



ITC Limited

REPORT

AND

ACCOUNTS

2018

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ITC: Creating Enduring Value for India

As a Company deeply rooted in India's soil, ITC is inspired by its vision to serve larger national priorities. ITC's pursuit of global competitiveness in economic value creation, whilst simultaneously creating larger societal value, spurred innovation in business models to synergise the building of economic, ecological and social capital as a unified strategy. This commitment to create enduring value for its stakeholders and the nation is manifest in its credo of 'Putting India First' – an abiding philosophy that seeks to put Country before Corporation and the Institution before the Individual.

Creating Multiple Drivers of Growth: Leveraging Enterprise Strengths

Over the years, ITC's multiple drivers of growth have been carefully crafted to match internal competencies with the emerging opportunities of a growing Indian market. A robust portfolio of businesses leverage ITC's unique enterprise strengths in terms of its deep consumer insight,

intimate rural linkages, superior agri-sourcing, cutting-edge Research & Development, world-class manufacturing, brand building skills, culinary insights of ITC Hotel's master chefs, innovative consumer packaging, focus on digital technologies and an extensive trade marketing, distribution and logistics network. These unique enterprise strengths enable ITC to create multiple drivers of growth across all the three sectors – agriculture, manufacturing and services, whilst making a significant and holistic contribution to society, environment and the economy.

Contribution to the Exchequer

ITC is amongst the top three corporates in the private sector in terms of Contribution to the Exchequer. Over the last five years, the Value-Added by ITC, i.e. the value created by the economic activities of the Company and its employees, aggregated over ₹2,00,000 crores, of which nearly ₹1,50,000 crores accrued to the Exchequer. Including the share of dividends paid and retained-earnings attributable to

government-owned institutions, ITC's contribution to the Central and State Governments represents about 80% of its Value-Added during the year. Since 1996, ITC's Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew rapidly at a compound rate of 22.4% per annum, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

Creating World-Class Indian Brands

It is ITC's belief that tomorrow's world will belong to those who create, own and nurture intellectual capital for the country. Successful brands and trademarks, which represent such intellectual capital, are a badge of honour for the country they belong to. ITC's world-class Indian brands anchor competitive and inclusive value chains that create, capture and retain larger value within the country as opposed to brands owned overseas that rely on global supply chains besides necessitating payments in the form of royalties, etc. ITC has built 25 world-class mother brands within a short span of time. ITC's new FMCG brands currently represent nearly ₹16,000 crores in terms of annualised consumer spend, and several of the Company's brands have assumed market leadership in a short period of time.

Creating Value for Indian Consumers

ITC is committed to delivering superior and differentiated products that create value for the Indian consumer. Some of the differentiated products include ITC Master Chef Super Safe spices that are tested for over 470 pesticide residues and the ITC Master Chef Super Safe prawns that are Individually Quick Frozen and undergo over 240 tests to conform to the best international standards offering consumers and future generations a safer and better product. ITC's differentiated products focused on health and wellness include the Aashirvaad Sugar Release Control Atta – a low Glycaemic Index atta, Sunfeast Farmlite biscuits, Farmland Naturally Low Sugar potatoes, among others.

Building World-Class Assets for India

ITC's commitment to create enduring value for India is also manifest in its investments in the development of world-class manufacturing and hospitality assets. These investments that contribute to the Company's competitiveness and in building assets to serve the nation are in the form of state-of-the-art manufacturing facilities, iconic luxury hotels, logistics hubs and the globally benchmarked Life Sciences and Technology Centre. Contributing to the Make in India vision, ITC is investing in creating 20 Integrated Consumer Goods Manufacturing & Logistics facilities for its FMCG businesses, which promise to lend significant competitive edge to ITC's businesses in the future. An investment outlay of ₹25,000 crore has been envisaged to support the Company's projects in manufacturing, hospitality, distribution and agri-backend. Several of these projects are already on stream. Commercial production commenced this year at ITC's integrated facilities in Uluberia and Panchla in West Bengal, Guwahati in Assam and Kapurthala in Punjab.

Building a Sustainable Future for all Stakeholders

ITC's quest is to attain extreme competitiveness in each of its businesses, whilst at the same time ensuring the replenishment of environmental resources and creation of large-scale sustainable livelihoods. Today, ITC's businesses create sustainable livelihoods for over 60 lakh people, many of whom represent the weakest in the society. The philosophy of 'Responsible Competitiveness' makes ITC the only company in the world to attain the global environmental distinction of being carbon positive, water positive and solid waste recycling positive for over a decade. Over 43% of the total energy requirement of the Company is met from renewable sources, a testimony to its commitment to a low carbon growth path. ITC's sustainability initiatives and social investments programmes, such as the celebrated e-Choupal, Social & Farm Forestry, Watershed Development, Animal Husbandry, Women Empowerment, Vocational Training, Primary Education,

Health and Sanitation and Solid Waste Management have had a transformational impact on rural India. Many of ITC's social investment interventions are aligned to the United Nation's Sustainable Development Goals. In the field of waste management, ITC has spearheaded a 360-degree solutions framework, which includes packaging optimisation, resource conservation, over 99% of waste generated in operations being recycled, enabling source segregation of municipal solid waste, facilitating collection, re-use and re-cycling, thereby moving towards a circular economy. Over the next decade, ITC pledges to ensure that, going beyond Extended Producer Responsibility requirements, the Company will deploy superior solutions so that 100% of all packaging of the Company will be recyclable, reusable or compostable.

Creating an Exemplary National Enterprise

ITC's super-ordinate vision to create enduring value for the nation is today manifest in the foundation of multiple drivers of growth across businesses of tomorrow, which have achieved significant market standing and leadership. Today, ITC is the leading FMCG marketer in India, a pre-eminent hotel chain and a globally acclaimed icon in green hoteliering, the clear market leader in the Indian Paperboard and Packaging industry, a pioneering trailblazer in farmer and rural empowerment through its Agri Business and a global exemplar in sustainable business practices. This transformation of the Company has also enabled ITC to be a growing and significant contributor to the national economy. In the coming years, ITC's world-class manufacturing facilities will expand the nation's industrial capital, whilst the Company's iconic hotel properties will contribute to the country's tourism landscape. ITC's investments and multipronged initiatives in supporting agricultural and rural development will further contribute to doubling of farmers' income. ITC's commitment towards a paradigm of growth that is sustainable and inclusive will continue to shape a better and secure future for its stakeholders and the nation.



ITC's Businesses

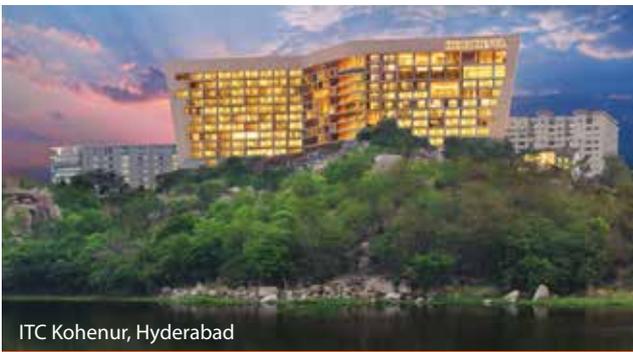
Spanning all three sectors of the economy
– Agriculture, Manufacturing and Services

FMCG Businesses



- India's leading FMCG marketer
- ITC Foods is the 3rd largest in India

Hotels



ITC Kohenu, Hyderabad

- One of India's fastest growing hospitality chains
- ITC's super premium luxury hotels are LEED Platinum-certified

Agri Business



- Pioneer in rural transformation through ITC e-Choupal
- Largest private sector procurer of wheat in India

Paperboards & Packaging



- Clear market leader in the segment
- Most environment friendly pulp mill in India

Information Technology



- Digital full services global player
- 9 development centres



ITC: An Exemplar in Triple Bottom Line Performance



Gross Sales Value*
₹67082 cr
for the year ended
31st March, 2018



ITC's contribution to
the Central and State
Governments represents about
80%
of Value-Added
during the year



Total Shareholder Returns
CAGR since 1996
22.4%
(as in March, 2018)



ITC's FMCG
products reach
every 2nd
household in India

* For details, please refer to the section 'Report of the Board of Directors & Management Discussion and Analysis'

Sustainable livelihoods supported by ITC's businesses: **6 million**

The only Company in the world to be:

Carbon Positive **13 years**

Water Positive **16 years**

Solid Waste Recycling Positive **11 years**

Renewable energy: Over **43%** of total energy consumption

e-Choupal: **4 million** farmers empowered

Afforestation: Over **6,80,000** acres greened

Watershed Development: Nearly **8,75,000** acres covered

Livestock Development: Providing animal husbandry services in **7 states and 25 districts**

Solid Waste Management: Well-being Out of Waste (WoW) programme covers **77 lakh** citizens

Women Empowerment: Over **61,000** rural women benefitted

Skilling and Vocational Training: Covering over **55,000** youth

Primary Education: Reaching over **5,60,000** children

Health & Sanitation: Over **31,000** toilets built

Pioneer of green building movement in India: Established over **23** green buildings



ITC's World Class Indian Brands

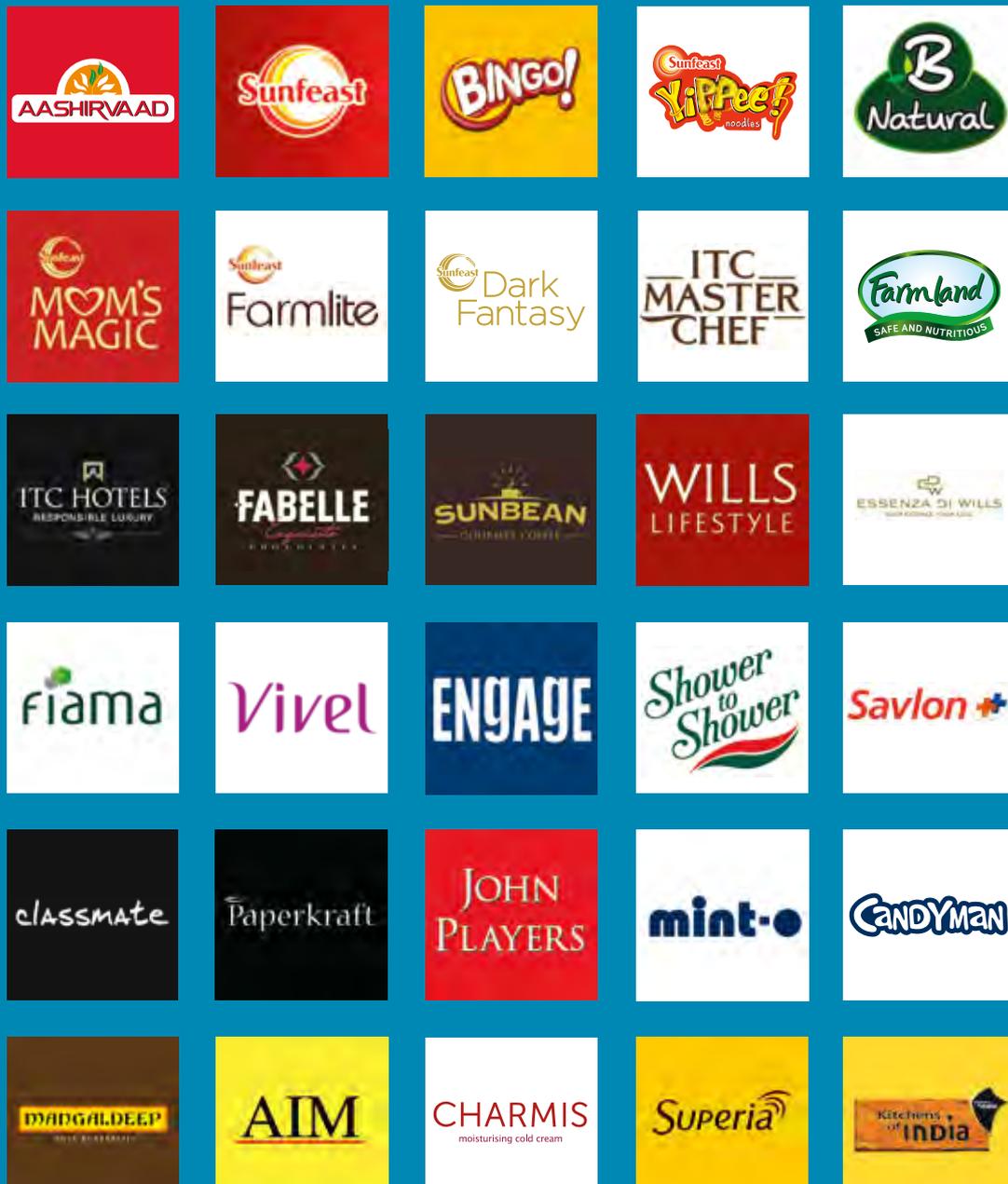
Within a relatively short span of time, ITC has built 25 mother brands, many of which are market leaders in their segments. This vibrant portfolio of brands represents an annual consumer spend of nearly ₹16,000 crore today.

Today, ITC's FMCG products reach every second household in India. In terms of annual consumer spend, Aashirvaad is today over ₹4000 crores; Sunfeast over ₹3500 crores; Bingo! over ₹2000 crores; Classmate & YiPPee! are over ₹1000 crores each and Vivel, Mangaldeep & Candyman are over ₹500 crores each. These world-class Indian brands support the competitiveness of domestic value chains of which they are a part, ensuring the creation and retention of value within the country.

ITC's FMCG brands have achieved impressive market standing in a relatively short span of time. Today, many of ITC's products have assumed market leadership – Aashirvaad is No. 1 in Branded Atta, Sunfeast is No. 1 in Premium Cream Biscuits, Bingo! is No. 1 in the Bridges segment of Snack Foods, Classmate is No. 1 in Notebooks. Other ITC brands are also gaining significant consumer franchise – YiPPee! is No. 2 in Noodles, Engage is No. 2 in Deodorants and Mangaldeep is No. 2 in Agarbattis and No. 1 in the Dhoop segment.



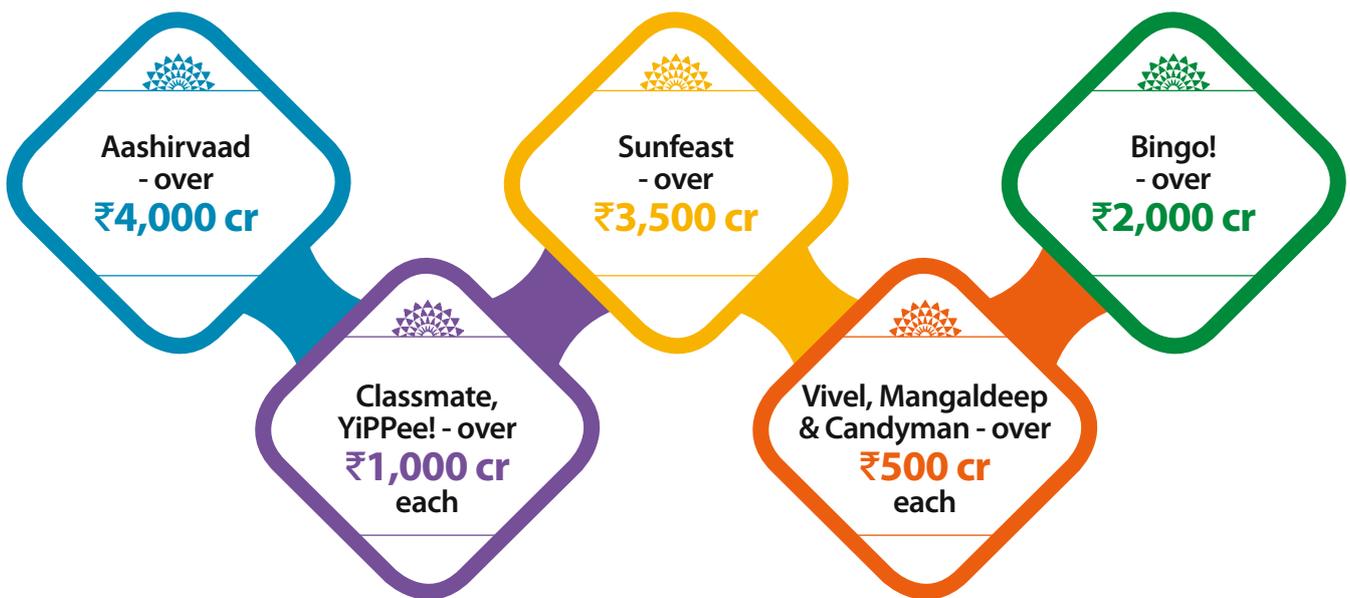
ITC's World Class Indian Brands



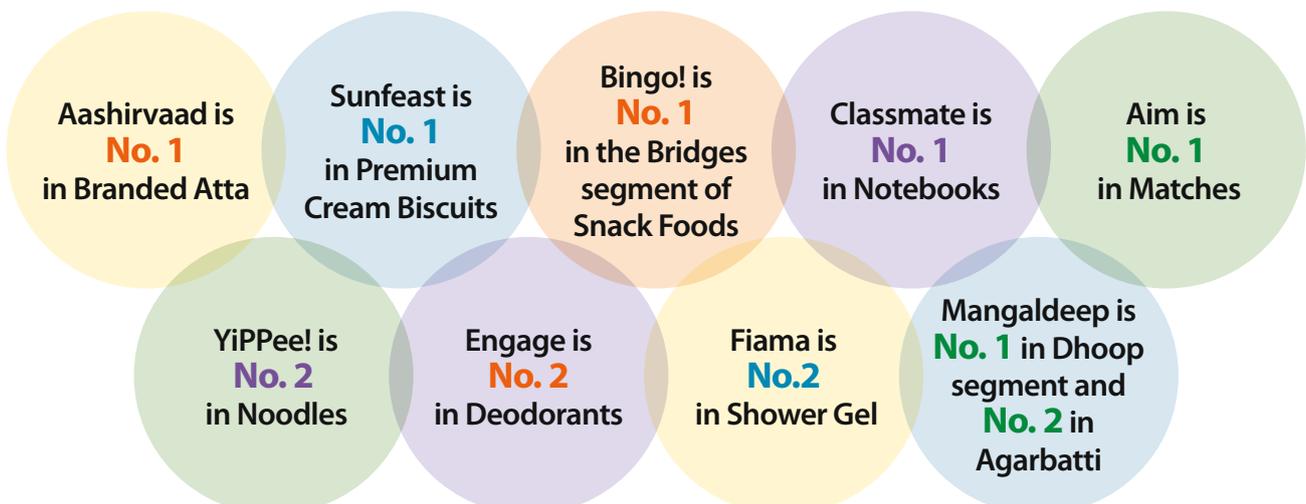
ITC's World Class Indian Brands



Consumer Spend



Brand Leadership



Branded Packaged Foods



Atta, Ghee, Salt, Spices
& Instant Mixes

Aashirvaad is
India's No. 1 in
Branded Atta with an
annualised consumer
spend of over
₹4,000 Crores



Biscuits, Cookies
& Cakes

Among Top 3
Biscuit Brands
No. 1 in
Premium Cream
Biscuits

