REPORT OF THE DIRECTORS & Management Discussion and Analysis

For The Financial Year Ended 31st March, 2001

Your Directors submit their Report for the financial year ended 31st March, 2001.

SOCIO-ECONOMIC ENVIRONMENT

The year under review witnessed a slower growth of GDP at 6.0% in comparison to the 6.4% of the previous year, and much lower than the target of 7% set by Budget 2000. The slower growth was mainly a result of deceleration in the growth rate of the services sector from 9.6% to 8.3% and lower than expected growth rates in agriculture and industry.

The year ahead will be one of great challenge for the Indian industry. The competitive context of a rapidly globalising Indian market will severely test the inherent capabilities of Indian companies. The uncertain prognosis on the economic slump in the United States, fears of slowdown in Europe and the continuing stagnation in Japan are already beginning to adversely impact export-led growth opportunities for Indian companies, particularly in the Information Technology sector. Sustaining positive investor sentiment in such a depressed global economic climate will require concerted initiatives on the part of both industry and Government. While Indian companies will have to hasten the achievement of international competitiveness, the Government will have to play the role of a catalyst by accelerating reforms and upgrading social and physical infrastructure.

Your Company continues the endeavour of aggressively building sustainable competitiveness in each of its businesses, pursuing as always the objective of significantly enlarging its contribution to the Indian economy and thereby creating growing shareholder value.

COMPANY PERFORMANCE

The year under review concluded with your Company crossing yet another milestone when its Post-tax Profit at Rs.1006 crores exceeded the one thousand crore mark, registering a substantial growth of 27 % over the previous year. Pre-tax Profit at Rs. 1600 crores represents a growth of 30%. Despite difficult trading conditions, Sales grew by 9% to touch Rs. 8679 crores. These results were achieved through continuing focus on management of costs, productivity improvements, continuous value addition to products and services, quality upgradation and strengthening the goodwill of your Company's trademarks. Strong cash flows from operations and retirement of debt resulted in further reduction in interest costs.

Your Directors are pleased to recommend a dividend of Rs.10 per share (previous year Rs.7.50 per share) for the year ended 31st March, 2001. The consequent outflow, including the Dividend Tax of Rs.25.03 crores will be Rs.270.45 crores (previous year Rs.224.55 crores). Your Board further recommends a transfer to General Reserve of Rs.700 crores from current year's profits (previous year Rs.600 crores). Consequently, your Board recommends leaving an unappropriated balance in the Profit and Loss Account of Rs.282.50 crores (previous year Rs.201.28 crores).

PROFITS, DIVIDENDS AND RETENTION

(Rs. in crores)

	2001	2000
a) Profit Before Tax	1600.30	1228.95
b) Income Tax	594.04	436.51
c) Profit After Tax	1006.26	792.44
d) Add : Profit brought forward from previous year	201.28	187.86
e) Transfer from Hotel Foreign Exchange Earnings Reserve	54.01	8.48
Less : Transfer to Hotel Foreign Exchange Earnings Reserve	6.00	5.00
f) Release from Investment Allowance Reserve	0.40	1.22
g) Surplus available for Appropriation	1255.95	985.00
h) Transfer to Debenture Redemption Reserve	17.50	17.50
i) Less : Transfer from Debenture Redemption Reserve	14.50	58.33
	3.00	(40.83)
j) Transfer to General Reserve	700.00	600.00
k) Proposed dividend for the financial year at a rate of Rs. 10 per Ordinary Share (previous year Rs. 7.50 per Ordinary Share)	245.42	184.06
Income Tax on proposed dividend	25.03	40.49
l) Retained Profits carried forward to the following year	282.50	201.28
	1255.95	985.00

FOREIGN EXCHANGE EARNINGS

In pursuit of creating growing value for the Indian economy, your Company has always endeavoured to maximise its foreign exchange earnings. It is significant to note that the ITC Group, over the last decade, has generated foreign exchange earnings of over US$2 billion, which has more than paid for technology related capital imports aimed at enhancing its competitive capability.

During the year under review, your Company, its subsidiaries and the ITC Welcomgroup chain together contributed to foreign exchange earnings amounting to Rs.911 crores, of which Rs.697 crores represents direct earnings by your Company. Expenditure in foreign currency by your Company amounted to Rs.259 crores, comprising purchase of raw materials, spares and other expenses at Rs.199 crores, and Rs.60 crores for import of capital goods in continuation of your Company's modernisation programme. During the year Rs.70 crores of foreign currency loans were prepaid.

Full particulars of foreign exchange earnings and outgo are provided in Schedule 18 to the Accounts.

PRODUCT GROUPS

a) Cigarettes and Cigarette Leaf Tobacco

Cigarettes

Continued discriminatory and punitive taxation at the Central and State levels over the years has led to a progressive migration from cigarettes to other forms of tobacco consumption, with the share of cigarettes falling from around 23% in 1971 to below 16% currently. This high incidence of taxation now amounts to over 80% of the value added in the cigarette industry, thereby making cigarettes increasingly unaffordable to the Indian tobacco consumer. Of the 200 million tobacco consumers in India, fewer than 15% can afford cigarettes, the internationally preferred format of tobacco consumption. Non-cigarette forms of tobacco consumption, although constituting nearly 84% of tobacco consumption in the country, contribute barely 10% of Government revenues from this sector on account of the difficulty of tax collection and the low tax yields that characterise this largely unorganised sector. This structure of the tobacco industry and the high rates of taxation on cigarettes have combined to diminish the share of cigarettes in tobacco consumption, even as the aggregate tobacco consumption in India continues to grow, driven by the growth in non-cigarette forms of consumption. Consequently, the tax buoyancy of the tobacco sector stands diminished. It is now a well-established principle that sustainable tax buoyancy can be realised only from an expanding tax base. The twin impact of moderation in tax rates and the aspiration of consumers to upgrade tobacco consumption, can multiply the size of the cigarette segment even in a shrinking basket of tobacco consumption and consequently provide a much larger tax base to yield the resources to invest in social infrastructure. Moderation in the rates of tax will create a multiplier effect, the greatest beneficiary of which will be the rural sector.

The principle of moderation in tax rates also extends to State sales taxes imposed under the nomenclature of 'luxury and other taxes'. Apart from the detrimental effect of cascading taxes, differing rates of taxes among various States are fragmenting the market, thereby negating the advantages inherent in a larger common market. Recognising the high degree of sensitivity of taxes on cigarette trade, the principle of uniform, single point taxation was embodied in the understanding between the Centre and the States at the National Development Council meeting of 1955, that substituted State sales taxes on cigarettes with additional excise duty. The levies of luxury and other State taxes in recent years tantamount to an infringement of this arrangement. This matter is currently being contested before the Supreme Court and your Company is hopeful of a positive outcome.

Loopholes in the regulatory framework and lack of effective enforcement, together with punitive rates of taxation have spawned a flourishing trade in smuggled cigarettes. Conservative estimates indicate that smuggling of cigarettes is causing a national loss in excess of Rs.1000 crores per annum due to unaccounted outflow of foreign exchange and the related loss of revenue to the Exchequer that would otherwise accrue on equivalent domestic manufacture. This contraband trade is estimated to be growing at an alarmingly high rate of more than 20% per annum.

The menace of contraband cigarettes is well recognised the world over. According to one estimate, one third of the total world trade in cigarettes is contraband in nature. Since tax is avoided in the exporting country and evaded in the consuming country, smuggling of cigarettes has become lucrative and appears to be highly organised. In this context, the recent lifting of Quantitative Restrictions on the import of cigarettes into the country will provide the opportunity to be used as a cover for supply to the contraband channel. While it is heartening to note that the Government has included cigarettes in the watch list of 300 sensitive items, the imports of which will be closely monitored, the policy framework related to the tobacco industry needs to take into account the growing menace of smuggled cigarettes and the resultant tax export, which is detrimental to the Indian economy. Your Company has made comprehensive recommendations to the Central Government for reform of the legal framework relating to the tobacco industry and has also highlighted the need for effective enforcement.

The regulatory framework in respect of tobacco products needs to be pragmatic and equitable, such that the regulation of tobacco consumption is orderly and progressive, securing maximisation of economic contribution even in a shrinking basket of tobacco consumption. The Cigarettes & Other Tobacco Products Bill 2001, the intent of which is to regulate promotion of all tobacco products, in its current form would result in more stringent regulations on cigarettes as compared to any other tobacco product. For example, the proposed Bill makes the regulations governing cigarettes applicable to the whole of India, while leaving it to the option of the individual States to apply these regulations to all other tobacco products. Also, the declaration of nicotine and tar content is sought to be made mandatory only for cigarettes, and not for other tobacco products which account for nearly 84% of the tobacco consumption in the country. Such differential treatment will cause a further shift to other forms of tobacco consumption which will lead to a significant reduction in the economic contribution from the tobacco sector without reducing consumption of tobacco among the economically disadvantaged sections of our society. The Bill inter alia also seeks to prohibit sponsorships and advertising in respect of all tobacco products in the electronic and print media. In a globalising economy, where a significant share of media could be controlled by entities outside India, implementation of the proposed ban on communication would not only prove cumbersome, but would also provide an unintended and unfair advantage to foreign cigarette brands that continue to target the Indian market using such communication channels, thereby also providing a fillip to contraband trade. Such an inequity will seriously hamper the development of Indian brands, so vital for Indian enterprises to become internationally competitive. Your Company hopes that Government will take into account and consider the views of all constituents of the tobacco industry before formulating any legislative measures. Meanwhile, as a responsible corporate citizen, your Company, in a constructive spirit, has voluntarily withdrawn from sponsorships of all sporting events.

Despite the unfair advantage enjoyed by brands sold through the contraband channel, your Company's unwavering focus on quality, product development and modernisation of its manufacturing facilities has enabled it to provide world class quality to the Indian consumer, thereby minimising the economic injury caused to your Company and to the Indian economy.

Your Company continues to invest in contemporary technology with a view to constantly enhancing value to the consumers. Your Company's world class manufacturing facilities cater to a variety of premium brands in different taste and flavour options for the domestic and export markets. As a result, nearly three fourths of your Company's cigarette output is now in the filter format. Further, more than 60% of your Company's filter cigarettes are now marketed in the internationally preferred Hinged Lid form of packaging, up from 4% in 1995-96. In an acknowledgement of your Company's environment-friendly methods of managing resources, the cigarette factory at Saharanpur became yet another of your Company's manufacturing units to earn the ISO 14000 accreditation. Whilst your Company's share of the tobacco sector as a whole is a modest 10%, focus on product development, and initiatives to tap the rural potential, together with enhancement of the quality of market coverage have led to improvement in the market share of your Company's products in the domestic cigarette segment, although vis-à-vis the total cigarette sales in India, your Company's market share declined due to the rampant trade in contraband.

Although, in the wake of the steep increase in excise duties imposed by Budget 2001, cigarette industry volumes are expected to decline in the near term, your Company is confident that continuous value addition to its brands will enable it to sustain its market standing and profitability. There is a large latent demand for your Company's products with tobacco consumers aspiring to upgrade consumption to the internationally preferred cigarette format. The growing per capita incomes of tobacco consumers, supported by moderation in taxes and effective measures to curb the flow of contraband can progressively enlarge the share of cigarettes even in a shrinking tobacco basket, thereby enlarging the tax base, enhancing foreign exchange earnings from exports of cigarette tobaccos and thus providing growth opportunities to your Company from this sector.

In summary, the growth prospects depend upon the rate of growth of per capita incomes of tobacco consumers, moderation in taxes, effectiveness of measures to curb the flow of contraband and policy measures that do not disadvantage Indian brands in relation to brands imported from outside the country. Given a conducive environment, your Company, with its market standing and the strength of its brands, is well positioned to sustain its leadership role in the tobacco sector.

Cigarette Leaf Tobacco

The glut in the global Flue Cured Virginia (FCV) tobacco market is beginning to exhibit early signs of a correction, although the excess of supply over demand is likely to persist till 2002. As stated in the Report of the Directors last year, in the face of domestic production of FCV tobaccos far in excess of the limits authorised by the Tobacco Board, and demands from a section of farmers in Andhra Pradesh for a crop holiday, the Tobacco Board decided not to authorise the 2001 crop in Andhra Pradesh. This decision was challenged by some farmer and trade associations in the Andhra Pradesh High Court. Your Company, as a responsible and leading partner of the Indian cigarette tobacco farmer, with a view to protecting the interest of the farmer, offered guarantees in respect of prices and volumes. This offer by your Company was one of the factors which led the High Court to direct the Central Government to re-examine the entire issue, while simultaneously permitting farmers who had already raised their crops to continue to nurture them. Your Company had, as a measure of assistance to the farmers, purchased leaf tobacco well in excess of requirements and is therefore adequately stocked to address market requirements for the coming year. While the crop holiday has created adverse challenges for Indian tobacco exports, your Company is endeavouring to maintain its exports of leaf tobacco at levels achieved during 2000-01.

Your Company continues to provide crop development services towards enhancing the quality of tobaccos and developing newer varieties with export potential. Your Company has been making pioneering efforts to develop internationally competitive Oriental tobaccos in the backward region of Chittoor District in Andhra Pradesh. There is a growing demand in world markets for these varieties, the cultivation of which is employment intensive. These pilot efforts have proved successful and your Company is now engaged in extension activities for such varieties.

The state-of-the-art leaf tobacco processing lines at Chirala, commissioned at a capital cost of about Rs.104 crores, are now fully operational. The commissioning of these facilities has significantly enhanced the quality of threshed tobaccos, which would not only enable export competitiveness, but would also support the quality enhancement of your Company's cigarettes.

b) Hotels

Your Company continued to progress its plans to complete the ITC Welcomgroup hotel chain and expand its market presence to capture the long term growth opportunities in the hotels business. Two significant milestones in this strategic roadmap were attained with the opening of 'ITC One', the super deluxe extension of the Maurya Sheraton, in September 2000, and the launch of the ITC Grand Maratha Sheraton, Mumbai in January 2001. Both these hotels have been well received by guests. The construction of the ITC Sonar Bangla at Kolkata and the ITC Grand Towers, Upper Worli, Mumbai is making steady progress. These premium hotels are expected to open their doors to guests by the end of 2002. In order to tap the long term potential of the fast growing Chennai market, your Company has acquired 8 acres of prime land in the city.

Your Company believes that hotels constitute an important part of infrastructure for the growth of trade, commerce and industry. Globalising markets and the expected high rates of growth of the Indian economy will lead to a growing demand for high quality accommodation. Although in the short term the excess supply position may persist, the long term prospects of this business are attractive, considering the fact that India is grossly under-roomed even in comparison with some of its neighbours in East Asia.

Your Company, with the strength of its balance sheet, can contribute to the creation and sustenance of such capital intensive and long gestation infrastructure projects like hotels, so necessary to support rapid economic growth. The expanded ITC Welcomgroup chain, with competitively superior hoteliering expertise and its renowned array of branded cuisines is well poised to rapidly attain industry leadership.

c) Packaging and Printing

The Packaging and Printing Division continued to maintain its status as a premier supplier of high quality printed paperboard-based packaging for the FMCG industry, particularly for the premium packaging of cigarettes, liquor, foods and personal care products. The Division's Munger unit implemented a major modernisation project to support your Company's rapid transition to the higher value Hinged Lid form of packaging for its cigarette brands. In an acknowledgement of the Division's world class capability, its exports grew by over 35%, bagging the Capexil Special Export Award for the third consecutive year. The Division's enduring commitment to quality, innovation, environment, occupational health and safety yet again earned it a slew of international awards and recognition, including the IQRS Level 6 rating, the Asia Star award for innovation in Packaging and the ISO 14001 accreditation for the Munger unit.

Drawing upon the strengths residing within the ITC Group in paperboards, printing and FMCG distribution, the Division launched its line of international quality greeting cards under the umbrella brand of Gold Flake EXPRESSIONS. Within a short span of six months, the "EXPRESSIONS" range of cards was available for consumers in over 7000 outlets in around 180 towns across the country. The cards feature designs from leading international and domestic design agencies. The Division entered into a licensing arrangement for designs with Simon Elvin Ltd., one of UK's leading greeting card publishers.

The size of the organised greeting cards market in India is estimated to be about Rs.300 crores, growing at the rate of 20% per annum. Given India's progressive cross-cultural exposure via the television and the Internet, and growing disposable incomes, a higher growth rate can be expected in the future. The Packaging Division's strategy of combining your Company's distribution strength with its capability to adapt its vast library of international designs to Indian tastes will strengthen the "EXPRESSIONS" brand and position the business to capture growth opportunities.

The Division's operations were dislocated for a period of two months as a result of a strike at its Tiruvottiyur factory in Chennai. The plant resumed operations from the third week of May 2001.

d) Speciality Papers

The Speciality Papers business, while registering improvements in productivity, quality and cost management, continues to be a source of concern in terms of its financial performance and its overall competitiveness. The management of this Division is engaged in addressing these challenges by focusing on creating further gains through productivity and technology upgradation. The Division continues to explore possibilities of international alliances and partnerships.

e) Agri Exports

Although Indian exports grew by over 20% during 2000-01, exports of agri and allied commodities declined in dollar terms for the third successive year in the context of persistent low international prices. It is therefore particularly heartening that your Company's agri exports grew by nearly 12% in rupee terms (Rs.362 crores against Rs. 324 crores last year) and 2% in dollar terms. This was made possible due to the Division's trend-setting customer-centric commodity trading model, structured along the lines of service industry. This model focuses on servicing the specific needs of a select portfolio of customers in identified product lines, chosen from markets with high growth potential. The Division's value proposition is anchored on well-designed knowledge management and training systems aimed at significantly enhancing its effectiveness in the strategically critical areas of supply chain efficiencies, risk management and customer relationships.

Project e-Choupal, a pioneering click and mortar initiative of the Division to link the Indian farmer with domestic and international markets, is being rapidly scaled up, with 235 choupals covering 1000 villages already operational in three chosen commodities, namely soya, coffee and aqua. This initiative will directly benefit the Indian farmers by enhancing their farm productivity through web-enabled access to appropriate information and inputs. These e-choupals will simultaneously help to reorganise the Division's supply chain for more cost effective sourcing.

In your Company's vision of the future, the agri exports business will play a critical role across two strategic dimensions: first, given the country's need to significantly boost agri exports, this Division has the potential to increase its revenues manifold; secondly, its network of inter-connected e-choupals across the country will create the transaction backbone to support a broadband two-way supply chain fulfillment capability to serve as another source of revenue in the future.

f) Lifestyle Retailing

Your Company's Lifestyle Retailing business opened its first exclusive retail outlet in South Extension, New Delhi in July 2000. Its international quality shopping experience and world class product range, designed by the San Francisco based American Design Intelligence Group, have been well received by discerning customers. The Division is currently engaged in scaling up its operations to over 50 exclusive outlets across the country by March 2002. The Division is also engaged in garnering capabilities to create a world class supply chain from fibre to fashion. Towards this end, a state-of-the-art Master Facility is being set up at Gurgaon. The Master Facility, apart from providing design infrastructure, will also assist in dramatically shrinking time-to-market for the new designs. The Division's website, named after its key brand 'Wills Sport', provides customised online fashion consultancy through its module 'Fashion Guru'. The website was recently rated as the country's finest fashion site. It is the objective of this Division to establish 'Wills Sport' as an international quality, premium full range wardrobe brand for men and women, constituting relaxed wear for all occasions.

NOTES ON SUBSIDIARIES

a) ITC Hotels Limited

The Company earned a Gross Income of Rs.134.74 crores, representing a growth of 3% over last year, reflecting the sluggish market conditions prevalent during most of the year. The Company's Post-tax Profit at Rs.12.69 crores registered a growth of 6%. The Board of Directors of the Company has recommended a dividend of Re.1.00 per equity share for the year ended March 31, 2001 (previous year: Re.1.00 per equity share).

Foreign exchange earnings of the ITC Welcomgroup chain amounted to Rs.202 crores. This comprised direct earnings of Rs.84 crores from hotels owned by your Company, Rs.66 crores from ITC Hotels and Rs.52 crores from other properties of the ITC Welcomgroup chain.

The Company continues to strengthen its products and processes to support competitively superior value for the discerning traveller. The Company's continuing focus on upgrading the capability of its human resource, improving the quality of consumer experience, strengthening marketing and enlarging its distribution channels has enabled the ITC Welcomgroup chain to become the preferred choice of upmarket business travellers.

In an affirmation of the Company's world class standards in hoteliering, ITC Maurya Sheraton received the International Hotel Environment Initiative (IHEI) Award for being the global green hotelier of the year. Further, "Namaste", the Company's magazine, received the prestigious Golden Bell Platinum award at New York.

The Company continued to keep its hotels contemporary and competitive through the ongoing upgradation and refurbishment programme across the ITC Welcomgroup chain. The re-branding exercise initiated last year to effectively position the product and service offerings of the ITC Welcomgroup chain across its different segments of consumers was completed.

Consequent to preferential allotment of equity shares to financial institutions as part of the negotiated settlement of outstanding debt, the Company's equity holding in Ansal Hotels Ltd. reduced to 47.52% from 54.65%. Accordingly, Ansal Hotels Ltd., which had become a subsidiary of the Company with effect from 12th July, 2000, ceased to be so from 26th March, 2001.

b) ITC Bhadrachalam Paperboards Limited

The year 2000-01 was a year of turnaround for the Company, with a Post-tax Profit of Rs.34.89 crores, against a loss of Rs.32.12 crores last year. The turnaround was made possible by upgrading the product mix to high value paperboards of international quality, deriving economies of scale through effective technology absorption and full capacity utilisation of machines, and realising cost efficiencies through consistently high resource productivity and energy management. The 1.2 lakh tonne capacity paperboard machine presently operates at a capacity utilisation of 106%.

Despite the continuing oversupply in the paper industry, sales during the year increased to 204,649 tonnes (Rs.611 crores) from 179,715 tonnes (Rs.444 crores). The Company's products, benchmarked against the global best-in-class, have substantially substituted imported paperboards for premium packaging and value added graphic applications in the domestic market. Sales of value added products grew to 30,233 tonnes from 15,183 tonnes last year. Exports of the Company doubled from 19,896 tonnes (Rs.42.82 crores) last year to 39,228 tonnes (Rs.94.41 crores), testifying to the international quality of the Company's products. These products now have a significant presence in Sri Lanka, Bangladesh, Malaysia, Iran and the United Arab Emirates. The Company has also made a recent entry into the Chinese and South African markets.

The Company continues to focus on expanding the market for high value added products by promoting their use for advanced functional and graphic end use applications in diverse industry segments. In order to exploit the increasing demand for coated boards and to improve efficiencies, the Company upgraded its first paper machine through the installation of a coater, backed by appropriate technology enhancements, at an outlay of Rs. 30 crores. The products of this machine have already been well received. Following the turnaround, the Company has now embarked upon a programme to modernise its pulp mill at an outlay of about Rs.227 crores. The Company's farm forestry programme, aimed at improving access to cost effective fibrous raw materials, made steady progress with the distribution of nearly 2.6 million high yielding disease resistant "Bhadrachalam" clonal saplings to growers in the command area of the mill. These initiatives are expected to further enhance the Company's international competitiveness in terms of quality, costs and environmental compliance.

The high cost debt substitution plan initiated in the previous year, with credit enhancement support of your Company, led to substantial savings in interest cost of over Rs.25 crores.

Given the quality of turnaround achieved by the Company and its strategy of enhancing its competitiveness through focused product development, sustained world class quality and cost management, your Company is confident that ITC Bhadrachalam Paperboards will emerge as a world class leader in the South Asian region in the paperboards segment.

c) ITC Infotech India Limited

In accordance with the approval of the shareholders received at the last Annual General Meeting, your Company restructured its Information Technology business into a wholly owned subsidiary named ITC Infotech India Limited. This Company commenced operations in October 2000 with an equity contribution of Rs.10 crores from your Company. In May 2001, your Company also sold its entire holding in ITC Infotech Limited, U.K. to ITC Infotech India Limited with due approval from the Reserve Bank of India. Subsequent to the acquisition of ITC Infotech Limited, U.K., the Company acquired direct holding of the entire equity of ITC Infotech (USA) Inc. In order to strengthen its presence in the largest IT market in the world, the Company invested US$ 2 million in the equity of its US subsidiary.

The Company seeks to leverage its accumulated domain knowledge with the aim of exploiting the significant global opportunities in the IT business. In pursuit of its key strategy of using offshore development to provide high quality software services to international clients, the Company set up its global development centre in Bangalore. This development centre is already among a select few IT units in the world to have earned the SEI CMM Level 5 certification, the highest quality accreditation for an IT company. The Company has created several centres of excellence in select high growth technologies, including the first Microsoft Centre of Excellence for e-commerce in South Asia. The Company continues to actively seek partnerships with industry leaders in various emerging technology areas in order to enrich its service offerings. Towards this end, it has concluded strategic alliances with Sun Microsystems, Microsoft Corporation and Parametric Technologies Corporation to acquire high-end technical competencies including those relating to e-business integration, collaborative content management, collaborative product commerce and Internet application servers.

Notwithstanding the recent slowdown in the US and European markets, your Company is confident that ITC Infotech India Limited, with its focused strategies and unique skill-sets, can rapidly build a leadership position in its chosen segments.

d) Russell Credit Limited

During the year the Company purchased 2,32,752 (0.77%) equity shares of ITC Hotels Limited and 37,31,467 (4.25%) equity shares of ITC Bhadrachalam Paperboards Limited.

The Company also made a counter offer at Rs.115 per equity share (subsequently raised to Rs.120) for acquiring 30,88,384 equity shares of Rs.10 each representing 20% of the outstanding equity share capital of VST Industries Limited as a competitive bid pursuant to a public offer made by an acquirer for a similar number of shares at Rs.112 per equity share (subsequently raised to Rs.118). This counter offer complies with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997.

e) Landbase India Limited

During the year under review, your Company acquired 70% of the equity capital in Landbase India Limited, which is engaged in the business of development and management of golf courses and resorts, and real estate development. As a result Landbase along with its eight subsidiary companies became subsidiaries of your Company. The eight subsidiaries were amalgamated with Landbase vide order of the Hon'ble High Court of Delhi passed on March 29, 2001 with retrospective effect from April 1, 2000 and were consequently dissolved without winding up.

The Company pioneered the development of world class golf resorts in the country by developing and managing the Classic Golf Resort near Gurgaon, which includes a 27 hole Jack Nicklaus signature golf course besides other resort and conferencing facilities. The resort is already a benchmark and has played host to several prestigious national and international golf tournaments.

The Company also developed a premium condominium complex called 'The Laburnum' in Gurgaon. The complex contains residential units, independent villas, penthouses and centrally air-conditioned apartments, constructed and maintained to the best world standards. 'The Laburnum' has been well received in the real estate market and is consistently rated among the best residential complexes in the country.

The Income of the Company for the year ended March 31, 2001 was Rs.19.51 crores. The Company, however, suffered a loss of Rs.17.4 crores primarily due to the interest burden arising from high cost contracted debt. Your Company supported a debt restructuring programme which will significantly reduce interest costs in the coming year.

Landbase proposes to leverage its acknowledged expertise to pursue proposals for construction and management of golf courses and residential complexes on turnkey basis across the country, which would be synergistic with your Company's leisure tourism business.

f) ITC Global Holdings Pte Ltd.

Since 8th November, 1996 the Judicial Managers have been conducting the affairs of ITC Global, in the interest of ITC Global's creditors under the authority of the High Court of Singapore.

The Judicial Managers have indicated to your Company that the outstanding dues of ITC Global to its creditors were likely to range between US$ 48 million and US$ 49.8 million (apart from the debt of approximately US$ 9.9 million owed by ITC Global to ITC) and had sought your Company's financial support to ITC Global to enable it to settle with its creditors. Your Board does not accept any legal liability in this regard and has accordingly advised the Judicial Managers.

However, without prejudice, and with the intention of preserving goodwill of the international banking and other investing communities and thereby to subserve your Company's future business interests in a fast-globalising economy, your Company has proposed rendering financial assistance to the tune of US$ 26 million to the Judicial Managers towards settlement of outstanding dues of ITC Global to its creditors. This would be subject to your consent and all necessary approvals from all Government and other authorities, both at Singapore, and in India, and also subject to concluding a comprehensive Agreement between your Company and the Judicial Managers in this regard, which is currently in process.

The High Court of Singapore had ruled that, "the Company (i.e. ITC Global) is not required to conduct any audit of the Company during the period of judicial management of the Company". As a consequence of the aforesaid Order, your Company cannot annex the audited accounts of ITC Global and its subsidiaries for the year ended 31st December, 2000, this position having also prevailed in the previous four years. Approval in this regard is awaited from the Central Government granting exemption from the provisions of Section 212 of the Companies Act, 1956. Your Company shall, as soon as such accounts are received, circulate the same to the Members of the Company.

NOTES ON TRADE INVESTMENTS

a) Surya Tobacco Company (P) Limited

The gradual upturn in the Nepalese economy reflected in the cigarette industry in Nepal growing marginally after a decline by nearly 10% over the previous two years. The Company's performance for the year ended 15th July, 2000 reflected a 5% increase in Gross Turnover and a 19% increase in Profit after Tax. Dividend for the year was increased to 80%, compared to 50.4% last year. The Company's brands continue to occupy leadership positions in their respective segments, resulting in a value share of the cigarette industry of over 62%.

The Company continues to be the largest single private sector contributor to the Nepalese Exchequer, accounting for 4% of the total revenues collected by His Majesty's Government.

b) Real Estate

Your Company believes that it can develop its real estate assets over time and redeem its investments. Towards this end, the requisite organisation and management skills were set up with your Company's support. Architects of international repute were also appointed to assist in formulating development plans. The plans for development of a premium township have been finalised. However, the launch of the project will need to await an upturn in the real estate market.

c) ITC Filtrona Limited

The Company continues to support the Indian cigarette industry in its process of transition in filter usage from viscose to acetate. As a result, despite difficult trading conditions, the Company posted a volume growth of 36%. Consequently, the market share improved to 55% by value in the domestic filter market.

Gross turnover for the year at Rs. 67.2 crores, grew 13% over last year. Improvements in resource productivity led to a healthy growth of 40% in operating profits (Profit before Interest and Tax) to Rs.6.2 crores. The Board of Directors of the Company has recommended a maiden dividend of 25%.

The Company continues its focus on solutions and support to the Indian cigarette industry in its endeavour to provide value added products to consumers.

AUDIT AND SYSTEMS

Your Company remains committed to ensuring an effective internal control environment that provides assurance on the efficiency of operations and security of its assets. In the context of the growing complexity of the business environment, the Internal Audit function focuses on ensuring adequacy of risk management policies and systems to pre-emptively and effectively manage risk.

The adequacy and effectiveness of the internal control environment across the various businesses, as well as compliance with laid down systems and policies are comprehensively monitored by your Company's well established internal audit processes, both at divisional and corporate levels. The Internal Audit function also reviews the execution of all ongoing projects involving significant expenditure to ensure that controls on deployed resources are adequate. All major IT-enabled business applications are regularly validated for their integrity of design, security and access controls, and quality of functionality by the internal audit teams, which are well trained in contemporary audit techniques and methodologies.

The Audit Committee of your Board met eight times during the year. It actively engaged in reviewing internal control systems, as well as financial disclosures. Monitoring the implementation of internal audit recommendations received focused attention of the Committee.

HUMAN RESOURCE DEVELOPMENT

Human capital is one of the key elements of sustainable competitive advantage and shareholder value creation. Your Company's human resource philosophy aims at nurturing an organisational culture that respects people, empowers and enables them to deliver high quality performance and rewards talent with competitively superior compensation and accelerated career growth opportunities. Your Company values in its people integrity, excellence and the passion to achieve.

In the multi-business context of your Company, general management capabilities are required not just at the apex level but also at the level of each business division. At the same time the imperatives of a globalising market demand that each of the businesses benchmarks itself against the global best-in-class, which requires high levels of functional specialism. The challenge of human resource development in your Company therefore is to address the need for deep functional specialism, while at the same time developing breadth of leadership. This mix of capabilities is sought to be achieved: (a) through a well developed appraisal system that clearly identifies the development path for each manager based on performance and potential, and (b) by leveraging ITC's multi-business context to blend skills and competencies through cross-functional and cross-business exposures.

Your Company fosters continuous learning and innovation. It is of the belief that only a learning organisation can survive and grow in a knowledge-centric, fast globalising business environment. Each of your Company's businesses has developed knowledge management systems appropriate to its own unique requirements. This emphasis on internal knowledge management processes enables your Company to keep its competencies contemporary, whilst at the same time creating exciting development opportunities for its people.

The spirit of trust, transparency and teamwork has enabled your Company to build a tradition of partnership and harmonious industrial relations. The commitment to a shared purpose has led to enhanced productivity, internationally benchmarked quality, as well as fulfillment of employee aspirations.

Your Directors record their sincere appreciation of the dedicated efforts put in by over 11,000 employees working across 60 locations.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

Your Company continues to accord the highest priority to Environment, Occupational Health and Safety (EHS). The EHS team audits all units of your

Company with a view to progressively achieving international standards, while ensuring compliance with statutory requirements.

The Legal and Safety Audit Committee of your Company's Board reviews the findings of EHS audits and monitors compliance with prescribed policies. As part of the review process, members of this Committee periodically visit the Company's operating units across the country. In order to raise EHS awareness and improve standards, a number of employee training programs were conducted across all units of your Company.

In recognition of your Company's EHS initiatives, several awards continue to be conferred on its units, as detailed earlier in this Report.

EXCISE

In the Report & Accounts of the last fourteen years, your Directors had mentioned that, consequent upon a search and seizure conducted by the Excise Authorities, a Show Cause Notice dated 27th March, 1987 was issued to your Company for alleged evasion of Excise Duty during the period from 1st March, 1983 to 28th February, 1987. The charge was based on the premise that your Company allegedly colluded with retailers in selling cigarettes at a price higher than that printed on the package, which was the basis of levying duty during the aforesaid period. Your Company and its contract manufacturers were therefore asked to Show Cause as to why they should not be required to pay duty at the higher slab corresponding to the actual price alleged to have been charged by the retailers, amounting to an unprecedented sum of Rs. 803.78 crores besides other penalties in law.

The hearing of the Show Cause Notice proceeded before the Commissioner of Central Excise, Delhi, who, by an Order dated 29th December, 1995 confirmed a differential excise duty Demand of Rs. 681.54 crores against your Company and also levied a penalty of Rs. 66.50 crores on it. Personal penalties aggregating to Rs. 3.15 crores were also imposed on six ex-Directors of your Company. The Commissioner also confirmed a Demand of Rs. 118 crores on seven contract manufacturers of your Company and levied penalties on them aggregating to Rs. 7 crores.

Your Company preferred an Appeal to the Customs Excise and Gold (Control) Appellate Tribunal (CEGAT) against the Commissioner's Order dated 29th December, 1995 as also an Application for dispensing with the pre-deposit of the differential duty amount of Rs. 681.54 crores and penalty amount of Rs. 66.50 crores, and for stay. Similarly, all six ex-Directors of your Company, as well as the contract manufacturers, preferred Appeals to the CEGAT as also Applications for waiver of pre-deposit of the differential duty and penalty amounts, and for stay.

In respect of the contract manufacturers the CEGAT directed that the pre-deposit of the entire amounts of differential duty and penalty should be dispensed with in their case. In the case of the six ex-Directors also directions for dispensing with the pre-deposit of the penalties were given by the CEGAT.

Further, by its Order dated 15th March, 1996 the CEGAT directed your Company to deposit Rs. 110 crores on or before 30th April, 1996 and a further amount of Rs. 240 crores in eight equal monthly instalments commencing 1st June, 1996. The requirement of pre-deposit of the balance differential duty amount of Rs. 331.54 crores and the entire penalty amount of Rs. 66.50 crores was waived, subject to the conditions regarding payment of instalments as indicated above and also furnishing of Bonds. In compliance with the above Order of the CEGAT, your Company deposited with the Excise Collectorates having jurisdiction over five factories of your Company, a total amount of Rs. 350 crores, and also furnished a Bond as directed.

Thereafter, the CEGAT heard the appeals between February and May 1998, and by its Order dated 4th September, 1998 :-

a) set aside the demand of differential excise duty on the contract manufacturers of ITC

b) set aside the penalties imposed on ITC, six of its ex-Directors and its contract manufacturers

c) set aside the quantification of the excise duty demand on ITC and

d) remanded the matter to the Adjudicating Authority for fresh quantification of duty demand on ITC in accordance with the guidelines provided in the Order and after giving ITC an opportunity of personal hearing.

Since your Company believes that it has no legal liability to pay any differential excise duty, and the Order of the CEGAT is, therefore, unsustainable in law, the Company filed an Appeal in the Supreme Court. The Excise Department also filed Appeals challenging the CEGAT's Order. At the admission stage, the Supreme Court, on 15th January, 1999 passed an Order to the following effect :-

a) The Appeal filed by the Company against CEGAT's Order holding the Company liable for differential duty has been admitted.

b) The Appeal filed by the Excise Department in respect of the Company has been admitted; adjudication proceedings for fresh quantification of differential duty in accordance with CEGAT's Order may continue, but no orders pursuant to such proceedings shall be passed without the leave of the Supreme Court.

c) Excise Department's appeals in respect of contract manufacturers have been admitted only on the limited question of their liability, if any, upto six months preceding the Show Cause Notice.

d) Excise Department's appeals challenging the quashing of penalties imposed on the former Directors have been dismissed.

A few days before the CEGAT passed its Order on 4th September, 1998 the Excise Department filed criminal complaints on 30th August, 1998 in the Economic Offences Courts at Meerut, Bangalore, Mumbai, Patna and Kolkata against the Company and the six ex-Directors on the basis of Order of the CCE, Delhi dated 29th December, 1995. These prosecutions are being contested by your Company and the individuals.

On applications moved by the ex-Directors, the proceedings before the Bangalore, Kolkata and Meerut Courts have been stayed by the High Court of Karnataka, the High Court of Calcutta and the Allahabad High Court respectively.

Prior to March, 1983, duty on cigarettes was on ad valorem basis. In the light of the decision of the Supreme Court in the case of Voltas in the year 1973, your Company filed Price Lists for cigarettes manufactured at its various factories claiming abatement of certain Post-Manufacturing Expenses (PME). As disputes arose as to the maintainability of the claim for abatement of PME made by the Company, the Price Lists were approved on a provisional basis. During the period 1975 to 1985, various Show Cause Notices were issued in respect of Bangalore, Saharanpur and Munger factories of the Company alleging inter alia that additional margins were given by the Company to the wholesale dealers to meet certain expenses which should form part of its price to the wholesale dealers. All such Show Cause Notices were assigned to the Director General of Inspection, Customs & Central Excise, New Delhi ('DG') who passed his Order on 10th April, 1986. Although the differential duty payable under the DG's Order was determined on an admitted interpretation of Rule 5 of Central Excise (Valuation) Rules (which interpretation has since been upheld by the CEGAT and affirmed by the Supreme Court), the Excise Department raised doubts on such interpretation and issued revised demands under the DG's Order, in respect of Bangalore, Munger and Saharanpur factories. The Bangalore demand for Rs.27.58 crores was set aside by the Commissioner (Appeals), Bangalore, by his Order dated 22.11.99 against which the Department has filed an Appeal in CEGAT, Chennai. The Saharanpur demand of Rs.80.30 crores was confirmed by the Commissioner (Appeals) to the extent of Rs.76.03 crores against which your Company has filed an Appeal before CEGAT, Delhi, which is pending. Since your Company had to make a pre-deposit of Rs.20 crores for hearing of its Appeal by the Commissioner (Appeals), CEGAT has stayed recovery of the balance amount of Rs.56.03 crores pending disposal of your Company's Appeal before it. The revised demand of Rs.8.29 crores in respect of Munger factory is pending adjudication before the Commissioner, Patna.

As mentioned in the Report of the Directors for 1987 and thereafter, the Excise Department, during 1987 and 1988, again reopened some of the issues already settled by the Order of the DG, by issuing fresh Show Cause Notices in respect of the period upto 28th February, 1983. The Notices proposed to recover differential duties of Rs.43.88 crores (for Munger factory), Rs.143.22 crores (for Bangalore factory), Rs.31.05 crores (for Kidderpore factory), Rs.41.51 crores (for Parel factory) and Rs.26.43 crores (for Saharanpur factory). All these Notices were assigned to the Commissioner of Central Excise, Delhi, for investigation and adjudication. Your Company has, apart from denying any liability as claimed in the Notices, challenged the maintainability of all these Show Cause Notices. On an appeal filed by your Company against an Order of the Commissioner, rejecting the Company's contentions on the issue of maintainability, the CEGAT, Chennai, by its Judgement dated 13th January, 2000 upheld the contention of your Company and has set aside the Bangalore Show Cause Notice for Rs.143.22 crores with the direction, inter alia, that the allegations made therein should be considered by the Assessing Authority while finalising the assessments in respect of the Bangalore factory, which has been your Company's contention all along. By an order dated 21st July, 2000, the Supreme Court has admitted the appeal of the Department and stayed the order of CEGAT, Chennai. Your Company's Appeals against similar Orders relating to the Show Cause Notices issued in respect of Munger and Parel factories are pending before CEGAT, Kolkata and Mumbai respectively. As regards the Show Cause Notice in respect of Saharanpur factory, your Company has filed a Writ Petition in the Delhi High Court which is pending. In accordance with the law laid down by the CEGAT on interpretation of Rule 5 of the Central Excise Valuation Rules, and upheld by the Supreme Court, the exorbitant amounts set out in the pending Show Cause Notices referred to above would stand virtually extinguished. In fact while the Company's appeal against the show cause notice relating to Parel factory for Rs.41.51 crores is pending before CEGAT, Mumbai, the Commissioner of Central Excise Delhi by his order dated 29th December, 2000 has confirmed the demand for Rs.5.96 crores or such higher or lower amount as may be redetermined by the jurisdictional officer. By the same order the liability of the two contract manufacturers were roughly determined at Rs.83 lakhs and Rs.41 lakhs as against the differential duty of Rs.6.65 crores and Rs.2.89 crores respectively proposed in the said show cause notice. Your Company and also the contract manufacturers have, however, filed separate appeals in CEGAT, Mumbai against the said order of the Commissioner along with applications for stay which are pending.

So far as the Kidderpore factory is concerned the Notices were set aside and all pre-March 1983 valuation disputes stand resolved pursuant to the finalisation of the provisional assessments.

As mentioned in the Report of the Directors in earlier years, the Excise Authorities were also persisting with two more Notices, issued in 1983 and 1984 for a total sum of Rs.57.66 crores by the Parel Authorities on the question of treatment of Security Deposit for excise valuation, in spite of this issue having been concluded by the Order of the DG. By an Order dated 30th September, 1999, the Commissioner of Central Excise, Delhi has confirmed the demand in respect of these two Notices for only Rs.75.27 Lakhs which amount has to be adjusted with the equivalent amount already paid by your Company pursuant to the DG's Order. By the said Order, a penalty of Rs.5 lakhs has also been imposed on your Company. Your Company has filed an Appeal before CEGAT, Mumbai against the said Order dated 30th September, 1999.

As reported in the 1997 Report of the Directors, the Commissioner of Central Excise, Delhi, had directed the Departmental Authorities to finalise the assessments in respect of Bangalore, Parel and Munger for the pre-March 1983 period. The purported Order of finalisation of assessments dated 15th January, 1998 relating to the Bangalore factory for Rs.23.82 crores was challenged before the Commissioner (Appeals), Bangalore, who, by his Order dated 20th November, 1999 allowed the Company's Appeal and remanded the matter for de novo adjudication setting aside the impugned Order. Similar Orders of finalisation of assessments were also passed by the Departmental Authorities in respect of the Munger and Parel factories, and differential duty of Rs. 9.28 crores and Rs. 1.38 crores were demanded respectively. Your Company's Appeals against the said Orders of finalisation of assessments of Munger and Parel factories have been disposed of by remanding the matters for fresh hearing. While de novo proceedings for finalisation of assessments have commenced relating to

Bangalore and Munger factories, the Deputy Commissioner of Central Excise, Mumbai I by his order dated 22nd September, 2000 has finalised the assessments filed relating to Parel factory between 1st March, 1973 and 28th February, 1983. In terms of the said Order, a sum of Rs.87.83 lakhs is shown to have been paid in excess upon adjustment of duty liability for the said period.

As mentioned in the Report of the Directors in earlier years, a fresh Show Cause Notice was issued by the Assistant Commissioner of Central Excise, Bangalore, for recovery of alleged differential duty of Rs.83.19 lakhs on account of Freight Administration Charges even though the Superintendent of Central Excise, Bangalore, had earlier raised a demand dated 29th May, 1997 for Rs.1.08 crores on account of the same. The Commissioner (Appeals), Bangalore, by his Order dated 28th July, 1999 has held that the earlier demand of Rs.1.08 crores stands superseded by the subsequent Show Cause Notice, which is being contested by your Company, since all liability on account of Freight Administration Charges has already been discharged by your Company.

Although your Company in a spirit of settlement, paid the differential Excise Duty that arose out of the Order of the Director General as early as in March 1987, and although the Excise Department's aforesaid Demands had either been quashed or stayed, the Collectorates in Meerut, Patna and Bangalore, during the year 1995, filed criminal complaints in the Special Court for Economic Offences at Kanpur, Patna and Bangalore, charging your Company and some of its Directors and employees who were employed with your Company during the period 1975 to 1983 with offences under the Central Excises & Salt Act, 1944, purportedly on the basis of the Order of the Director General dated 10th April, 1986. Your Directors are advised that no prosecution would lie on the basis of the aforesaid Order of the Director General dated 10th April, 1986. In fact, the Special Court in Kanpur, which initially took cognisance of the complaints, subsequently, on applications filed by the individuals concerned, discharged them. Similar applications were filed by the individuals in the Special Court in Patna, which are pending. On applications moved by the individuals concerned, the proceedings before the Magistrate Court, Bangalore have been stayed by the Karnataka High Court.

The Collector of Central Excise, Bangalore had issued a Show Cause Notice and after adjudication a Demand Notice was received on 12th August, 1988 for Rs. 2.4 crores, including a penalty of Rs. 1.2 crores, on account of alleged variation from the approved surface design of one of your Company's brand packs. On Appeal, the CEGAT, Delhi, passed an Order effectively bringing down the duty liability to Rs.1.5 lakhs and the penalty to Rs.1 lakh. In the opinion of your Directors even this Order is unsustainable. Your Company, therefore, filed an Appeal in the Supreme Court against the above Order, which was admitted and is now pending. While the appeal before CEGAT was pending, the Department filed a criminal complaint against the Company and some of its Directors and Managers before the Magistrate Court, Bangalore and the same is pending.

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

Since your Company is contesting the above cases and contending that the Show Cause, the Demand Notices and the Complaints are not sustainable, it does not accept any liability in this behalf. Your attention is drawn to the Note 18 (v) in the Schedules to the Accounts.

RECOVERY OF DUES FROM THE CHITALIAS AND ENQUIRY BY THE ENFORCEMENT DIRECTORATE

You are aware that your Company had obtained from the District Court of New Jersey, U.S.A., a Decree for U.S. $ 12.19 million against Suresh and Devang Chitalia of U.S.A. and that the Chitalias had filed Bankruptcy Petitions before the Bankruptcy Court, Orlando, Florida, which are being contested by your Company.

As detailed in the Report of the Directors last year, in the Florida Bankruptcy Court proceedings, the Chitalias had made an Offer proposing that they would submit to a judgment of the Bankruptcy

Court disallowing their applications to be discharged as bankrupt provided your Company was willing to withdraw its objections to their claims for exemption of some of their assets. Since your Company was advised by its U.S. Counsel that a large part of the Chitalia claims for exempted assets was not legally sustainable, the Chitalia Offer was rejected.

Subsequently, Chitalias made a Second Offer of Judgment in which they scaled down their claims of exempted assets. Consequently, your Company's U.S. Counsel recommended that the Chitalia Offer be accepted since, under the U.S. law, they would be entitled to the remaining exemptions. Based on the Counsel's advice, your Company accepted the Offer and the Bankruptcy Petitions of the Chitalias were disallowed by the Florida Bankruptcy Court, thereby defeating the objective of the Chitalias to get themselves discharged as bankrupt.

The Bankruptcy proceedings before the Florida Court are, however, continuing for the purpose of collecting and distributing the property of the bankrupt estate and your Company's efforts for recovery of its dues against the Chitalias will continue.

Meanwhile, the process of inspection of the voluminous documents relating to the Show Cause Notices by the Company and the concerned individuals is on.

TAXATION

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

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

FINANCE AND ACCOUNTS

Public Deposits

As at March 31, 2001 your Company had Fixed Deposits of Rs. 84.52 crores. No fresh / renewal of deposits were accepted during the financial year. During the year, deposit holders whose deposits had matured were paid the interest due to them. Repayments of deposits were made to depositors as and when claimed. Reminders have been sent to 1840 persons who did not claim repayment of their deposits which had become due, amounting to Rs.188.96 lakhs.

There was no failure to make repayments of fixed deposits on maturity in terms of the conditions of your Company's Schemes. The cases of fraudulent encashments as reported in previous years, continue to be under investigation by the police authorities.

INVESTOR SERVICE CENTRE

The Investor Service Centre (ISC) of your Company continues to provide efficient and high quality service through a trained and dedicated team of professionals supported by state-of-the-art infrastructure. Your Company's website has a section on 'Investor Relations' which provides comprehensive information on share related activities carried out by the ISC, and also serves as a user-friendly online reference guide for investors.

The shares of your Company are available for trading under both the Depository Systems in India, namely the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

DIRECTORS

Shri Biswadev Mitter, Wholetime Director, retired from the services of your Company with effect from close of business on 7th March, 2001.

Shri Kumbakonam Padmanabha Narasimhan, who represented the Life Insurance Corporation of India, resigned as Non-Executive Director of your Company with effect from 25th October, 2000. Shri Tapan Ganguli ceased to be a Non-Executive Director of your Company with effect from 17th January, 2001, as a consequence of IFCI Limited advising your Company of its fresh nomination.

Your Directors would like to record their appreciation of the services rendered by Sarvashri Mitter, Narasimhan and Ganguli.

Dr. Basudeb Sen continues to be on the Board of Directors of your Company as a Non-Executive Director. However, he ceased to be a representative of the Unit Trust of India with effect from 28th July, 2000.

Shri Krishnamoorthy Vaidyanath was appointed by the Board of Directors as Additional Wholetime Director of your Company with effect from 17th January, 2001.

Shri Brij Gopal Daga was appointed by the Board of Directors as Additional Non-Executive Director of your Company with effect from 28th July, 2000, as a representative of the Unit Trust of India. Shri Yesh Pall Gupta was also appointed by the Board of Directors as Additional Non-Executive Director of your Company with effect from 25th October, 2000, as a representative of the Life Insurance Corporation of India.

IFCI Limited appointed Shri Avinash Chander Ahuja as its nominee on the Board of Directors of your Company with effect from 17th January, 2001.

Shri Yogesh Chander Deveshwar was re-appointed as Wholetime Director and Chairman of your Company with effect from 20th July, 1999 for a period of three years. His present term of appointment will expire on 19th July, 2002. The Board of Directors, anticipating that Shri Deveshwar's current term may expire before the Annual General Meeting in 2002, and considering that there should be no period of the Chairman's appointment which is not covered by the Members' approval, at its meeting held on 30th May, 2001, recommended for the approval of the Members, his re-appointment as Wholetime Director and Chairman of the Company, liable to retire by rotation, from 20th July, 2002 for a further period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier.

Shri Antonio Americo de Figueiredo Rodrigues was appointed as Non-Executive Director at the Annual General Meeting of the Company held on 12th August, 1998, for a period of three years and his present term of appointment will expire on 11th August, 2001. The Board of Directors of your Company at its meeting held on 30th May, 2001 also recommended for the approval of the Members, his re-appointment as Non-Executive Director of the Company, liable to retire by rotation, for a further period of five years with effect from 12th August, 2001.

Notices have been received from Members of the Company under Section 257 of the Companies Act, 1956 for the re-appointment of Sarvashri Deveshwar and Rodrigues as Directors of the Company. Appropriate resolutions seeking your approval to their re-appointments are appearing in the Notice convening the 90th Annual General Meeting of the Company.

By virtue of the provisions of Article 96 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, Shri Vaidyanath, Additional Wholetime Director and Sarvashri Daga and Gupta, Additional Non-Executive Directors, will vacate office at the ensuing Annual General Meeting of your Company and have filed their consent to act as Directors of the Company, if appointed. The Board of Directors of your Company at its meeting held on 30th May, 2001 recommended for the approval of the Members, the appointment of Shri Vaidyanath as Wholetime Director of your Company, liable to retire by rotation, with effect from 17th January, 2001 for a period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier. The Board of Directors at its aforesaid meeting also recommended for the approval of the Members, the appointments of Sarvashri Daga and Gupta as Non-Executive Directors of your Company, liable to retire by rotation, for a period of five years from the date of the ensuing Annual General Meeting of the Company.

Notices have also been received from Members of the Company under Section 257 of the Companies Act, 1956 for the appointment of Sarvashri Vaidyanath, Daga and Gupta as Directors. Appropriate resolutions seeking your approval to their appointments are appearing in the Notice convening the 90th Annual General Meeting of the Company.

Shri Nigel Timothy Gourlay was appointed by the Board of Directors of your Company as Alternate Director to Shri Charles Richard Green with effect from 23rd March, 2001.

In accordance with the provisions of Article 91 of the Articles of Association of the Company, Sarvashri Antonio Americo de Figueiredo Rodrigues, Yogesh Chander Deveshwar and Pillappakkam Bahukutumbi Ramanujam will retire by rotation at the ensuing Annual General Meeting of your Company and being eligible, offer themselves for re-appointment. Your Board of Directors has also recommended their re-appointment.

AUDITORS

The Auditors, Messrs. A. F. Ferguson & Co., retire at the ensuing Annual General Meeting of your Company and, being eligible, offer themselves for re-appointment. Since not less than 25% of the subscribed share capital of your Company is held collectively by Public Financial Institutions, the re-appointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

EMPLOYEE STOCK OPTION SCHEME

The Members of the Company had, at the Extraordinary General Meeting held on 17th January, 2001, approved the introduction of an Employee Stock Option Scheme for eligible employees of the Company and of its subsidiary companies, as the Board of Directors of your Company may decide. Options for the financial year ended 31st March, 2001 are expected to be granted to employees in accordance with the provisions of the Scheme. Accordingly, the disclosure required under clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, in this regard will be covered in the Report of the Directors from next year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors have:

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

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

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

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

OTHER INFORMATION

The certificate of the Auditors, Messrs. A. F. Ferguson & Co. confirming compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement of the Stock Exchanges in India, is annexed. Particulars as required by Section 217(1)(e) of the Companies Act, 1956, relating to Conservation of Energy and Technology Absorption are also provided in the Annexure to this Report together with particulars of Employees as required under Section 217(2A) of the Companies Act, 1956.

CONCLUSION

Your Company continues to consolidate its leadership position in its core businesses through value addition to products and services, and progressively gaining international competitiveness in quality and cost standards. Each business is focused on leveraging its core competencies to build shareholder value and all indications are that your Company's performance track record will be sustained.

Your Directors look forward to the future with confidence.

30th May, 2001
Virginia House
37 Chowringhee
Kolkata 700 071
India

On behalf of the Board

A. SINGH *Director*
K. VAIDYANATH *Director*

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES IN INDIA

CERTIFICATE

To the Shareholders,

We have examined the compliance of conditions of Corporate Governance by I.T.C. Limited for the year ended on 31st March, 2001, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2001, no investor grievances are pending against the company as per the records maintained by the company and presented to the Investor Services Committee.

We further 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 A. F. Ferguson & Co.
Chartered Accountants
A. K. Mahindra
Partner

Kolkata, 30th May, 2001

CONSERVATION OF ENERGY

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

a) Energy conservation measures taken :
   - i) Installation of energy management systems and energy cost reduction programme undertaken.
   - ii) Installation of variable frequency drives to motors continued.
   - iii) Use of low calorific value/heavy fuels for power and steam generation.

b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:
   - i) Carrying out of specific audits to reduce power consumption.
   - ii) Enhance effective utilisation of available steam and power by installation of higher capacity energy efficient turbine and equipment.
   - iii) Optimisation of power utilisation through synchronisation and improved distribution system.

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

   Energy conservation measures have resulted in savings in energy costs of the Company.

A) POWER AND FUEL CONSUMPTION

Relating to speciality paper	For the Year ended 31st March, 2001	For the Year ended 31st March, 2000
1. Electricity (Excluding Consumption in Colony)		
a) Purchased		
Unit (KWH) in Lakhs	157	159
Total Amount (Rs. in Lakhs)	6,28	6,53
Rate/Unit	3.99	4.09
b) Own Generation		
i) Through Diesel Generation Unit	Nil	Nil
Unit per Litre of Diesel Oil	N.A.	N.A.
Cost/Unit (Rs.)	N.A.	N.A.
ii) Through Steam Turbine/Generator		
Units (KWH) in Lakhs	405	405
Units per Kg. of Coal	0.89	0.96
Cost/Unit (Rs.)	1.59	1.57

2. Coal (Specify Quantity & Where Used)
B/C/D/E/F Grade Coal Used

	For the year ended 31st March, 2001			For the year ended 31st March, 2000		
	Process	Power	Total	Process	Power	Total
Quantity (M.T.)	28484	45463	73947	29396	42009	71405
Total Cost (Rs. in Lakhs)	—	—	1057	—	—	1079
Average Rate (Rs. per M.T.)	—	—	1429	—	—	1511

3. Furnace Oil		
Quantity (K. Litres)	Nil	Nil
Total Amount	N.A.	N.A.
Average Rate	—	—
4. Others/Internal Generation	N.A.	N.A.
Quantity	—	—
Total	—	—
Rate/Unit	—	—

B) CONSUMPTION PER UNIT OF PRODUCTION

	For the Year ended 31st March, 2001	For the Year ended 31st March, 2000
Products (Paper in MT)	19122	18841
Electricity (KWH)	2940	2995
Coal B/C/D/E/F Grade (M.T.)	1.49	1.56

TECHNOLOGY ABSORPTION

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

Research and Development

1. Specific areas in which R&D was carried out by the Company :
   i) Retention improvements of fibres and fillers on all paper machines with the help of a structured retention programme.
   ii) Identification of technology for upgrading process water quality in terms of softening water for use in paper making.
   iii) Modification of major nutrient levels for improving tobacco yields and application of environmentally friendly green manuring systems.
   iv) Extension of energy saving systems in leaf tobacco curing.
   v) Extension of new varieties of tobacco seeds for productivity and quality enhancements.
2. Benefits derived as a result of the above R&D :
   i) Cost effective imported pulps were identified and introduced in the product finish.
   ii) Improved product quality of alkaline sized Fine Printing papers.
   iii) Improvement in cigarette tissue quality leading to opening up of export markets.
   iv) Continuation in the upgradation of technology relating to conservation of wood fuel and other natural sources resulting in reduced cost of cultivation to farmers.
   v) Extension of yield improvement and quality of tobacco resulting in higher returns to the farmers and availability of flavoured tobaccos for export and domestic.
   vi) Adaptation of nutrient regime to suit Indian conditions for improved yield and quality of leaf tobacco.
3. Future Plan of Action :
   i) Implement water quality upgradation by softening water used for paper making.
   ii) Achieve superior product quality of Fine Printing papers required for special printing applications.
   iii) Construction of a Master Facility for developing fabric and garment designs and finishes.
   iv) Extension of environment friendly green manuring practices.
   v) Development of nature identical compounds for enhancement of smoke quality.
   vi) Development of foliar application of growth enzymes for tobacco crop.
4. Expenditure on R&D :

		For the year ended 31st March, 2001 (Rs. in Lakhs)
i)	Capital	356.17
ii)	Recurring	606.90
iii)	Total	963.07
iv)	Total R&D Expenditure as a % of total turnover	0.11

Technology Absorption, Adaptation and Innovation

i) Refining system upgrade on all paper machines with input from an overseas expert.
ii) Retention improvements on PM 4 resulting in successful manufacture of Decor paper with high level of retained titanium dioxide.
iii) Developed low temperature, heat sealable BOPP film, suitable for light wrap/wrinkle free wrapping of cigarette packs.
iv) Two state-of-the-art Tobacco processing lines were installed and commissioned.

Benefits Derived :

i) Greater market acceptance of key speciality products such as Fine Printing papers and Decor grades.
ii) Greater acceptance of Indian leaf tobacco in international markets.
iii) Reduction in production costs and energy conservation in leaf processing.

On behalf of the Board

A. SINGH *Director*
Kolkata, 30th May, 2001 K. VAIDYANATH *Director*

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

Name	Age	Designation/ Nature of Duties	Gross Remu-neration Rs.	Qualifications	Experi-ence (Years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more.							
Ahmad S.M.	47	Exec. V.P., Marketing (ITD)	20,32,738	B.A., M.A.	24	06.03.1980	ANZ Grindlays Bank Plc.
Ahmed O.	50	G.M. Product Dev. (ITD)	18,84,331	B.Tech. (Hons.)	28	15.11.1972	TISCO Ltd., Grad. Engineer
Balaji L.N.	39	Corp. Plans Mgr.	12,97,846	B.Com.(Hons.), A.C.A.	16	17.06.1985	Nil
Bandyopadhyay S.	36	Mgr. Investments	13,66,516	B.Com.(Hons.) , I.C.W.A., A.C.A.	15	17.05.1989	ICI (I) Ltd., Asst. Mgr. Accounts
Banerjea P.	48	Exec. V.P., Funds & Planning	19,06,518	B.Sc., M.Sc., F.C.A., F.I.C.W.A.	21	01.10.1982	Shaw Wallace & Co. Ltd., Financial Accountant
Banerjee A.R.	44	Mgr. - Finance & Planning (ITD)	12,31,471	B.A. (Hons.), M.A.(Econ.), M.B.A. (U.S.A.)	18	15.02.1985	Golden Gate Univ., Scheduling & Events Asst.
Basu Asit Kumar	50	V.P. Information Tech.	13,52,745	B.E., M.Tech.	27	12.01.1976	Tata Consultancy Services, Asst. Systems Analyst
Basu Shekhar	49	Exec. V.P. & Corp. Chief Accountant	20,00,917	A.C.A., F.C.A. (Eng. & Wales)	31	02.01.1978	Whinney Murray & Co., London, Audit Asst.
Biswas S.	51	G.M. Marketing (IBD)	12,46,545	B.Com., L.M.E.	30	01.04.1971	Nil
Chand A.	36	District Mgr. (TM) (ITD)	12,86,824	B.A., M.B.A.	13	01.06.1988	Godfrey Philips (I) Ltd., Mktg. Exec.
Chatterjee B.B.	48	Exec. V. P. & Co. Secretary	23,68,024	B.Com.(Hons.), F.C.A., F.C.S., LL.B.	23	16.05.1983	Wacsgen, Deputy Mgr.
Chatterjee P.	51	Exec. V.P. Internal Audit	19,12,659	B.Com.(Hons.), F.C.A.	29	16.09.1974	MacNeil & Barry Ltd., Accountant
Dar H.	37	Brand Group Mgr. (ITD)	12,43,046	B.Com.(Hons.), M.B.A.	14	01.07.1987	Nil
Das C.S.	45	SBU Chief Exec. (GCB)	13,17,820	B.Tech.(Hons.), M.B.A.	21	15.04.1980	Larsen & Toubro Ltd., Trainee
Dasaka S.N.C.	57	G.M. Leaf (ITD)	16,68,845	B.Sc., Dip. In Computer Mgmt.	32	16.02.1981	Mysore Tobacco Co., Factory Mgr.
Deveshwar Y.C.	54	Chairman	1,37,36,368	B.Tech. (Mech.)	32	11.02.1994	Air India Ltd., Chairman & M.D.
Ganesh D.	51	Chief Engineer (ITD)	16,61,034	B.E., D.M.S., Memb. Inst. of Standards Engrs.	28	19.11.1979	Metal Box (I) Ltd., Foreman
Govil S.	33	Divisional Mgr. Emp. Relations (ITD)	13,39,877	B.Sc., M.B.A.	12	01.06.1989	Nil
Grant K.N.	43	Div. Chief Exec. (ITD)	19,89,426	B.A. (Hons.), M.B.A.	22	02.06.1980	DCM Ltd., Mgmt. Trainee
Gupta P.	44	G.M., Taxation	16,36,774	B.Com.(Hons.), A.C.A., D.M.A.(I.C.A.)	21	15.02.1989	Hindustan Lever Ltd., Group Audit Mgr.
Jacob R.G.	55	Div. Chief Exec.(TTD)	20,77,455	B.Tech.	34	15.09.1967	Nil
Janardhana Reddy S.	52	V.P. Mktg., R.&D. (ILTD)	16,29,151	B.Sc.	28	27.12.1972	Nil
Jhabak M.K.	44	V.P. Corp. Affairs	13,88,715	B.Com.	22	01.09.1987	ITC Classic Ltd.
Keshava S.	42	Div. Chief Exec. (LRBD)	18,09,568	B.Com.(Hons.)	17	03.10.1989	S.A.S. Chemicals Pvt. Ltd.
Kumar M.	48	V.P. Corporate Affairs	12,98,688	M.Com., LL.B.	20	01.04.1981	Nil
Kumaraswamy H.S.	51	Mgr. Projects (ITD)	12,03,416	B.E., M.E.(Mech.), M.I.E., Chartered Engineer India	28	01.10.1982	Dunlop India Ltd., Sr. Project Engr.
Lakshminarayanan N.	50	V.P. Finance (IBD)	15,11,502	B.Com.(Hons.), F.C.A.	26	19.06.1978	Coromandel Leather (P) Ltd., Chief Accounts Officer
Lall U.	50	Exec. V.P. - Tobacco & Regulatory Affairs (ITD)	19,58,000	B.A.(Hons.)	29	03.01.1972	PARCO, Officer on Spl. Duty
Mahesh T.P.	45	Mgr., ERP Task Force (ITD)	12,17,210	B.Sc.	24	01.12.1981	Miniature Motor Co., Sales Rep.
Malhotra B.N.	55	Exec. V.P. Projects	19,17,525	B.Tech., M.Tech., P.G. Dip. in Soil Mech.	29	17.03.1975	ITDC, Asst. Engr.
Mehta R.R. (Dr.)	40	Asst. Solicitor	13,14,776	B.Com.(Hons.), LL.B., LL.M., LL.M., M.S. (Wis.), Ph.D.	16	10.06.1994	Legal Practitioner

Name	Age	Designation/ Nature of Duties	Gross Remu-neration Rs.	Qualifications	Experi-ence (years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Mukerji A.K.	42	Controller Finance & Accounts (ITD)	16,95,015	B.Com.(Hons.), A.C.A.	19	01.11.1982	Gupta Chowdhury & Ghose, Jr.Officer
Murthy P.S.R.	57	E.H.S. Manager	12,14,952	B.Tech., M.Tech.	33	20.12.1969	Garden Reach Workshop Ltd., Planning Engr.
Nambiar K.T.R.	50	Services on loan to Subsidiary Co.	13,06,521	B.Sc., A.C.A.	25	15.05.1978	A.F. Ferguson & Co., Audit Asst.
Naware R.	51	Exec. V.P. Technical (ITD)	21,73,792	B.Tech., M.M.S.	28	01.07.1974	Otis Elevator Co. (P) Ltd., Mgmt. Trainee
Nayak A.	49	Exec. V. P., Corp. Human Resources	20,25,913	B.Sc., P.G.D.I.R.	28	14.05.1973	Nil
Parasuram R.	42	V.P. Finance & MIS (ILTD)	15,38,765	B.Com.(Hons.), A.C.A.	19	15.09.1982	Nil
Pathak A.	41	V.P. Finance & MIS (TTD)	16,38,088	B.Com.(Hons.), F.C.A.	18	20.06.1983	Nil
Philipose P.S.	50	Services on loan to Associate Co.	17,91,241	B.Sc.(Hons.), M.B.A.	28	16.12.1974	VST Industries Ltd., G.M. Mktg. & Sales
Prasad N.V.S.S.V.	54	Project Mgr. (ILTD)	13,42,186	M.Tech., F.I.E.	29	19.01.1972	Nil
Puri R.	48	Services on loan to Associate Co.	14,29,360	B.Com.(Hons.), A.C.A.	23	16.01.1979	B.M. Chatrath, Audit Sr.
Puri S.	38	Divisional Mgr. E-Commerce (ITD)	13,30,467	B.Tech.	16	20.01.1986	TELCO Ltd., Trainee
Raghavaiah K.V.	54	G.M., Corporate Human Resources	16,01,731	B.A., P.G.D.P.M.I.R. & L.L.	35	01.09.1985	Coromandel Fertilisers Ltd., Asst. Manager (Pers & Ind. Relations)
Rai R.K.	38	Senior Trader (IBD)	15,64,548	B.A.(Mktg.), P.G.D. in Export & Imports	18	16.08.1990	Britannia Industries Ltd., Commercial Officer
Ramakrishna S.	46	Factory Mgr. (ILTD)	12,38,147	B.E.	22	12.11.1980	Sirpur Silks Ltd., Maintenance Engr.
Ranganathan R.	53	Exec. V.P., Leaf	14,39,939	B.Com., M.A.I.M.A.	34	12.01.1967	Nil
Rangrass S.	40	G.M. Operations (ITD)	16,44,791	B.Tech.	19	01.07.1982	Nil
Rao A.K.	50	V.P. Processing & Technical (ILTD)	15,57,220	B.Tech.	29	15.05.1972	Nil
Rao K. Nageswara	52	Leaf Mgr. (ILTD)	12,93,556	M.A.	27	01.12.1973	Nil
Rao K.S.	58	Div. Chief Exec. (ILTD)	23,18,143	B.Sc.(Hons.)	39	01.07.1967	Sirsilk Ltd., Planning & Dev. Officer
Rao Mangina S.	40	Business Mgr. (IBD)	12,46,658	B.Com.(Hons.), P.G.Dip. in Exp. Mgmt., M.B.A.	16	08.06.1989	Banaras House, Mgr., International Trade Div.
Rao R.A.	58	Exec. V.P., Safety & Environment	18,62,455	D.M.I.C.E., A.M.R.S.H.	41	01.06.1967	ITC Hotels Ltd., V.P., Tech. & Safety
Rastogi M. (Ms)	33	Div. Mgr. Human Resources (LRBD)	12,48,680	B.A., M.A.	12	01.06.1989	Nil
Reddy M.D.	56	G.M. Exports (ILTD)	14,34,954	B.Sc., LL.B., LL.M.	35	10.01.1972	Tungabhadra Industries, Processing I.C.
Rehman S.S.H.	57	Director	63,65,180	Graduate, Indian Army	37	21.11.1997	ITC Hotels Ltd., Managing Director
Sarkar A.C.	60	Exec. V.P., Indust. Affairs (ITD)	26,74,068	B.A.(Hons.)	41	01.12.1960	Hindustan Steel Ltd., Graduate Apprentice
Sarma C.V.	39	Mgr. Treasury	16,39,195	B.Com., A.I.C.W.A., A.C.A., A.C.S., P.G.D.M.	13	03.05.1993	ITC Limited, Assistant Finance
Satyanarayana M.	47	Exec. V.P. Finance & MIS (ITD)	22,66,854	B.Sc., F.C.A., A.I.C.W.A., A.C.S.	22	03.04.1979	Mysore Paper Mills, Financial Accountant
Sengupta P.	43	V.P. (Finance) (PPD)	12,22,213	B.Sc.(Hons.), A.C.A.	19	01.07.1987	Indian Aluminium Co. Ltd., Finance Officer
Sengupta R.	56	Exec. V.P., H.R. (ITD)	18,58,432	B.A., M.A. (Cantb.)	36	21.07.1969	ITC Hotels Ltd., V.P., H.R.D.
Shihn A.S.	44	Services on loan to Associate Co.	14,90,477	B.Com., A.C.A.	19	01.12.1982	Eicher Goodearth Ltd., Jr. Exec.
Shome P.K.	54	Divisional Mgr. IT Projects (ITD)	12,24,321	B.E., P.G. Dip. in I.E.	33	01.10.1974	Ralli Wolf, Jr. Indust. Engr.
Singh A.	56	Director	58,63,553	B.Tech.(Hons.)	33	01.03.1968	Nil

Name	Age	Designation/ Nature of Duties	Gross Remu-neration Rs.	Qualifications	Experi-ence (years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Singh K.	36	Branch Mgr. (P) (ITD)	12,19,566	B.Tech.	15	20.02.1992	Asian Paints (I) Ltd., Plant Engg. Exec.
Singh P.P. (Dr.)	59	Chief Scientist (ITD)	17,77,113	B.Sc., M.Sc., Ph.D.	36	01.01.1980	Atira, Research Associate
Singhi R.K.	36	Deputy Company Secretary	12,32,504	B.Com.(Hons.), LL.B., F.C.S.	16	01.08.1988	Chemcrown (I) Ltd., Asst. Secretary
Sivakumar S.	40	Div. Chief Exec. (IBD)	25,82,104	B.Sc., P.G.Dip. in Rural Mgmt.	18	18.09.1989	Gujarat Co-op. Oil Seeds Growers' Federation Ltd., Mgr. Mktg.
Sridhar R.	42	V.P. HRD & Public Affairs (ILTD)	15,49,039	B.Sc., P.G.Dip. in P.M. & I.R.	19	01.06.1982	Nil
Srinivasan R.	49	Div. Chief Exec. (PPD)	19,66,106	B.Tech. (Hons.),	27	10.09.1974	Nil
Srinivasan Ravi	44	Mgr. Training & Development	13,28,489	B.Com.(Hons.), P.G.D.P.M. & I.R.	21	01.07.1988	Punjab Agro Industries Corpn. Ltd., Mgr., Manpower Dev.
Sumant B.	37	Branch Mgr. (P) (ITD)	12,46,301	B.E.	15	20.01.1986	Nil
Suresh K.S.	41	Company Solicitor	19,89,586	B.A., B.L., P.G.D.P.M., I.R & L.W.	18	01.09.1990	Chambers of Sri C.S. Venkata Subramaniam, Advocate
Suresh K.N.	48	Chief Blender (ITD)	12,01,648	B.Sc., M.Sc.	26	01.03.1977	Gamon Ferchems, Tech. Trainee
Tandon R.	47	Finance Advisor	17,90,022	B.Sc., A.C.A.	23	01.01.1987	Triveni Handlooms Ltd., Finance Mgr. & Secy.
Tyagi S.	42	Trade Mktg. Dev. Mgr. (ITD)	13,20,117	B.Sc., M.Sc., Dip. in Mktg. Mgmt.	19	01.02.1982	Nil
Vaidyanath K.	51	Director	24,01,818	B.Com.(Hons.), M.B.A.	28	16.01.1976	Shriram Refrigeration Industries Ltd., Mgmt. Trainee
Vaidyanathan K.S.	61	Sr. V.P., Corp. Affairs	33,01,623	B.Com.(Hons.)	38	08.10.1982	T.V.S. Southern Roadways Ltd., Resident Mgr.
Venkatramani S.H.	44	Head, Corp. Communications	15,66,574	B.A., M.A.	18	01.08.1999	Ranbaxy Labs. Ltd. Director - Corp. Affairs
Verma Sanjay	42	Services on loan to Subsidiary Co.	16,62,970	B.E.	19	01.11.1981	Nil

Employed for a part of the year and in receipt of remuneration aggregating Rs. 1,00,000/- or more per month.

Awasthi J.N.	58	Mgr. EHS (ITD)	7,62,427	P.G. Dip. in B. & I.M., F.I.E.C.E.(I)	36	01.02.1967	Ministry of Defence, Sr. Scientific Officer
Babu J.K.	57	Leaf Mgr., Development (ILTD)	10,52,124	M.Sc.	34	07.01.1967	Nil
Babu V.V.R.	46	Divisional Head, India Operations (ISD)	8,10,366	B.Sc. , M.Sc., M.Phil.	23	01.03.1979	Andhra Bank, Officer Grade II
Bakhle V.V.	58	Branch Mgr. (P) (ITD)	10,76,852	M.I.M.A.R.E., Chartd. Engr.	38	03.01.1975	The Shipping Corpn. of India Ltd., Ch. Engr. Officer
Balachandran M.	58	Mgr. Industry Affairs (ITD)	5,15,857	B.Sc., M.Sc., Dip. in S.O.C., P.G. Dip. in Bus. Mgmt.	34	01.06.1972	Larsen & Toubro Ltd., Statistician
Bijlani S.A.	42	Divisional Head, Human Resources (ISD)	11,29,810	B.Sc.(Hons.), LL.B., M.A. (P.M. & I.R.)	18	01.06.1982	Nil
Bunyan E.E.	56	Asst. Production Mgr. (ITD)	2,55,372	Dip. In M.E.	21	15.02.1979	Nil
Chary K.R.	57	V.P. (TQM)(PPD)	10,53,722	A.M.I.E.	34	15.02.1974	Metal Box (I) Ltd., Branch Engr.
Dasaratharaman K.	41	G.M. Brands (ITD)	3,31,019	B.Tech., P.G.D.M.	16	01.06.1984	Nil
Dhruvakrishnan C.T.	48	On Secondment	1,71,105	B.Com.(Hons.)	22	01.08.1974	Nil
Garewal H.S.	37	Divisional Head, Business Development (ISD)	6,32,827	B.Tech., M.B.A.	12	01.06.1988	Nil
Iyappa K.B.	42	Asst. Solicitor	5,79,041	B.Com., LL.B.	18	01.09.1991	Larsen & Toubro Ltd., Asst. Legal Officer
Khattar S.	43	G.M. - Internal Audit	5,31,488	B.Com.(Hons.), F.C.A.	19	07.11.1988	Nagarjuna Finance Ltd., Sr. Mgr. Treasury

Name	Age	Designation/ Nature of Duties	Gross Remu-neration Rs.	Qualifications	Experi-ence (years)	Date of Commence-ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Krishnaiah T.	58	Deputy Leaf Mgr. (ITD)	4,55,383	B.A., M.A.	35	19.10.1971	Binny & Co. Ltd., Asst. Sales
Kundu Prasenjit	36	Branch Engr. (ITD)	4,85,532	B.Tech., M.B.A.	13	01.06.1989	Union Carbide (I) Ltd., Engineer Proj. & Dev.
Mitra A.K.	49	G.M. Information Technology (ISD)	6,07,135	B.Ch.E., M.Tech.	24	01.01.1992	Price Waterhouse Associates, Managing Consultant
Mitter A.	45	Corp. MIS Mgr.	8,61,618	B.E.(Hons.)	21	05.12.1980	Western India Industries Ltd., Marketing Executive
Mitter B.	58	Director	92,51,006	B.Sc., F.C.A. (Eng. & Wales), P.G.D.B.A.	35	15.11.1971	Thornton Baker & Co. Ltd., U.K., Audit Mgr.
Mubayi A.	52	Exec. V.P., Corp. Affairs	14,52,631	B.A.(Hons.)	30	01.12.1970	Mahindra & Mahindra Ltd., Mgmt. Trainee
Naganand D.P.	51	Exec. V.P., Strategic Planning	8,07,179	B.Tech.(Hons.), M.B.A.	30	26.09.1977	G.E.C. Ltd., Production Incharge
Narang V.K.	58	V.P. Mktg. (ITD)	11,91,298	B.Tech. (Hons.)	37	01.07.1972	I.B.M. World Trade Corp., Industrial Engr.
Rajasekhar V.V.	36	Mgr., IT Projects (ITD)	8,35,940	B.E., M.B.A.	11	01.06.1989	Nil
Ray Subrata	54	G.M., T.Q.M. (TTD)	2,66,310	B.E., Dip. In Indust. Engg.	30	28.03.1994	National Productivity Council, Regional Director
Razdan V.K.	34	H.R. Mgr., E.R.P. Task Force (ITD)	5,36,602	B.Com.(Hons.), P.G.D.P.M.I.R.	12	01.06.1988	Nil
Reddy K. P.	56	Div. Quality Assurance Mgr. (ILTD)	2,05,753	M.Sc.	31	01.02.1969	Dept. of Agriculture (A.P.), Asst. Agronomist
Rustagi S.C.*	52	V.P. Corp. EHS	8,25,241	B.Sc., P.G.D.(Engg.)	29	10.02.1983	Shriram Fertilisers & Chemicals, Mech. Engr.
Syam A.(Mrs.)	58	Exec. V.P., Corp. Communications	7,45,078	M.A. (Cal & London)	33	14.07.1969	Bengal Chamber of Commerce, Div. Secretary

* Reverted to ITC during the year upon completion of secondment.

Abbreviations denote:

IBD	-	International Business Division
ISD	-	Information Systems Division
ILTD	-	Indian Leaf Tobacco Development Division
ITD	-	India Tobacco Division
LRBD	-	Lifestyle Retailing Business Division
PPD	-	Printing & Packaging Division
TTD	-	Tribeni Tissues Division
SBU	-	Strategic Business Unit
GCB	-	Greeting Cards Business

Notes:

1. Gross remuneration comprises salary, allowances, medical reimbursement, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites on the basis of the Income Tax Act and Rules, performance bonus for Wholetime Directors and excludes ex-gratia payment on separation.
2. All appointments are/were contractual, other terms and conditions are as per Company's Rules.
3. None of the above employees is a relative of any Director of the Company.

On behalf of the Board

A. SINGH *Director*

Kolkata, 30th May, 2001 K. VAIDYANATH *Director*