

ITC Limited

REPORT

AND

ACCOUNTS

2016

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In Pursuit of the Make in India Vision. For ITC, a credo of Country before Corporation.

ITC is driven by its inspiration to be an exemplary Indian enterprise serving larger national priorities. Spanning all the three sectors of the economy - agriculture, manufacturing and services - ITC's businesses make a unique contribution to the economy. The Company's relentless efforts to pursue extreme competitiveness, make societal value creation the core of its business strategy, invest in game-changing R&D and science-led innovation as well as state-of-the-art infrastructure will contribute to making the future even more sustainable and profitable.

At ITC, the credo of Country before Corporation defines the Company's nation-orientation, and its aspiration to contribute to a future of rapid progress and prosperity.

ITC is inspired by the clarion call to Make in India, given the enormous promise it holds to transform the Indian economy. Make in India can ensure a significantly higher order value capture in the Indian economy, fuelling jobs, maximising revenue and enabling sustainable development.

In ITC, this Vision is manifest in many ways:

Creating a Multi-business Enterprise

The Company has transformed itself into a multi-business enterprise with a diversified business portfolio of FMCG, Paperboards & Packaging, Agri Business, Hotels and Information Technology. This provides ITC a substantial opportunity to contribute meaningfully to the growth and development of the country by creating vibrant businesses of tomorrow. Over 6 million sustainable livelihoods have been created by ITC's businesses and through the empowerment of associated value chains.

Building World-class Indian Brands

ITC has created world-class Indian brands that create, capture and retain larger value within the country. Some of ITC's popular FMCG brands have built significant market standing over a short period of time. These include Aashirvaad, Sunfeast and its sub-brands Dark Fantasy, Delishus, Farmlite, Yumfills, Mom's Magic and Bounce; Bingo!, YiPPee!, B Natural!, Candyman, mint-o, GumOn, Kitchens of India and Aashirvaad Svasti in the Branded Packaged Foods space; Classmate and Paperkraft in Education & Stationery products; Essenza Di Wills, Fiama Di Wills, Vivel, Engage, Savlon, Shower to Shower

and Superia in the Personal Care Products segment; Wills Lifestyle and John Players in the Lifestyle Retailing Business; Mangaldeep in Agarbattis and Aim in Matches.

It is ITC's aspiration to become India's no 1 FMCG player. The Company aims at achieving a revenue of Rs 1,00,000 crores from the new FMCG businesses by 2030.

Creating National Assets

The Company has established state-of-the-art brick and mortar assets that add to the nation's industrial prowess. Currently, 65 projects with an investment of Rs 25,000 crores are under implementation or in an advanced stage of planning. These include factories, warehouses, luxury hotels, R&D facilities, office and residential complexes.

Investing in Game-changing R&D

ITC has invested in cutting edge R&D to foster breakthrough innovation and create powerful sources of sustainable competitive advantage for the country. With a team of nearly 350 world-class scientists, the state-of-the-art ITC Life Sciences & Technology Centre in Bengaluru is engaged in building future readiness by harnessing contemporary advances in science and technology, applying them in product development and



Creating
6 million
sustainable
livelihoods



Generating Value
across all three
sectors of the
economy –
Agriculture, Industry
& Services



Propelled by multiple
drivers of growth –
FMCG, Paperboards
& Packaging, Agri
Business, Hotels and
Information
Technology



The only company
in the world to be
Carbon Positive,
Water Positive,
Solid Waste
Recycling Positive

leveraging cross-business synergies. ITC's R&D capabilities are utilised to develop future products in nutrition, health and well-being. In agri-sciences, its efforts are aimed at developing new crop varieties with higher yields and better quality. In a short span of time, ITC has applied for over 480 patents. The intellectual property residing in these filings belongs to India as the country of origin, creating enduring value for the nation.

Social and Environmental Contribution

ITC's multipronged social investment programmes help build capacity of the weakest in society while its pursuit of a low carbon growth strategy contributes to combatting climate change. ITC's wide spectrum of sustainability initiatives and social investments is manifest in several large-scale programmes covering 166 districts in 26 states.

The celebrated ITC e-Choupal initiative has empowered 4 million Indian farmers. Integrated Watershed Development programmes bring soil and moisture conservation to nearly 2,60,000 hectares. Afforestation initiatives have greened over 2,25,000 hectares, providing more than 100 million person-days of employment. The Women Empowerment programme

provides livelihood opportunities to over 50,000 women, which includes a holistic intervention currently supporting over 10,000 ultra-poor and marginalised women towards their socio-economic mainstreaming. The Primary Education programme has reached out to over 4,60,000 children. The Livestock Development programme has covered over 13,00,000 milch animals. ITC's Skilling & Vocational Training Programme has, so far, trained over 31,000 youths and plans to cover 10,000 youths annually. Under ITC's Health & Sanitation programme, over 15,400 individual household toilets have been constructed across the country. In addition, the Company's Wellbeing Out of Waste (WOW) initiative inculcates the habit of source segregation and waste paper recycling among communities.

ITC is the only enterprise in the world of comparable dimensions to be carbon positive (11 years in a row), sequestering more than twice the amount of carbon it emits; water positive (14 consecutive years), creating water harvesting potential that is thrice the water it consumes; and solid waste recycling positive (for the last 9 years). Over 47% of the total energy requirement of the Company is met from renewable sources, a testimony to its commitment to a low carbon growth path. All ITC's premium luxury hotels have the unique distinction of being LEED® Platinum certified.





Creating Multiple Drivers of Growth. Contributing to all Three Sectors of the Economy

Over the past two decades, ITC has built a robust portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business, Hotels and Information Technology, leveraging synergies from the Company's enterprise strengths. These encompass deep consumer insight, cutting-edge Research & Development, strong rural linkages, superior agri-sourcing, world-class manufacturing, brand-building skills, culinary expertise, innovative consumer packaging, digital technology and an effective trade marketing, distribution and logistics network.

Today, ITC has an impressive presence in all the three sectors of the economy, namely, agriculture, industry and services, providing unique sources of competitive advantage by harnessing the

diversity resident in different businesses. All this has enlarged the Company's capacity to contribute to national priorities and create sustainable livelihoods on a much larger scale.



Portfolio of
13
Businesses



2.5 lakh crs
of value addition in
the last 10 years of
which 73% accrued
to the exchequer



250
owned and
outsourced
manufacturing
units



102
hotels in 73
locations



\$6.8 Billion
Foreign Exchange
earnings of the
ITC Group
over 10 years



90
countries
where ITC
products are
exported



6100
e-Choupal
locations



4 Million
farmers
empowered



Fast Moving Consumer Goods India's Leading Marketer





Creating Multiple Drivers of Growth



ITC Hotels

World's Greenest Luxury Hotel Chain



Paperboards & Packaging

India's Market Leader





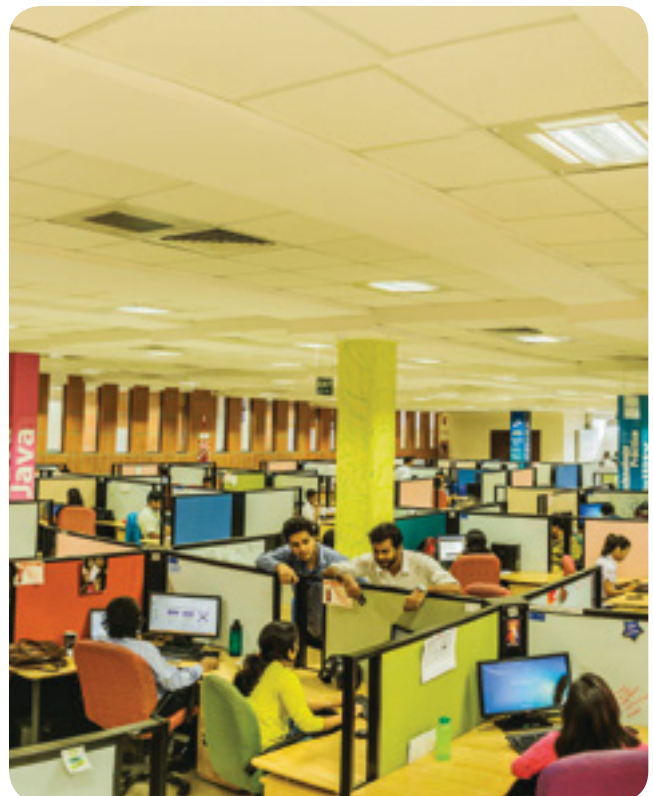
Agri Business

Pioneer in Rural Transformation



Information Technology

Amongst the fastest growing in the mid-tier segment





Building World-class Indian Brands that Create, Capture and Retain Value in the Country

It is mission critical today to create world-class Indian brands through ownership of intellectual property. It is only then that a virtuous cycle of innovation and investment will create new opportunities for growth and lead to the generation of higher order sustainable livelihoods.

Creation of a new generation of world-class brands demands tremendous staying power with substantial investment commitments over the long haul.

ITC has tirelessly endeavoured to build world-class Indian brands. In a relatively short span of time, a vibrant architecture of popular brands has been crafted organically. Some of them are already clear market leaders in their segments. In aggregate, these new consumer brands currently represent an annualised consumer spend of over Rs. 12,000 crores.

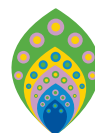
Such world-class Indian brands help create, capture and retain larger value for the Indian economy. In addition to spurring investments and growth, such brands can become a force multiplier for inclusive and sustainable development. By serving as market anchors, these brands can lend relative stability to drive the competitiveness of the entire value chain of which they are a part. This in turn can further empower the weakest in the economic value chain and generate considerable sustainable livelihood opportunities so critical for our country.



60
vibrant
ITC brands



ITC's products
reach every
2nd
household
in India



2 million
retail outlets
reached directly by
ITC's distribution
network



1,500 SKUs
across FMCG
categories