



Report and Accounts 2004

“ *Most visionary companies don't just exist to 'be a company'; they exist to do something useful. The continual stream of great products and services from highly visionary companies stems from them being outstanding organisations, not the other way around. All products, services and great ideas, no matter how visionary, eventually become obsolete. But a visionary company does not necessarily become obsolete, not if it has the organisational ability to continually change and evolve...*

*James C. Collins and Jerry I. Porras in **Built To Last***



ITC Limited

Enduring value.

For the nation. For the shareholder.

ITC

A DECADE OF
TRANSFORMATION

Nearly ten years ago, ITC chose the road less travelled. It articulated an inspiring vision; chose a challenging corporate strategy, and formulated a world-class execution plan with unmatched investments in technology, brands, people and governance. The result: the ITC of today – a transformed organisation, driven by vision, powered by vitality; internationally competitive; a national asset, creating growing value for the nation and the shareholder.

ITC's transformation was inspired by the vision of sustaining its position as one of India's most valuable corporations through world-class performance. Thus inspired, ITC made the more difficult strategy choice of creating multiple drivers of growth. Its arena would be areas of the emerging Indian economy that best matched proven internal capabilities. In executing such a corporate strategy, ITC's greatest challenge was to enable the various businesses make the transition from competing in a relatively protected environment to winning in an intensely competitive and rapidly globalising market.

Responding to this challenge called for a paradigm shift in the corporate mindset, leading to a new focus – acquiring international competitiveness in cost and quality in each of ITC's businesses through: (a) substantial investments in technology, processes, innovation and brands that leverage unique insights derived from closeness to consumers; (b) a strategy of organisation based on the governance principle of distributed leadership to unleash the entrepreneurial energies of ITC's world-class human resource.

During this decade, ITC gave expression to a deep-rooted belief that the creation of shareholder value provides the only basis for a company to make a sustainable contribution towards the superordinate goal of creating national value. A unique spirit of synergising business objectives with a larger sense of social purpose has inspired ITC to consciously contribute to enhancing the competitiveness of entire value chains of which its businesses are a part. It is this spirit of 'a commitment beyond the market' that shapes the quality of ITC's partnerships with the various constituents of its value chains – farmers, suppliers, employees and the State. Such a commitment propels ITC to contribute far beyond servicing financial capital to enlarging economic, social and environmental capital. This concept, currently gaining increasing acceptance as 'the triple bottomline', has been at the core of ITC's transformation.

The last decade has thus been witness to ITC's continuing evolution. From being a provider of quality products and services to becoming a world-class organisation. From generating profits to creating enduring value. From touching people to transforming lives.



ITC | A DECADE OF TRANSFORMATION

Cigarettes

• Milestones •

- 1996 : Flat 10 packs launched
- 1997 : 10s hinged-lid packs introduced for Regular Size filters
- 1999 : New factory at Bangalore commenced operations
- 2000 : Brownfield project at Saharanpur factory completed
- 2001 : Regular Size filters offered in 5s packs
- 2002 : Beveled edge packs introduced
- 2003 : 'India Kings' marketed in contour packs; 'Insignia' launched in shoulder box
- 2004 : Long-Size filters offered in wave packs

Strategic customer-centric focus on product quality, technology upgradation, productivity improvement and enhanced value addition to brands has enabled consolidation of ITC's leadership and market standing.

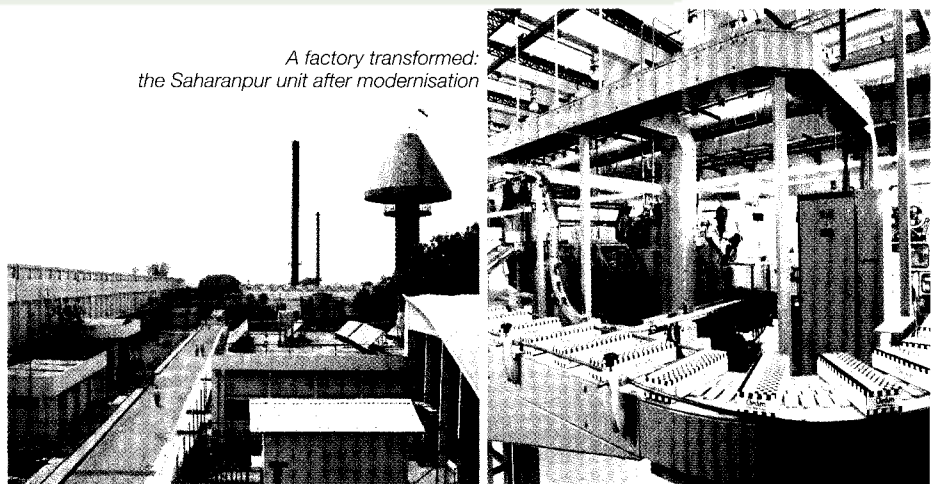
Investments of nearly Rs.1300 crores in state-of-the-art technology have made possible product offerings to Indian consumers of the finest global quality. All four production facilities were modernised and upgraded to international benchmarks. The new generation factory at Bangalore is comparable to the best in the world. The factory at Kolkata, which has attained one of the highest productivity levels, was the first cigarette factory in the world to earn ISO 14001 certification.

Successful leveraging of deep insights into consumer preferences resulted in the introduction of several distinctly differentiated and perceptibly enriched products in every segment. 'Classic Milds' and 'Classic Ultra Milds', 'Gold Flake Lights', the super premium 'Insignia' and flavoured cigarettes like 'Bristol Menthol' and 'Capstan Menthol' have become trendsetters.

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The new 'best in class' factory at Bangalore

A factory transformed:
the Saharanpur unit after modernisation



The range of ITC's domestic brands



The Company has been an outstanding innovator in cigarette packaging. The shoulder box for 'Insignia', the beveled edge packs for 'Classic Milds', 'Classic Ultra Milds' and 'Classic Menthol', the contour pack for 'India Kings', the new wave pack for Long-Size filter cigarettes and flat tens for 'Classic' have brought world-class packaging to the Indian consumer. ITC's entire range of filter cigarettes is now packed in the internationally preferred hinged-lid format.

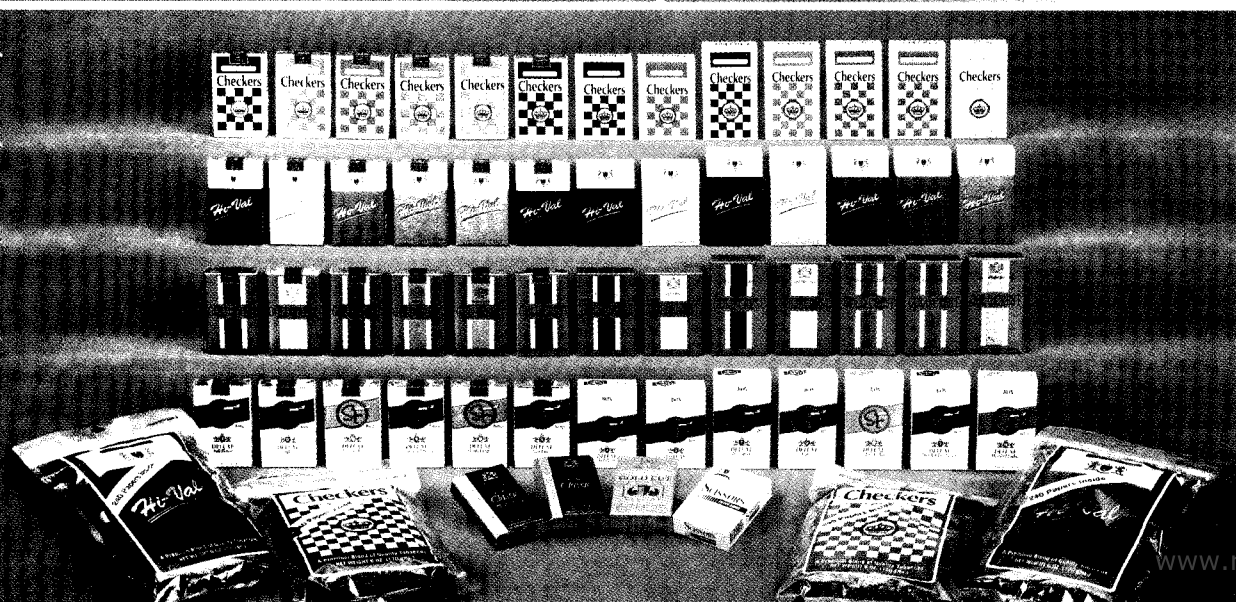
'Gold Flake', 'Navy Cut' and 'Scissors' are among the top five FMCG brands in the country. The Company's highly popular portfolio also includes brands like 'Insignia', 'India Kings', 'Classic', 'Capstan', 'Berkeley' and 'Bristol'. Filter cigarettes now constitute 77% of the Company's brand mix.

ITC's leadership in the Indian market has enabled the Company to launch a slew of brands for highly competitive export markets, like the United States and the Middle East. In these markets, ITC has successfully positioned a wide range of brands like 'Checkers', 'Hi-Val', 'Royale Classic', 'Gold Crest', 'Gold Cut' and 'Scissors Filter Kings'.

'Insignia', launched in the unique shoulder box, has redefined the premium segment



'India Kings' changed its packaging to become the first Indian brand in a contour pack (right), significantly reinforcing its premium imagery



Taking India to the world: Showcasing ITC's manufacturing and marketing capabilities in highly competitive export markets

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Foods

❧ Milestones ❧

- 2001 : Entry into the Foods Business with launch of 'Kitchens of India'
- 2002 : 'mint-o' trademark acquired, relaunched in lemon and mint flavours; 'Candyman' added to confectionery range; 'Aashirvaad' atta rolled out
- 2003 : Integrated Group Research & Development Centre established; 'Aashirvaad' salt introduced; 'Candyman' range expanded to deposited candies and eclairs; 'Sunfeast' biscuits launched; 'Aashirvaad ReadyMeals' offered; 'mint-o' in lemon mint flavour
- 2004 : 'Kitchens of India' extended to cooking pastes

In ITC's branded packaged foods business, the Company has created a new epicentre of rapid growth by blending its time-tested key competencies and organisational strengths. Capability to source high quality agri products, access to in-house world-class paperboards and state-of-the-art packaging solutions, widely acknowledged cuisine expertise of its hotels' business and a robust FMCG distribution infrastructure have combined to give the Company a distinct advantage in the market place.

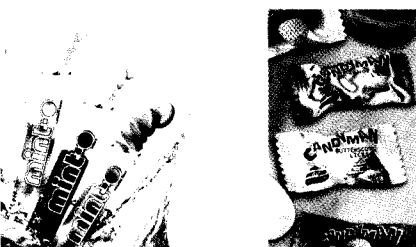
ITC's portfolio, currently consisting of 45 value-added products, appeals to changing consumer preferences in virtually all categories – staples, confectionery, snack foods & biscuits, and ready-to-eat meals. In order to assure consumers of the highest standards of food safety and hygiene, ITC is engaged in assisting outsourced manufacturers in implementing world-class hygiene standards through HACCP certification. The unwavering commitment to internationally benchmarked quality standards enabled ITC to rapidly gain market standing in all its 5 brands.

ITC's 'Aashirvaad' atta has already established leadership as the number one branded atta among national branded players within barely two years of launch. The 'Aashirvaad' assurance of quality now extends to ready-to-eat foods, ready-to-cook pastes, atta and salt.

ITC pioneered the launch of butterscotch cream and orange marie biscuits, under the 'Sunfeast' brand – examples of product innovation widely accepted by the consumers.

ITC has achieved a significant market presence in the confectionery segment with the rapid growth of the 'mint-o' and 'Candyman' brands, which between them now have 11 flavour variants.

ITC's 'Kitchens of India' range of gourmet products showcases India's traditional cuisine, captured in the cooking styles of three of ITC's celebrated restaurants – 'Bukhara', 'Dakshin' and 'DumPukht'.



mint-o and Candyman, available in unique flavours, have become hugely popular with young consumers



'Sunfeast' biscuits, available in basic and value-added options of glucose, marie and cream, are rapidly gaining consumer acceptance



ITC's state-of-the-art food technology centre in Bangalore enables the business to develop a range of clearly differentiated superior products

Convenience for the new-age woman – the affordable range of ITC's ready-to-eat meals and cooking pastes are a true bonanza



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Lifestyle Retailing

❧ Milestones ❧

- 2000 : Entry into Lifestyle Retailing business with first store in Delhi
- 2001 : 'Wills Lifestyle' chain rapidly scaled up to 29 stores
- 2002 : Chain expanded to 48 stores; Master Design Facility established; 'Wills Classic' formal wear launched; 'John Players' introduced in the mid-priced popular segment
- 2003 : 'Wills Clublife' evening wear launched

ITC's Lifestyle Retailing business has brought international shopping experience to the Indian consumer through its 'Wills Lifestyle' chain of 48 exclusive specialty stores in 38 cities across India.

ITC's portfolio of product offerings spans the entire range of distinct usage segments: 'Wills Classic' formal wear, 'Wills Clublife' premium evening wear and 'Wills Sport' relaxed wear. Designer accessories from 'Furla' and 'Valentino' of Italy complement the 'Wills Lifestyle' fashion portfolio.

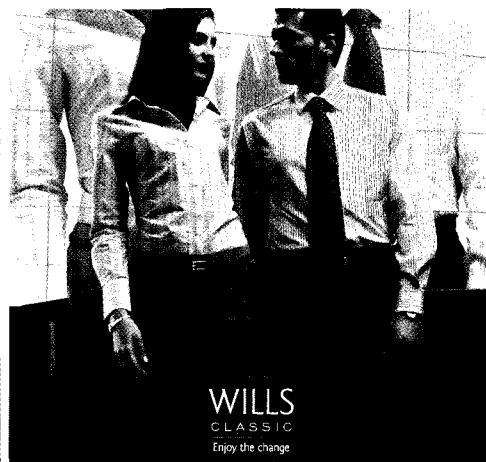
ITC has also established a significant presence in the high growth mid-priced segment with its 'John Players' range of men's wear. The brand is now available in over 3000 multi-brand outlets across the country.

ITC's contemporary design and R&D facilities have enabled the Company to offer internationally benchmarked fashion collections in every season, winning for 'Wills Lifestyle' the 'Most Admired Exclusive Brand Retail Chain of the Year' award twice.

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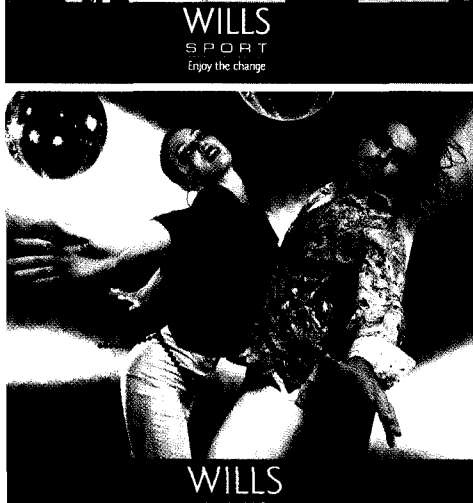
WILLS
SPORT
Enjoy the change



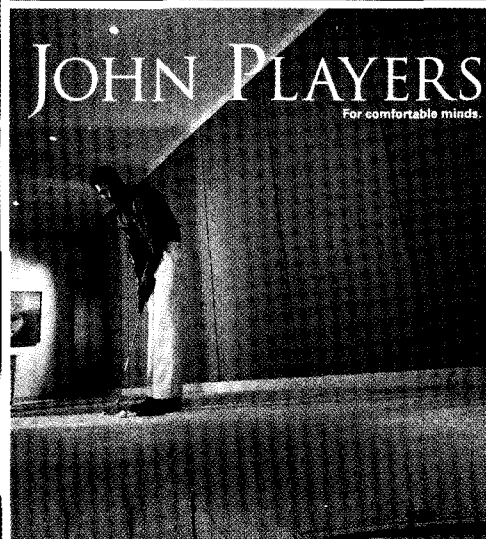
WILLS
CLASSIC
Enjoy the change



"Wills Lifestyle" store: an international shopping experience



WILLS
clublife



JOHN PLAYERS
For comfortable minds.



ITC's state-of-the-art Master Facility in Gurgaon near Delhi enables the Lifestyle Retailing business to design ahead-of-the-market products

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TRANSFORMATION

Greeting, Gifting & Stationery

❧ Milestones ❧

- 2000 : Entry into Greeting Cards business
- 2001 : 'Expressions Valued Customer' programme started
- 2002 : 'Expressions Paperkraft' premium paper products launched
- 2003 : 'Expressions Classmate' mass-market notebooks for schools and colleges introduced

Strategically leveraging its expertise in manufacturing world-class paperboards and creating customised packaging solutions, ITC has notched up a 20% market share to become the second largest player in India's greeting cards industry within three years of launching its 'Expressions' range of cards.

A high calibre in-house design team and access to a resource bank of acclaimed artists have combined to bring exceptional value to the consumers.

ITC's Social Cause range of Greeting Cards launched in partnership with the SOS Children's Villages of India, is today one of the top brands of social cause greeting cards in the country.

ITC's commitment to contributing to the entire value chain has resulted in highly valuable partnerships in design and manufacturing, enabling ITC to set benchmarks in quality. On the back of similar partnerships on the retail front, ITC has created a robust distribution infrastructure of more than 12,000 outlets in 700 markets across India. ITC's 'Expressions Valued Customer' scheme has succeeded in forging deep and dedicated partnerships with retailers, adding significantly to long term capability building.

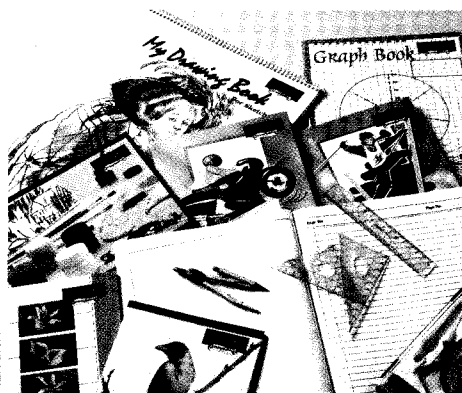
ITC has enlarged its product portfolio with the introduction of 'Paperkraft' range of gift wrappers, autograph books and slam books. With the launch of ITC's 'Classmate' range of notebooks, the Company has also emerged as a significant marketer of branded stationery for school and college students.



Inside an 'Expressions' branded outlet



'Paperkraft' range of stationery:
A canvas for happy moments



'Classmate' range of notebooks:
A student's best buddy



The 'Expressions' range of greeting cards:
'If it's in your heart, it's on the cards'

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Safety Matches & Agarbattis

❧ Milestones ❧

- 2002 : Entry into marketing of Safety Matches
- 2003 : Entry into marketing of Agarbattis
- 2004 : 'Mangaldeep' brand of Agarbattis added to portfolio

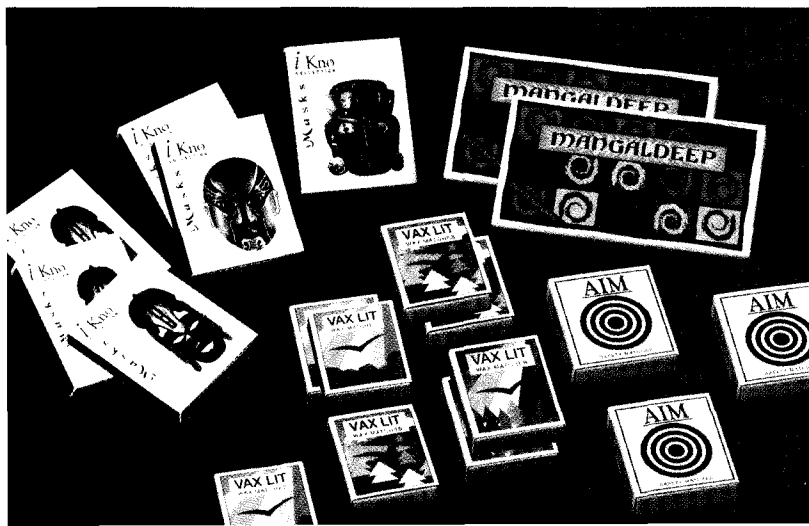
ITC's commitment to enhance the competitiveness of the entire value chain to which each of its businesses belongs, is eloquently reflected in the Company's recent entry into marketing of Safety Matches and Agarbattis.

The Company's business model in these new initiatives is premised on sourcing these products from Small and Medium Enterprises (SMEs). ITC makes available its expertise in R&D and product development to enable these SMEs to upgrade their technology, quality standards, production processes and product features and functionalities.

ITC has also entered into partnerships with select NGOs to train economically disadvantaged women in rolling quality agarbattis, thereby creating valuable vocational opportunities.

ITC has effectively leveraged its in-house state-of-the-art packaging solutions capability to bring unmatched value to consumers. ITC's pioneering 'fragrance-locked' packaging for 'Spriha' and 'Mangaldeep' brands of agarbattis and the unique strike surface design for matches are prime examples.

ITC's safety matches brands – 'Mangaldeep', 'iKno', 'VaxLit' and 'Aim' – have gained significant market share on the back of rapid national rollout and visibly superior product quality. 'Aim' has already become the single largest safety matches brand in the country. The Company has also begun exporting its safety matches brands to the United States and West Africa.



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Hotels

❧ Milestones ❧

- 2000 : 'ITC One' at 'ITC Maurya Sheraton' opened its doors to guests
- 2001 : 'ITC Grand Maratha' commenced operations in Mumbai; Rebranding exercise undertaken
- 2002 : 'ITC Sonar Bangla' opened in Kolkata
- 2004 : 'ITC Grand Central' expected to open at the end of the year

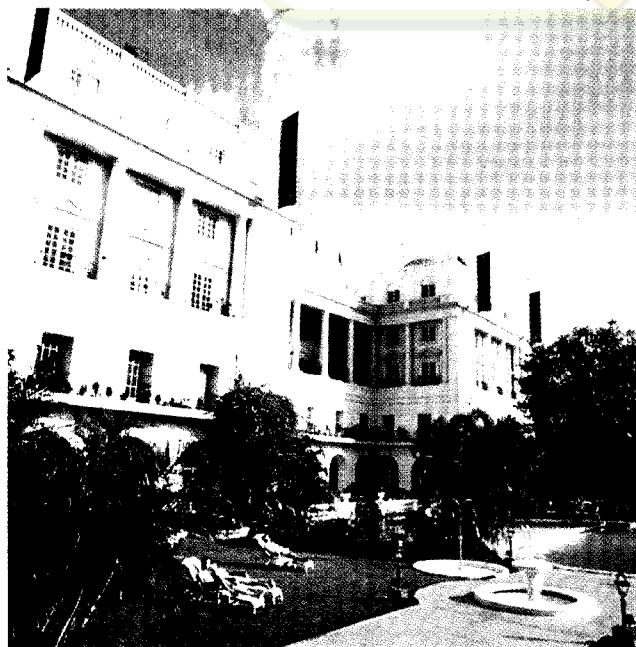
The successful execution of an ambitious investment programme of nearly Rs.1000 crores has enabled ITC Welcomgroup to regain its position as the fastest growing premium hotel chain in the country with nearly 5000 rooms in more than 55 properties across 45 cities.

This significant investment has helped ITC accomplish the objective of completing the ITC Welcomgroup chain at key locations in the super deluxe segment.

The 'ITC Hotel Grand Maratha Sheraton & Towers', which opened in February 2001, is rated among the finest properties in Mumbai. The 'ITC Hotel Sonar Bangla Sheraton & Towers' in Kolkata, inaugurated in December 2002, is already drawing widespread accolades as Asia's finest business resort. The 80-room super deluxe extension at ITC Hotel Maurya Sheraton & Towers, christened 'ITC One', has consistently earned the privilege of playing host to a galaxy of world dignitaries. The 'ITC Grand Central' in Mumbai, another world-class offering from ITC Welcomgroup, is nearing completion.

In a holistic rebranding of its properties, ITC Welcomgroup has repositioned its extensive network to effectively match the expectations of clients through service design and price bands, for both the business and leisure segments.

ITC Hotel Windsor Sheraton – Bangalore



Fortune Katriya – Hyderabad



ITC Hotel Grand Maratha Sheraton – Mumbai



WelcomHeritage Umed Bhawan Palace – Kota

