

ITC Limited

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and
Accounts
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An 'Indian' company, whilst recognising the need to create a fair reward for shareholders, would go the extra mile in partnership with other participants in the economy, to create conducive conditions for international competitiveness towards maximising value for the Indian society of which it is a part.

*Chairman Y. C. Deveshwar
AGM, 2001*

The entrepreneurial energies of the private sector need to be harnessed in bringing about competitiveness of India's rural sector. As the economy globalises, liberalisation in trade of agri-products will pose both formidable threats and exciting opportunities. In the absence of competitiveness, it can threaten rural employment. On the other hand, competitiveness can lay open the opportunities of remunerative world markets.

*Chairman Y. C. Deveshwar
ASSOCHAM Summit, 2001*



ITC Limited
Enduring Value.
For the Shareholder. For the Nation.

Creating enduring value through rural partnerships

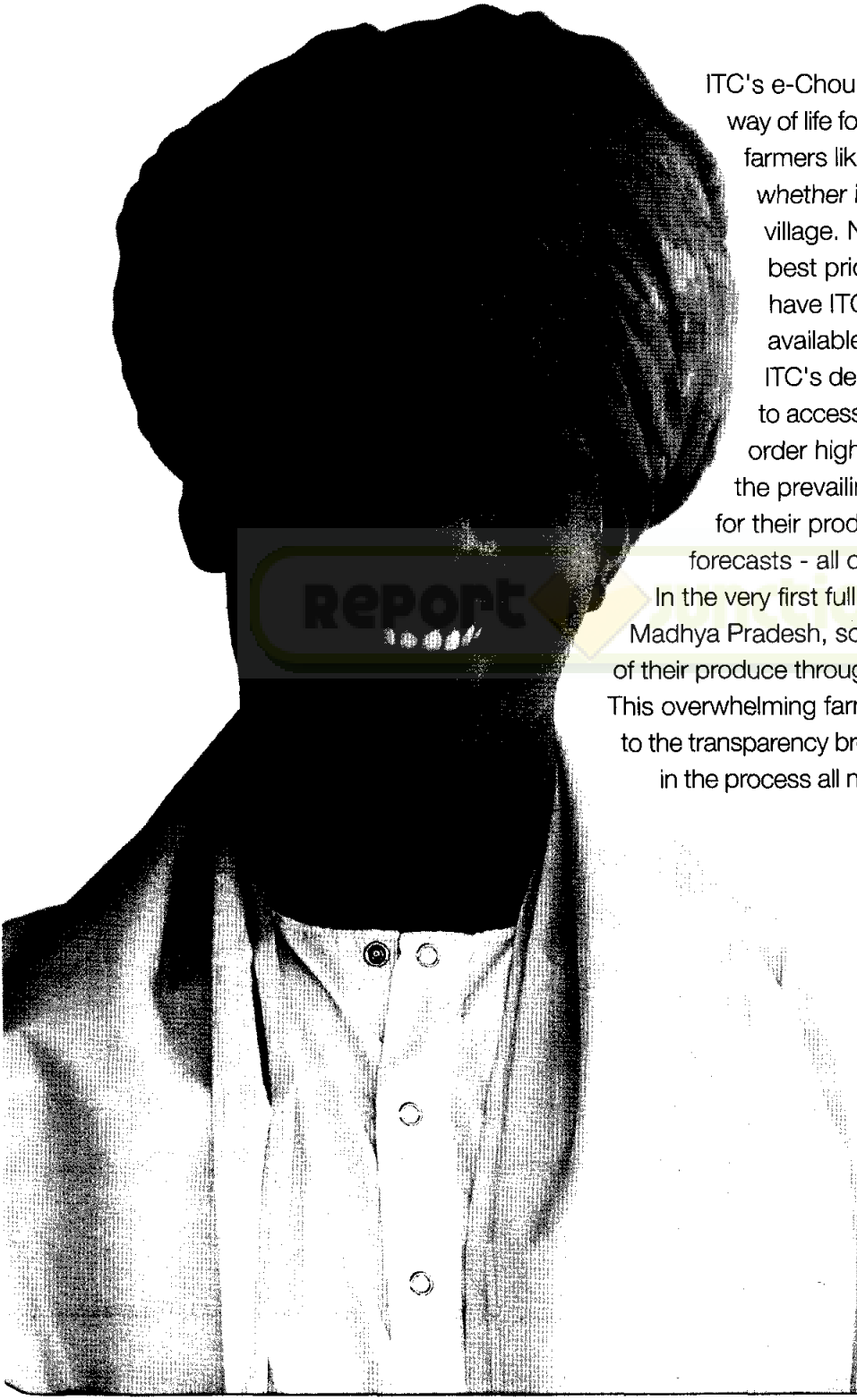
ITC has constantly endeavoured to contribute to enhancing the competitiveness of Indian agriculture by helping the farmer significantly improve crop quality and productivity. ITC is currently engaged in imparting a revolutionary dimension to its rural partnership by leveraging information technology to elevate the Indian farmer to a new order of empowerment. Project 'e-Choupal', ITC's pioneering click & mortar initiative, links the Indian farmer with domestic and international markets to help him realise a better value for his produce. It is the largest Internet-based intervention in rural India by the corporate sector. It already reaches out to more than half a million farmers to provide web-enabled real-time information on the weather, best farming practices and commodity prices. Through virtual clustering, these 'e-Choupals' are conferring the power of scale on even the smallest of individual farmers. This first-of-its-kind rural e-infrastructure will dramatically enhance efficiency in the purchase and sale of agri-inputs and farm produce, with direct benefits to the farmer. 770 'e-Choupals' are already operational, covering 4,500 villages across four States in India. With the 'e-Choupal' project slated to expand to 100,000 villages, i.e. 1/6th of India's villages, in the next 5 to 7 years, ITC aspires to transform the fundamentals of farm economics in India.



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Come to my village and I will show you how ITC is changing my world.

*Abhishek Jain,
proud e-Choupal Sanchalak,
Dahod, Madhya Pradesh.*



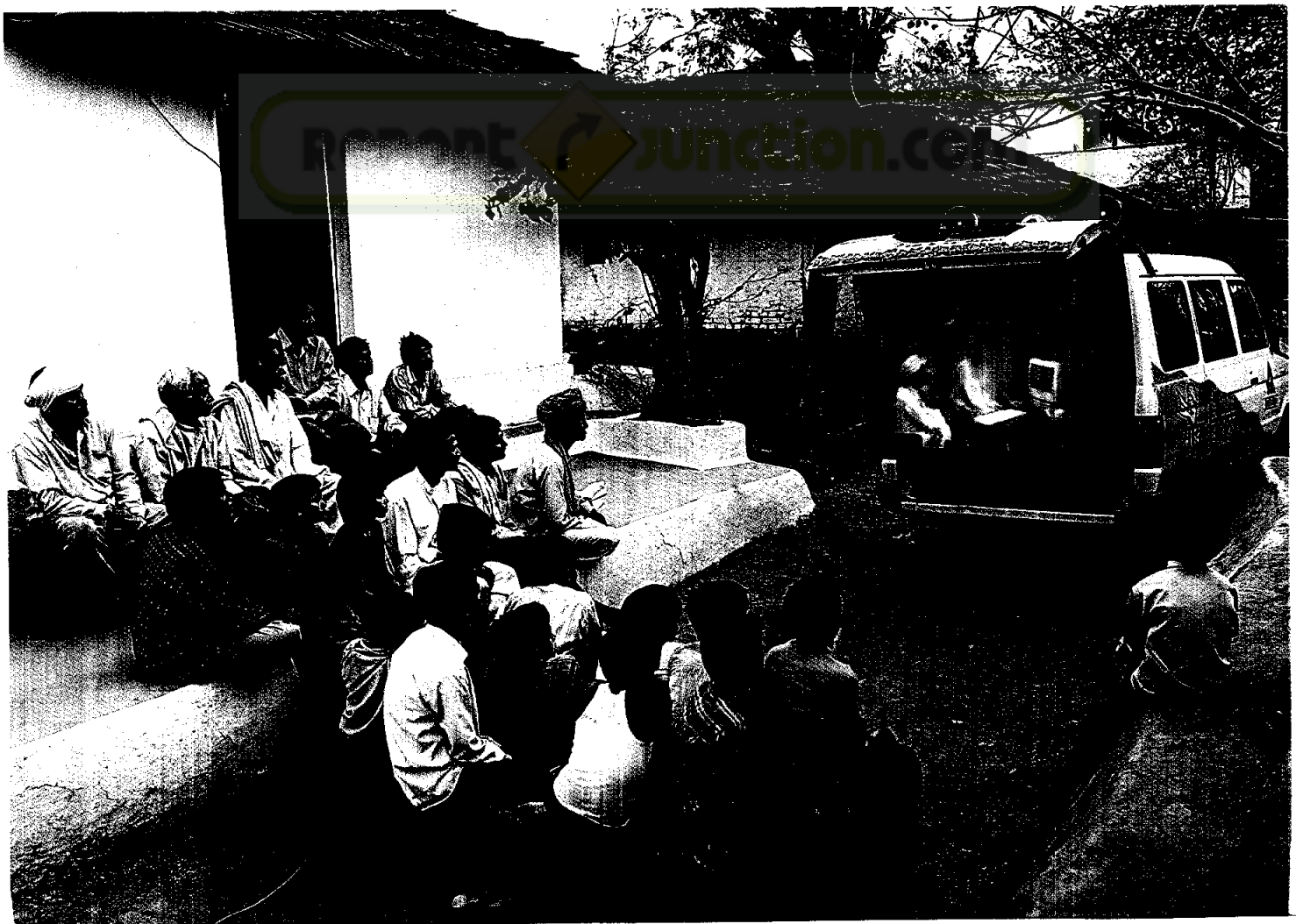
ITC's e-Choupal project has radically changed the way of life for Abhishek and thousands of soyabean farmers like him. Till yesterday they did not know whether it was going to rain or shine in their village. Nor did they know how to realise the best price for their produce. Today they have ITC's e-Choupal Internet kiosks, available virtually next door in their villages. ITC's dedicated websites enable these farmers to access information on best farming practices, order high quality agri-inputs online, ascertain the prevailing domestic and international prices for their produce, and get the latest local weather forecasts - all customised in the local language.

▶ In the very first full season of e-Choupal operations in Madhya Pradesh, soya farmers sold nearly 50,000 tons of their produce through the 'soyachoupal' Internet platform. This overwhelming farmer response bears telling testimony to the transparency brought about by e-Choupals, eliminating in the process all non-value adding intermediate activities.



Smart Cards enable farmer identification to provide customised information on the soyachoupal.com website. Online transactions are captured to reward farmers for usage and loyalty.

ITC's mobile vans take the message of e-Choupal to new villages. Thereafter, virtual helpdesks enable the farmer to find solutions to his problems through online interactions. ITC has set up VSAT links to overcome connectivity problems.

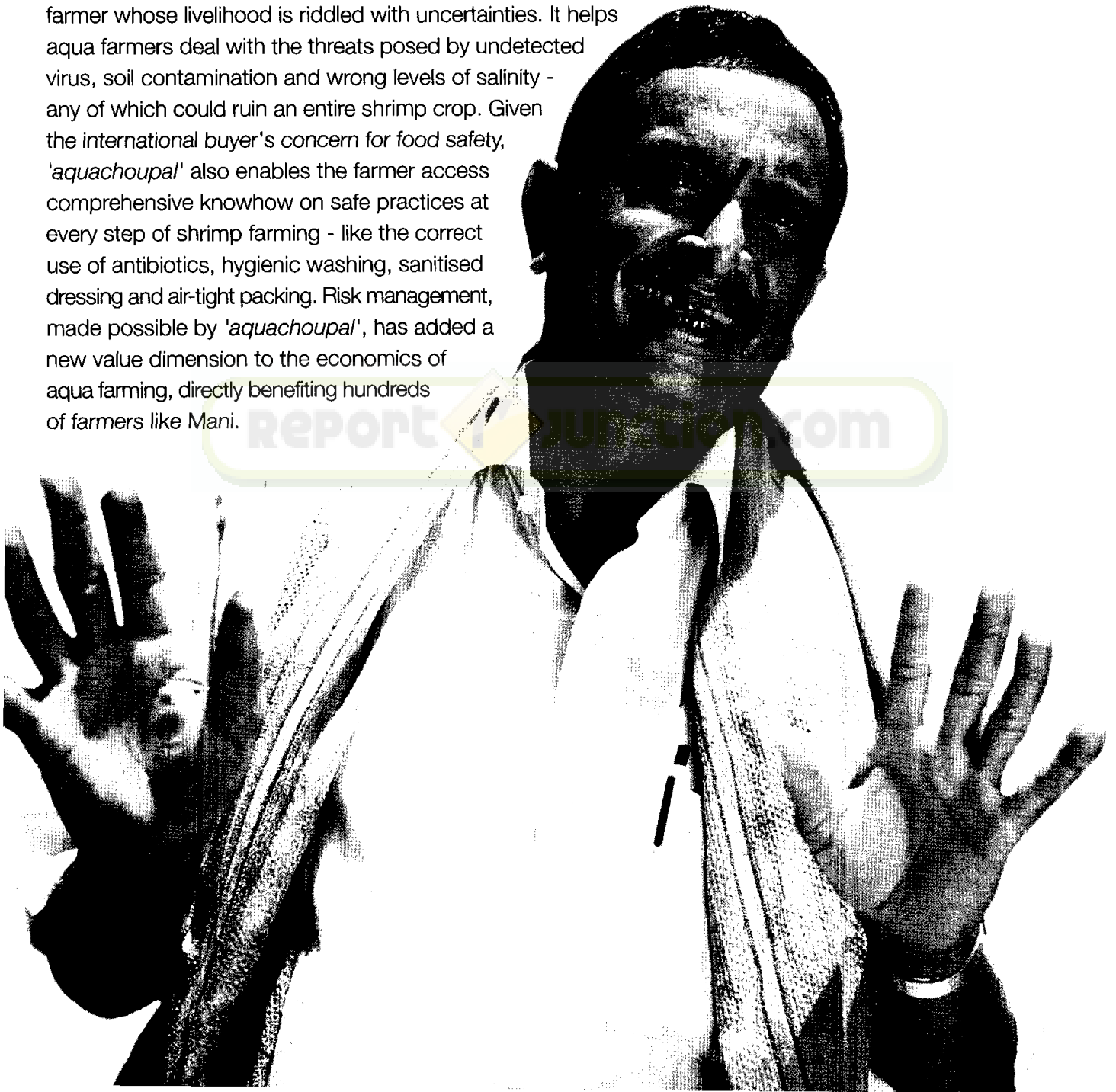


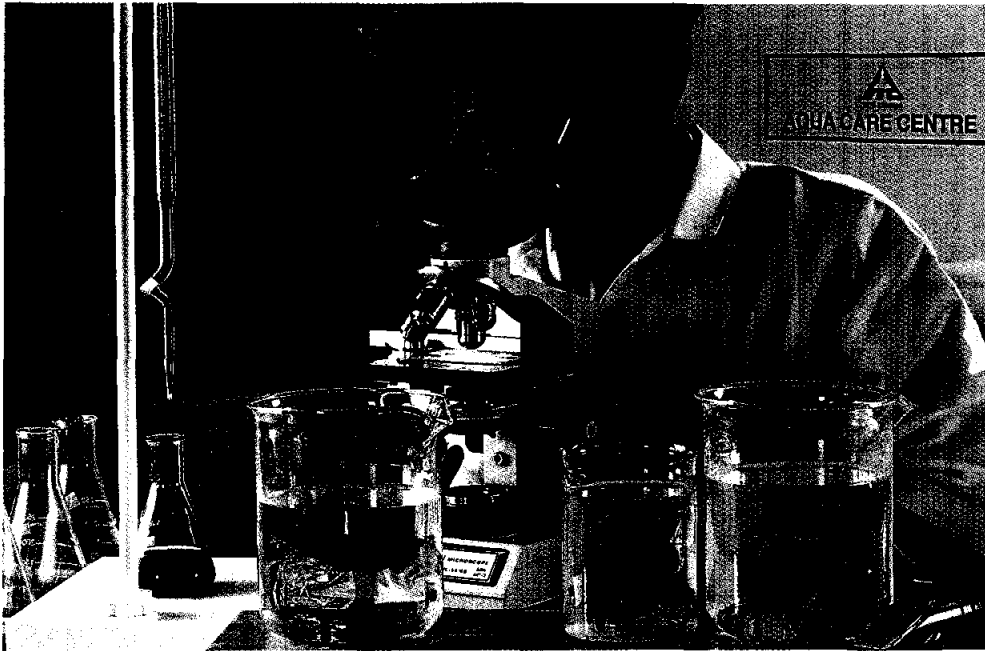
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**With ITC by my side,
I have no fear of uncertainties.**

*Mani Raju, aqua farmer,
Patavala, East Godavari Dist.
Andhra Pradesh.*

ITC's 'aquachoupal' has come to the rescue of the Indian aqua farmer whose livelihood is riddled with uncertainties. It helps aqua farmers deal with the threats posed by undetected virus, soil contamination and wrong levels of salinity - any of which could ruin an entire shrimp crop. Given the international buyer's concern for food safety, 'aquachoupal' also enables the farmer access comprehensive knowhow on safe practices at every step of shrimp farming - like the correct use of antibiotics, hygienic washing, sanitised dressing and air-tight packing. Risk management, made possible by 'aquachoupal', has added a new value dimension to the economics of aqua farming, directly benefiting hundreds of farmers like Mani.





ITC's Aqua Care Centre in Kakinada, Andhra Pradesh, has revolutionised the concept of shrimp seed testing. Its sophisticated laboratory detects the deadly White Spot virus in the shrimp seed, and advises farmers on appropriate remedial action.

In the high risk business of shrimp farming, the wealth of information provided by aquachoupal.com has proved a great boon for farmers in Andhra Pradesh. This success has inspired ITC to plan its extension to West Bengal.



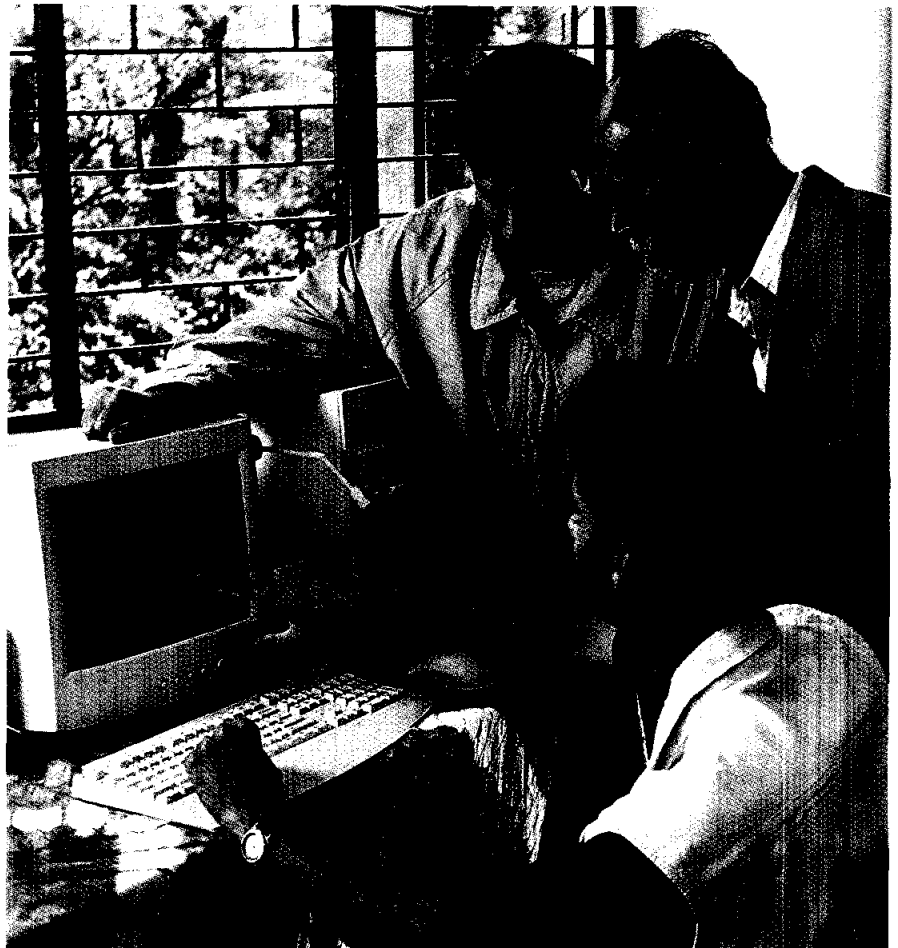
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Thanks to ITC, I can brave the volatile global markets.

*Nagappan, coffee planter,
Coorg, Karnataka.*



ITC's 'plantersnet.com' website enables Indian coffee growers like Nagappan ride out the volatility of the international coffee market. The site provides him with comprehensive updates on international prices from commodity exchanges like CSCE in New York and LIFFE in London. Coffee planters can also comprehend trends, trading ranges and chart patterns from customised fundamental and technical analysis by experts. Growers can also determine quoted raw coffee prices at international auctions from the 'Parity Chart' and the 'Calculator' provided on the site. 'Tradersnet', a special link on the site, brings a large number of coffee planters, traders and roasters together in a virtual market, providing ample opportunities to discover the most attractive prices. ITC also provides logistical support and risk management knowhow. Pitted as he is against global majors in an extremely price sensitive and highly volatile market, the Indian coffee planter has found a dependable knowledge partner in ITC.



Plantersnet.com has become popular among coffee growers as an effective platform for global trade. Volumes traded through the website are already averaging more than 200 tons per month.

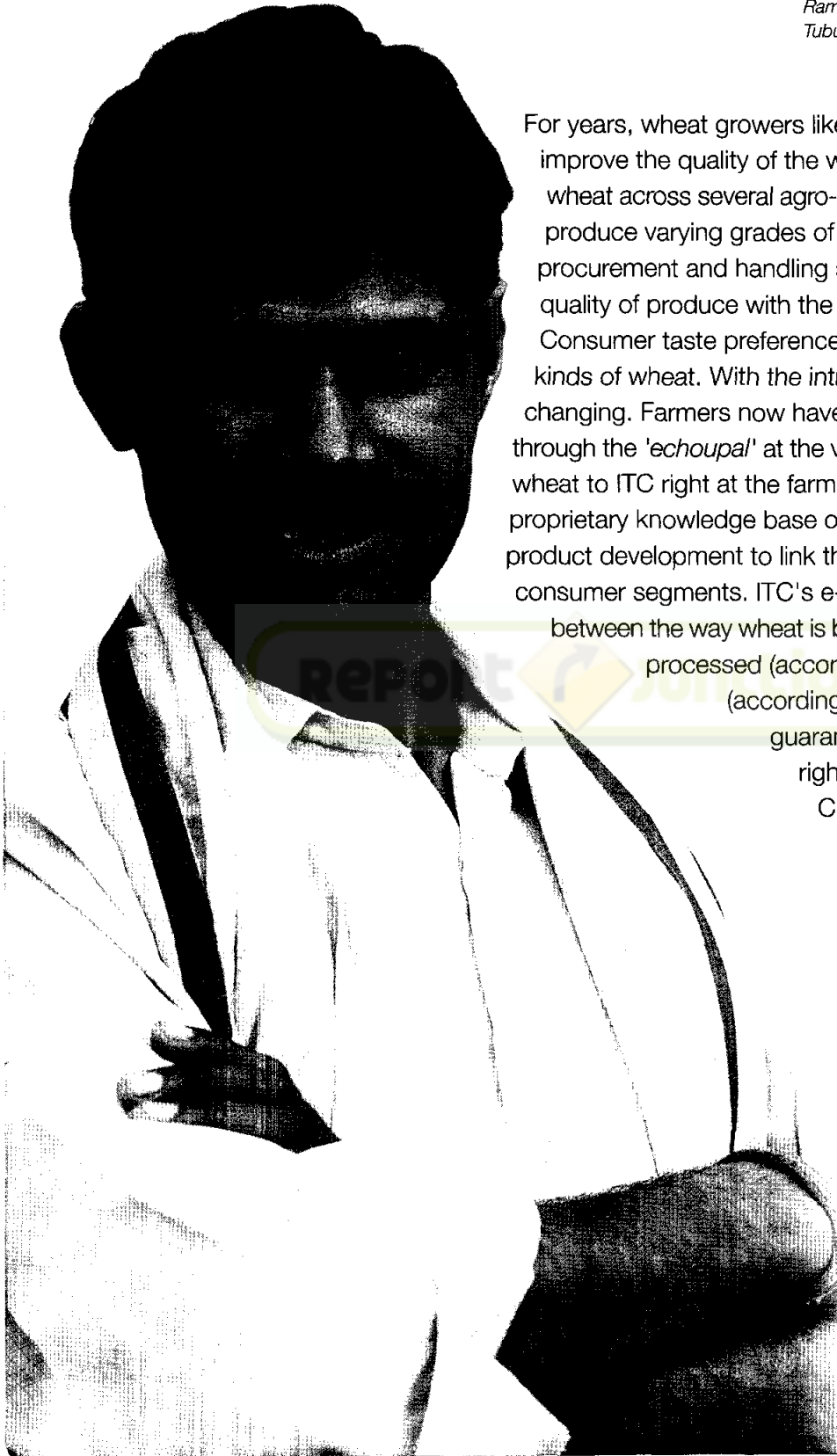
In addition to assisting with knowledge management through the website, ITC provides on-ground inputs to coffee planters on best practices, grading standards, quality policy, etc.



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I never knew what fair price was until ITC came to my village.

*Ram Chander Pal, wheat farmer,
Tubukha, Uttar Pradesh.*



For years, wheat growers like Ram Chander had no incentive to improve the quality of the wheat they produced. Farmers cultivate wheat across several agro-climatic zones in India and consequently produce varying grades of the grain. The traditional wheat procurement and handling system does not efficiently match the quality of produce with the specific needs of different markets. Consumer taste preferences in various markets demand their own kinds of wheat. With the introduction of e-Choupal, the situation is changing. Farmers now have the benefit of efficient price discovery through the 'eChoupal' at the village level itself, and the facility of selling wheat to ITC right at the farm gate. ITC leverages its comprehensive proprietary knowledge base of consumer behaviour and customised product development to link the farmers' produce to appropriate consumer segments. ITC's e-Choupal thus bridges the disconnect between the way wheat is bought (according to physical properties), processed (according to chemical properties) and sold (according to consumer tastes). In effect, guaranteeing farmers the right price for the right quality. Inspiring growers like Ram Chander to think of quality.

► Advisory support from ITC is a critical part of the e-Choupal mission.

►► Given the low levels of literacy in the rural sector, the role of the Choupal Sanchalak, the lead farmer of the village, in facilitating physical interface between the computer terminal and the farmers is central to project 'e-Choupal'.