved safety performance. In 2016-17, 20,926 person-days of training, was provided to employees on EHS related matters.



## Principle 7: Responsible Advocacy

The Policy on Responsible Advocacy provides the framework for the necessary interface with Government/Regulatory Authorities on matters concerning the various sectors in which the Company operates. The Company works with apex industry institutions that are engaged in policy advocacy, like the Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, Associated Chambers of Commerce and Industry of India and various other forums including regional Chambers of Commerce. The Company's engagement with the relevant authorities is guided by the values of

commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

The Company, for its social development projects, organises meetings with the local administration and State Governments to seek their participation and involvement. Their expert advice and counsel are also sought and approvals obtained, where required, for the planned interventions. The Company also engages in public-private-partnerships (PPP) with the State Governments for such projects.





## Principle 8: Supporting Inclusive Growth and Equitable Development



### ITC's Strategic Stakeholders

In social sector, the two most important stakeholders of ITC are:

- ❖ Rural communities with whom the Company's agri-businesses have forged long and enduring partnerships through crop development and procurement activities.
- ❖ Communities residing in close proximity to our manufacturing units, situated in urban and semi-rural locations.

The stakeholder communities face the challenge of securing sustainable livelihoods, which is addressed through the Company's two-pronged approach:

**Horizon 1:** Making today's dominant source(s) of livelihoods sustainable; and

**Horizon 2:** Creating capabilities for wealth generation and employment for tomorrow.

The two horizon strategy has necessitated an integrated approach to development involving several interventions which are summarised below. All programmes are implemented through a mix of national and grass-root level Programme Implementation Agencies (PIAs).

### Performance 2016-17

#### Coverage

The projects promoted under the Social Investments Programme were spread over 182 districts of 26 States/ Union Territories.

#### Interventions

##### Horizon 1 - Making today's Livelihoods Sustainable

❖ **Social Forestry:** This programme is designed to promote livelihoods through plantations by providing financial, technical and marketing support to farmers. In 2016-17, the programme greened 38,916 acres in 19 districts and 6 States. Out of this, the area under Agro-forestry was 21,553 acres.

❖ **Watershed Development:** The programme's long term objective is to champion water security for all stakeholders in order to minimise risks to livelihoods arising from unexpected weather episodes. Implemented in 45 districts covering 12 States, 136,190 acres of watershed area was achieved in 2016-17. 2,101 water harvesting structures constructed during the year creating 34.05 lakh kilolitres of fresh rain water harvesting potential.



❖ **Animal Husbandry:** 223 Cattle development centres, in 7 States, were functional during the year for rendering animal husbandry services with the aim of increasing productivity of milch cattle and thereby household incomes. 2.28 lakh artificial inseminations were conducted leading to live births of over 1.01 lakh cross-bred progenies.

❖ **Improved Agricultural Practices:** This initiative attempts to de-risk farmers from erratic weather events through the promotion of climate smart agriculture in order to stabilise farm incomes. During 2016-17, 1,280 Farmer Field Schools (FFS) disseminated advanced agri-practices covering over 1.50 lakh acres under different crops. 326 Agri Business Centres (ABCs) delivered extension services, arranged agri-credit linkages and established collective input procurement and agricultural equipment on hire.

❖ **Women's Economic Empowerment:** This initiative provided a range of gainful employment opportunities to poor women supported with capacity building and financial assistance by way of loans and grants. During 2016-17, 10,200 ultra-poor women, in the core

catchments had access to sustainable sources of income through non-farm livelihood options.

### Horizon 2 - Creating Future Capabilities

❖ **Education:** The education programme provides children from weaker sections access to education with focus on improved learning outcomes. Operational in 19 districts of 11 States, during the year, the programme covered 49,392 children and 160 government primary schools were provided infrastructure support.

❖ **Vocational Training:** This programme provides training in market linked skills to youth to enable them to compete in the job market. 12,338 youth were enrolled for training under different courses during the year of which 35% were female and 39% belonged to the SC/ST communities. The programme is operational in 29 districts of 17 States.

❖ **Sanitation:** To achieve the objective of zero open defecation, 8,550 Individual Household Toilets (IHHT) were constructed in 22 districts of 14 States in collaboration with the respective state governments. In addition to construction, equal focus was given to



awareness campaigns to create demand and drive behavioural change. The consequential benefits include reduction in absenteeism from work due to health related issues, thus leading to higher or stable earnings for the beneficiaries.

❖ **Solid Waste Management (SWM):** ITC's waste recycling programme, 'WOW – Well Being Out of Waste' helps in the creation of a clean and green environment through awareness and education of citizens on source segregation and recycling of dry waste. It also promotes sustainable livelihoods for rag-pickers and waste-collectors. During the year, in addition to Hyderabad, Coimbatore, Chennai and Bengaluru, the programme was expanded to Delhi, Tirupati and Muzaffarpur. The quantum of dry waste collected was 33,982 MTs from

417 wards. The programme covers over 64 lakh citizens, 25 lakh school children and 2,000 Corporates. It creates sustainable livelihoods for 13,500 rag-pickers and waste collectors by propagating source segregation and facilitating effective collection in collaboration with municipal corporations. It has also created over 60 social entrepreneurs who are involved in maximising value capture from the dry waste collected. In addition, another programme on solid waste management under the Mission Sunhera Kal initiative has spread to 10 districts of 7 States covering 61,200 households and collected 6,033 MT of waste during the year. This programme focuses on home composting in addition to recycling of dry waste. In 2016-17, under this programme, 4,161 MT wet waste was composted and 459 MT of dry waste recycled, and only 23% of the total waste sent to landfill.



## Principle 9: Providing Value to Customers and Consumers

As an organisation which upholds and makes significant efforts to ensure good governance, the Company complies with all relevant laws of the land. The Company's uncompromising commitment to providing world-class products and services to customers is supported by its concern for the safety of its customers/consumers. The Company's overall approach on this vital aspect is guided by its Policy on 'Product Responsibility'.

### Product Responsibility

The Company is committed to providing products and services that offer best-in-class quality and user experience. With a continually growing portfolio of businesses that use agri/farm products, the Company endeavours to use sustainably sourced ingredients. The Company adopts stringent hygiene standards, benchmarked manufacturing practices and robust quality assurance systems for its products and the declared product shelf-life is determined based on independently validated studies.

### Marketing Communication

All businesses of the Company comply with all regulations and relevant voluntary codes concerning marketing communications, including advertising, promotion and sponsorship. The Company's communications are aimed at enabling customers to make informed purchase decisions. The Company also makes efforts to educate customers on responsible usage of its products and services.



In addition, the Company's businesses have a dedicated consumer response cell to respond to customer queries and feedback on products so as to be able to continuously improve upon its products and services.

### Responsiveness to Customers

A well-established system is in place for dealing with customer feedback. Consumers are provided multiple options to connect with the Company through email, telephone, website, social media, feedback forms, etc.



## ITC Infotech



ITC Infotech is a specialised global full service technology solutions provider, led by Business and Technology Consulting. ITC Infotech's Digitaligence@work infuses technology with domain, data, design, and differentiated delivery to significantly enhance experience and efficiency, enabling clients to differentiate and disrupt their business

The company provides solutions to enterprises in Supply Chain based industries (CPG, Retail, Manufacturing, Hi-Tech) and Services (Banking, Financial Services and Insurance, Airline, Hospitality) through a combination of traditional and newer business models, as a long-term sustainable partner.

The company is powered by a growing portfolio of specialized solutions addressing critical business challenges, including: Industry 4.0 solutions (Product Lifecycle Management (PLM), Internet-of-Things (IoT) and Embedded), Customer Value Management, Loyalty, Trade Marketing & Distribution, Supply Chain Optimisation, Data Engineering and Analytics, Digital Banking solutions, Product Engineering Services, Cloud migration and Digital Agriculture solutions.

ITC Infotech's long term strategy to create a future-ready business is being acknowledged by the industry, leading analysts and advisors. ITC Infotech was featured as a global 'Leader' in the archetype 'Enabling Digital' by ISG (Information Services Group) in their ISG Insights Index (i3) for ADM. ISG defines companies who are

'Enabling Digital' as: "These are very customer-centric companies that are trying to create a competitive advantage enabled through emerging technologies". ISG is the world's leading global technology research and advisory firm and a trusted business partner to more than 700 clients, including 75 of the top 100 enterprises in the world.

### Digitaligence@work

Digitaligence@work, ITC Infotech's differentiated competitive positioning, looks at digital disruption through the lens of a three point continuum of Information, Insights and Interactions. Digitaligence@work co-creates intelligence for clients by integrating diverse data sets. Through the use of sophisticated analytics, this information is further simplified into actionable insights, with diagnostic, predictive & prescriptive analytics. Going one step further, Digitaligence@work uses insights gleaned from various sources of information to design interactions – improving efficiencies, while significantly enhancing experiences.

In the Digital era, the only way to stay competitive and sustain growth is by differentiating or disrupting. Digitaligence@work helps ITC Infotech's clients do exactly this: re-envision the future.



## Collaborating for Success

ITC Infotech won the Aecus Innovation Awards 2016 for providing an innovative customer experience solution to Holland & Barrett, UK's leading health retailer.

ITC Infotech & British American Tobacco were finalists in the category 'Collaboration' for the 2016 Paragon Awards Europe by ISG – for demonstrating ground-breaking and inspirational approaches to sourcing.

## Unique Talent Management Practices

ITC Infotech won the Asia Pacific HRM Congress Awards 2016, presented by Times Ascent, in the categories of 'Managing health at work' and 'Talent management and its impact on employee engagement'. These awards reflect ITC Infotech's efforts towards creating a workplace which fosters innovation and recognises & rewards excellence.

Being adjudged winner across Asia Pacific is a validation of the company's Talent Management practices & initiatives as one of the best – not just in the technology industry, but across industries.

ITC Infotech also won the 'Best HR Tech Solution of the Year' in the Disruptive Tech & Innovation Awards 2016 for its homegrown 'Enterprise Collaboration Platform', which powers the company's intranet.

## Being Future Ready

ITC Infotech is committed to ensuring future-readiness of the company and of the Indian IT industry. As part of

this commitment to create a talent pool of technology enthusiasts, ITC Infotech hosted NASSCOM's TechNgage - 'Celebrating Technology & Technologists', at its global headquarters in Bengaluru. NASSCOM's TechNgage is an annual initiative to further enhance technology skills available within the country by providing a platform to recognize highly skilled people, in an effort to help India become the hub of innovation and to enthuse Indian technologists to continuously evolve and become 'World Class Techies'.

The second edition of ITC Infotech's annual technology innovation & co-creation platform iTech, set a new benchmark for Augmented Reality & Virtual Reality (AR/VR) in 2016. The event concluded with ITC Infotech hosting a unique Startup 'Showcase' session, where shortlisted startups were provided the opportunity to directly present their solutions to ITC Infotech's biggest global customers, as well as the business division heads from ITC. The panel of judges consisted of business leaders from ITC Infotech's partners and global clients, such as KONE, Microsoft, PTC and SAP Labs along with senior leaders from ITC's businesses.

ITC Infotech believes in promoting innovation and fostering a culture of entrepreneurship in the ecosystem. iTech 2016 was a step towards nurturing entrepreneurs and start-ups in creating the technologies of the future.

"ITC Infotech's DNA of driving efficiency and experience through technology, and creating sustainable partnerships form the cornerstone of our success", according to ITC Infotech MD & CEO, Ms Sushma Rajagopalan.



## CII-ITC Centre of Excellence for Sustainable Development

The CII-ITC Centre of Excellence for Sustainable Development (CESD), established by ITC in 2006 in collaboration with the Confederation of Indian Industry (CII), continues with its endeavours to promote sustainable business practices among Indian enterprises. It is steered by its Advisory Council, led by Mr Y C Deveshwar, Chairman, ITC Limited, and comprises members from industry, civil society and institutions, which provides strategic direction to the organisation.

The 11th edition of CII-ITC CESD's flagship programme, the Sustainability Summit, was held on September 14-15, 2016 in New Delhi with focus on some of the key Sustainable Development Goals (SDGs) and on building our national competitiveness. Key dignitaries included late Mr Anil Madhav Dave, the then Union Minister for Environment, Forests and Climate Change, Mr Piyush Goyal, Union Minister for Power, New & Renewable Energy, Coal and Mines, Mr Amitabh Kant, CEO, NITI Aayog and Mr. Yuri Afanasiev, UN Resident Coordinator & UNDP Resident Representative in India. The Summit was attended by over 56 speakers and 400 participants representing businesses, civil society, central and state governments, technocrats, academia, media and sustainability consultants.

The CII-ITC Sustainability Awards recognise and reward outstanding contributions by corporates to sustainable development in the country. In the last 11 years, these Awards have set benchmarks for excellence in sustainable business in India. In 2016, 96 companies applied for the Awards in the Corporate and Domain Excellence categories. Awards were declared at a ceremony on

December 5, 2016 in Delhi, recognising 23 winners for excellence in sustainable business. Mr Prakash Javadekar, Union Minister for Human Resources presented the Awards to the winners.

CII-ITC CESD, in partnership with NITI Aayog, launched an initiative for improving the air quality in NCR on November 17, 2016 in New Delhi. The initiative was inaugurated by Mr. Suresh P Prabhu, Union Minister for Railways, and Mr. Amitabh Kant, CEO, NITI Aayog. It completed the 44-month project on greening Indian retailers' supply chain and facilitating resource efficient practices within the retailer's operation. Some of the outcomes of the project include increased energy efficiency and reduced operational costs of retail stores. The NGO assessment framework and methodology was also finalised after putting it to pilot test. It is now available for companies in India to use. The framework is uniquely designed to identify capacities and capabilities of the assessee, and accordingly provide guidance to the sponsoring company if it should work with that implementing agency.

CII-ITC CESD undertook several consultancy assignments with large and small Indian firms to design sustainability management frameworks, develop business responsibility reports, devise carbon neutral strategies, undertake accounting of greenhouse gases, develop sustainability reports and undertake biodiversity assessments. It is currently assisting the Delhi Metro Rail Corporation (DMRC) on design and implementation of Energy Management Systems.



## ITC Sangeet Research Academy

The ITC Sangeet Research Academy (ITC SRA), which was established in 1977, continues to be a true embodiment of ITC's sustained commitment to a priceless national heritage. The Company's pledge towards ensuring enduring excellence in Classical Music education has helped ITC SRA adhere to the age-old 'Guru-Shishya Parampara'. The Academy has eminent musicians imparting quality Hindustani classical music to its scholars. Its list of Gurus includes living legends like Padma Vibhushan Vidushi Girija Devi, Padma Bhushan

Buddhadev Dasgupta, Padma Shri Ulhas Kashalkar, Padma Shri Ajoy Chakrabarty and Pandit Uday Bhawalkar. The focus of the Academy is on nurturing exceptionally gifted students, carefully hand-picked across India, who receive full scholarships to reside and pursue music education in the Academy's campus. This has provided opportunities to young talent to train under the tutelage of the country's most distinguished stalwarts and has helped create the next generation of musical masters.



## Major Awards 2016-17

- ❖ ITC has won the prestigious Porter Prize 2017 for 'Excellence in Corporate Governance and Integration' and for its exemplary contribution in 'Creating Shared Value'.
- ❖ Chairman Mr Y C Deveshwar was conferred Lifetime Achievement Awards 2016 by leading media organisations, CNBC TV18 and Business Standard.
- ❖ Chairman Mr Y C Deveshwar was conferred the prestigious Banga Bibhushan award, the highest civilian honour instituted by the Government of West Bengal.
- ❖ ITC has been named India's 'Buzziest' Corporate brand in a survey conducted by Afaqs!, a leading media portal. Several of ITC's FMCG brands - Sunfeast, Bingo!, Yippee!, Vivel, Engage, Fiana and Savlon also featured in the honours' list in their respective categories.
- ❖ ITC Limited became the 1st company to win the India Today Safaigiri Corporate Trailblazer Award 2016.
- ❖ ITC Limited won two "ASSOCHAM Waste Management Excellence Awards 2017" in the 'Best Corporate Initiative in Swachh Bharat Abhiyan' and 'Best Outreach Strategy in Waste Management' categories.
- ❖ ITC Grand Bharat, Gurgaon, has been ranked No 1 Resort in Asia by the Conde Nast Traveler USA Readers' Choice Awards 2016, for the second consecutive year.
- ❖ The ITC Green Centre in Manesar has once again been awarded Platinum Rating under Leadership in Energy and Environmental Design (LEED®) for 'Existing Building Operation and Maintenance' by 'US Green Building Council (USGBC)'.
- ❖ ITC Limited won the Intel AIM Corporate Responsibility Award, 2016, accorded by the Asian Institute of Management-RVR CSR Center and the Asia Inc Forum.
- ❖ ITC was adjudged the 'Best in Supply Chain Sustainability' at the Asian Corporate Sustainability Summit 2016.
- ❖ ITC's Packaging and Printing Business was declared the 'Green Printing Company of the Year 2016' by PrintWeek India.
- ❖ ITC's Paperboards Unit in Bhadrachalam has become the first integrated Pulp and Paper Unit to receive the prestigious CII GreenCo Platinum Rating.
- ❖ ITC won the FICCI Water Awards 2016 in the Community Initiatives by Industry category. Also won FICCI CSR Award 2016 for Environment Sustainability and Health, Water & Sanitation programmes.



## Major Awards Over The Years

- ❖ ITC's Sankhya Data Centre, Bengaluru became the first data centre in the world to get LEED® Platinum Certification from the US Green Building Council (2016).
- ❖ ITC was ranked as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group (2014).
- ❖ Harvard Business Review ranked ITC Chairman Mr Y C Deveshwar as the 7th Best Performing CEO in the World in its January-February 2013 edition. He was also ranked among the Most Valuable CEOs of India by Businessworld.
- ❖ ITC was presented the World Business and Development Award at the Rio+20 UN Summit for its Social and Farm Forestry initiative (2012).
- ❖ ITC was presented the AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility (AFCSR), in recognition of its contribution to the creation of sustainable livelihoods and fostering economic growth in rural communities in India (2012).
- ❖ Chairman Mr Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- ❖ All ITC's super premium luxury hotels were accorded LEED® Platinum certification, making ITC Hotels the 'Greenest Luxury Hotel Chain in the World' (2011).
- ❖ ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni were FSC Chain of Custody certified (2011).
- ❖ Chairman Mr Y C Deveshwar was conferred the Global Leadership Award by the US India Business Council of the US Chamber of Commerce in 2010. He was awarded the SAM/ SPG Sustainability Leadership Award in 2007.
- ❖ ITC was conferred the National Award for Excellence in Corporate Governance by the Institute of Company Secretaries of India (2007).
- ❖ ITC was the 1st Indian Company and 2nd in the world to win the Development Gateway Award for its trail-blazing e-Choupal initiative (2005).



# ITC: Transforming Lives and Landscapes



**ITC's e-Choupal**  
Empowering 4 million farmers



**ITC's Afforestation Programme**  
Greening more than 6,20,000 acres



**ITC's Watershed Development Programme**  
Providing Soil & Moisture conservation to over 7,76,000 acres of drylands



**ITC's Livestock Development Initiative**  
Providing animal husbandry services for 15,00,000 milch animals



**ITC's Women Empowerment Initiative**  
Creating nearly 55,000 sustainable livelihoods for women



**ITC's Primary Education Initiative**  
Benefitting over 5,00,000 children



**ITC's Skilling & Vocational Training Initiative**  
Nearly 44,000 youth trained



**ITC's Health & Sanitation Programme**  
Nearly 24,000 low-cost sanitary units constructed

ITC is the only enterprise in the world of comparable dimensions to be Carbon Positive, Water Positive and Solid Waste Recycling Positive. ITC's businesses and value chains support around 6 million sustainable livelihoods