



**ITC Limited**

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REPORT

AND

ACCOUNTS

2014

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# ITC - Creating Enduring Value for India

As a Company deeply rooted in India's soil, ITC is inspired by the opportunity to serve a larger national purpose and create enduring value for its stakeholders. This abiding vision has spurred innovation, creativity and vitality to ensure a substantial and growing contribution to the Indian Economy, whilst simultaneously contributing significantly to enhancing environmental capital and sustainable livelihoods.

ITC's aspiration to create enduring value has been powered by strategies that have focused on:

**Leveraging enterprise strengths to create Multiple Drivers of Growth** with a robust portfolio of future ready businesses

**Building world-class Indian brands that Create, Capture and Retain Growing Value in India**

**Making Societal Value Creation an integral part of its journey of growth**

**Investing in Creating Assets for the Nation in the critical areas of agriculture, manufacturing and services**

## Multiple Drivers of Growth

ITC's unique and multi-faceted enterprise strengths including deep consumer insights, brand building capability, cutting-edge Research & Development, globally benchmarked manufacturing infrastructure, agri-sourcing advantages and extensive rural linkages, trade marketing & distribution network, committed and competent human resources, constitute a robust and formidable foundation that has enabled the Company to create multiple drivers of growth in its chosen portfolio of businesses that spans FMCG, Hotels, Paperboards and Packaging, Agri-Business and Information Technology.

These enterprise strengths coupled with the opportunities arising out of rising disposable incomes, urbanisation, a favourable demographic dividend and growth in rural areas provide competitiveness to ITC's strategy of creating enduring value for its stakeholders and the nation.

ITC continues to blend its diverse competencies residing in various businesses to enhance the competitive power of the portfolio and position each business to attain leadership on the strength of world-class standards in quality and costs. The Company has also crafted an effective strategy of organisation and governance processes to not only enable focus on each business but also harness the diversity of its portfolio to create unique sources of competitive advantage.

ITC's Foods business, for example, gains competitive advantage from enterprise synergies existing in ITC e-Choupal's agri-sourcing capabilities, cuisine expertise of its Hotels business, brand building capabilities, in-house packaging competencies as well as an unmatched distribution network.

## Creating World-Class Indian Brands

Successful brands are a badge of honour for the country they belong to. When a country's institutions nurture and build world-class brands, they enable a sustained source of wealth creation thereby enriching their economies in perpetuity. ITC creates enduring value for the country by building world-class Indian brands which generate, capture and retain value in the country, apart from supporting sustainable livelihoods.

The success of competitive domestic brands in gaining larger franchise in the Indian global market has multiplier effects. On the one hand, it creates national assets that are more anchored in the country vis-à-vis manufacturing investments of foreign brands that can cross borders seeking cost advantages. On the other hand, it reduces precious outgo on account of royalties as well as consumption of foreign brands. Most importantly, when national and corporate energies align to create world-class Indian brands, they build valuable intellectual property assets that help make the country and its institutions globally competitive.

Driven by its mission to create world-class Indian brands, ITC has organically built several brands, which have attained considerable market standing in a relatively short period of time. Brands created by ITC in the last 10 years currently represent over Rs 10,000 crores in terms of annualised consumer spend, a feat perhaps unrivalled in the Indian FMCG industry.

Some of ITC's brands that have gained significant market standing among consumers are Aashirvaad, Sunfeast, Bingo!, Yippee!, Candyman, mint-o and Kitchens of India in the Branded Foods space; Essenza Di Wills, Fiamma Di Wills, Vivel and Superia in the Personal Care products segment; Classmate and Paperkraft in Education & Stationery products; Wills Lifestyle and John Players in the Lifestyle Apparel business; Mangaldeep in Agarbattis as well as Aim in Matches.



## Triple Bottom Line Contribution

ITC's abiding vision to serve a larger societal purpose lies at the heart of its corporate strategy. ITC believes that enterprises possess the unique capacity to create game-changing transformation amongst the most disadvantaged in society by channelising the power of entrepreneurial vitality, innovation and creativity. ITC's mission to create enduring value for society is manifest in many ways — whether it is in empowering 4 million farmers, ensuring soil and moisture conservation for nearly 150,000 hectares, providing livelihood opportunities to 40,000 women or greening over 160,000 hectares.

The Triple Bottom Line commitment of the Company to simultaneously build economic, social and environmental capital has spurred innovation to orchestrate a symphony of efforts that addresses some of the most challenging societal issues including widespread poverty and environmental degradation. These concerted efforts of the Company over several years have led to the creation of sustainable livelihoods for around 6 million people, many of whom represent the most disadvantaged in society.

ITC is a global exemplar in sustainability practices. It is the only organisation of comparable dimensions in the world to be carbon positive for 9 years, water positive for 12 years and solid waste recycling positive for the past 7 years. Its environmental stewardship is also reflected in all its luxury hotels being LEED® Platinum Certified green buildings and in the fact that over 38% of the Company's energy consumption comes from renewable sources.

## Investing in India's Future

### Building Infrastructural Assets

ITC's commitment to India's progress and prosperity

is also manifest in the enduring value created by building assets for the future that encompass state-of-the-art manufacturing facilities, luxury hotels, logistics hubs, R&D centres, office and residential complexes across India. It has, in the pipeline, almost 60 infrastructure projects that will not only enhance the level of investment in the Indian economy but create precious brick and mortar assets in the country.

### Cutting-edge R&D

ITC's R&D organisation led by the ITC Life Sciences & Technology Centre (LSTC) is mandated to develop unique sources of competitive advantage by harnessing contemporary developments in science and technology, blending them with science-led product innovation and leveraging cross-business synergies. A convergence of ITC's R&D capabilities is being utilised to develop future products in nutrition, health and well-being. In agri sciences, ITC efforts are aimed at developing new crop varieties with higher yields, better quality and other traits relevant to the Company's businesses. Presently, the LSTC team has evolved with over 300 world-class scientists augmented by world-class experimental and measurement system capabilities.

### Future-ready Talent

ITC's agenda of enhancing competitiveness and creating new engines of growth is powered by its future-ready talent bank. ITC succeeds in attracting and retaining talent through initiatives that focus on enhancing personal development and growth, an empowering work culture that facilitates high levels of engagement and performance and an enabling professional work environment. ITC's talent management programme strives to deliver its unique talent promise of "Building Winning Businesses. Building Business Leaders. Creating Value for India."





# CREATING MULTIPLE DRIVERS OF GROWTH

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ITC is the country's leading FMCG marketer, the second largest Hotel Chain in India and a trailblazer in 'green hoteliering', the clear market leader in the Indian Paperboard and Packaging industry and a globally acknowledged pioneer in farmer empowerment through its Agri Business. ITC Infotech, a wholly-owned subsidiary, is one of India's fastest growing IT companies in the mid-tier segment.

Paperboards  
and Packaging



FMCG



Agri  
Business



Information  
Technology



Hotels





# FMCG

ITC is the leading FMCG marketer in India. Its FMCG businesses comprise Branded Packaged Foods, Cigarettes, Personal Care Products, Education and Stationery Products, Lifestyle Retailing, Incense Sticks (Agarbattis) and Safety Matches.



Branded  
Packaged  
Foods



Education & Stationery  
Products



Personal Care Products



Safety Matches  
& Incense Sticks



Lifestyle Retailing





## Hotels

ITC Hotels, with its credo of “Responsible Luxury”, stands apart not only for its exquisite signature properties, cuisine and service excellence but also for being the greenest luxury hotel chain in the world. All its super-premium luxury hotels are LEED® (Leadership in Energy & Environmental Design) Platinum rated. With 4 distinct brands – ITC Luxury Collection, WelcomHotels, Fortune and WelcomHeritage – ITC’s properties span the luxury, five star, mid-market to upscale and heritage leisure segments.

With more than 100 hotels in over 70 destinations in the country, each ITC Hotel is a true reflection of the culture and ethos of the destination, with one common legacy – ‘Warmth’.









# Paperboards & Packaging

India's leading paper and paperboards business, ITC caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper needs. A front runner in deploying leading edge environmental practices, it introduced Elemental Chlorine Free and Ozone Bleaching technologies in the country. The pulpwood requirement of the business is largely sourced from sustainably managed plantations under its Social and Farm Forestry Programmes. All four of its manufacturing units are certified to Forest Stewardship Council (FSC) Chain of Custody standards.

