

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL TOBACCO COMPANY LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **INTERNATIONAL TOBACCO COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting



policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash-Flow Statement, of the cash flows of the Company for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

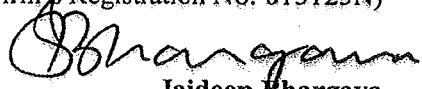
- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).



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- (e) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 015125N)

  
Jaideep Bhargava  
Partner  
(Membership No. 090295)

GURGAON, MAY 28, 2014.



**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT**

**(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory requirements' section of our report of even date)**

Having regard to the nature of the Company's business/activities and results for the year, clauses 4 (x), (xiii) and (xiv) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

- (i) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventory:
  - (a) As explained to us, the inventories of stores and spares were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets. There are no sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements during the year that need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956 and accordingly paragraph 4(v)(b) of the Order is not applicable.



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- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's product.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues as applicable to it with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year-end outstanding for a period of more than six months from the date they become payable.
- (b) There are no dues of Wealth tax, Customs duty, Sales tax and Cess matters which have not been deposited on account of any dispute. The details of dues of Excise duty, Service Tax and Income-tax which have not been deposited as on March 31, 2014 on account of disputes are given below:

Name of the statute	Nature of the dues	Amount of dues * (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Law	Excise duty	1809.39	15.26#	2000-01, 2003-04 to 2011-12	Customs Excise and Service Tax Appellate Tribunal
		2.80	2.80@	2000-01	Commissioner (Appeals)
Income-tax Act, 1961	Income-tax	9.99	9.99	2005-06	Income Tax Appellate Tribunal
		38.76	29.97	2008-09, 2009-10 2010-11	Commissioner (Appeals)

\* As per demand orders including interest and penalty wherever indicated in the Order.

# Includes Rs.14.26 lacs deposited by the holding company.

@ includes Rs. 2.14 lacs deposited by the holding company.



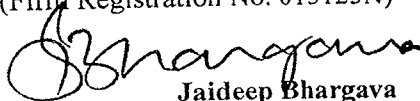
## Deloitte Haskins & Sells

The following matters, which have been excluded from the above table, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the dues	Period to which the amount relates	Amount (Rs. in lacs)	Forum where Dispute is pending
Central Excise Law	Excise duty	2001-02 to 2003 - 04, 2006-07 to 2008-09, 2010-11	141.39	Customs Excise and Service tax Appellate Tribunal
		2007-08 to 2008-09	45.88	High Court
Income -tax Act, 1961	Income-tax	2003-04	5.36	Income Tax Appellate Tribunal

- (x) The Company has not taken any loans from banks or financial institutions and has not issued debentures during the year.
- (xi) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4 (xii) of the Order, is not applicable.
- (xii) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
- (xiii) According to the information and explanations given to us, the Company has not raised any term loans during the year.
- (xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- (xv) As the Company has not made any preferential allotment of shares during the year, paragraph 4(xviii) of the Order is not applicable.
- (xvi) As the Company has not issued debentures during the year, paragraph 4 (xix) of the Order, is not applicable.
- (xvii) Since, the Company has not raised any money by way of public issue during the year, paragraph 4(xx) of the Order, is not applicable.
- (xviii) To the best of our knowledge and according to the information and explanations given to us by the management, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm Registration No. 015125N)

  
Jaideep Bhargava  
Partner  
(Membership No. 090295)

Gurgaon, May 28, 2014

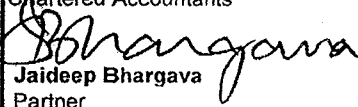


**INTERNATIONAL TOBACCO COMPANY LIMITED**  
Balance Sheet as at March 31, 2014

		Rupees in lacs	
Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	2	300.00	300.00
(b) Reserves and surplus	3	4175.56	4131.99
		4475.56	4431.99
<b>2 Non-current liabilities</b>			
(a) Deferred tax liabilities (net)	4	84.70	124.36
(b) Long-term provisions	5	507.00	421.46
		591.70	545.82
<b>3 Current liabilities</b>			
(a) Trade payables	6	295.79	236.35
(b) Other current liabilities	7	253.54	303.74
(c) Short-term provisions	8	62.27	52.60
		611.60	592.69
<b>TOTAL</b>		5678.86	5570.50
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	9	3917.83	4038.13
(ii) Capital work-in-progress		60.06	106.25
		3977.89	4144.38
(b) Non-current investments	10	15.62	15.62
(c) Long-term loans and advances	11	202.80	139.88
		218.42	155.50
<b>2 Current assets</b>			
(a) Inventories	12	582.48	506.31
(b) Cash and cash equivalents	13	229.48	177.47
(c) Short-term loans and advances	14	636.04	572.32
(d) Other current assets	15	34.55	14.52
		1482.55	1270.62
<b>TOTAL</b>		5678.86	5570.50
Accompanying notes 1 to 34 form part of the financial statements			

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

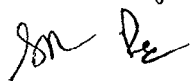
For and on behalf of the Board of Directors

  
Jaideep Bhargava  
Partner



Place : Gurgaon  
Date : May 28, 2014





**INTERNATIONAL TOBACCO COMPANY LIMITED**  
Statement of Profit and Loss for the year ended March 31, 2014

		Rupees in lacs	
Particulars	Note No.	For the year ended March 31, 2014	For the year ended March 31, 2013
1 Revenue from operations	16	4898.75	4039.31
2 Other income	17	18.71	14.57
3 Total revenue (1+2)		4917.46	4053.88
4 Expenses			
(a) Employee benefits expense	18	2231.16	1780.88
(b) Finance costs	19	31.53	0.93
(c) Depreciation expense	9	449.15	455.43
(d) Other expenses	20	2160.31	1805.56
Total expenses		4872.15	4042.80
5 Profit before tax (3 - 4)		45.31	11.08
6 Tax expense:			
(a) Current tax expense for current year		55.75	33.94
(b) Current tax expense relating to prior years		(14.35)	(7.96)
(c) Net current tax expense		41.40	25.98
(d) Deferred tax charge / (credit)		(39.66)	(29.48)
		1.74	(3.50)
7 Profit for the year (5 - 6)		43.57	14.58
Earning per share basic / diluted (in Rs.)	32	14.52	4.86
Accompanying notes 1 to 34 form part of the financial statements			

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

Jardeep Bhargava  
Partner

For and on behalf of the Board of Directors

Place : Gurgaon  
Date : May 28, 2014

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## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to accounts (continued)

#### **v) Revenue recognition**

Manufacturing fee from the holding company is recognised basis the quantum of cased production of cigarettes.

#### **vi) Employee benefits**

The Company has various schemes of employee benefits such as superannuation fund and gratuity fund duly recognised by the income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against revenue every year. Accrued liabilities for gratuity and compensated absences are determined on the basis of actuarial valuation as at the year end. Company's contribution payable towards provident fund and employees' state insurance are recognized in the statement of profit and loss.

#### **vii) Provision for income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

#### **viii) Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of the transaction. Monetary items denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

The exchange differences arising on the settlement of monetary items or on reporting these items at rates different from rates at which these were initially recorded/reported in previous financial statements are recognized as income/expense in the period in which they arise.



**INTERNATIONAL TOBACCO COMPANY LIMITED**  
Notes to the accounts (continued)

	Rupees in lacs	
	As at March 31, 2014	As at March 31, 2013

**2 - Share Capital**

Authorised		
- 5,00,000 equity shares of Rs.100 each with voting rights	500.00	500.00
Issued, subscribed and paid-up		
- 3,00,000 equity shares of Rs.100 each fully paid (including 6,000 shares allotted as fully paid pursuant to a contract without payment being received in cash)	300.00	300.00

(Of the above shares, 2,99,994 shares are held by the holding company - Godfrey Phillips India Limited and 6 shares are held by individuals as nominees of the holding company)

1. The Company has only one class of equity shares having a par value of Rs.100 per share. Each holder of equity share is entitled to one vote per share.
2. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
3. There has been no movement in the equity shares in current and previous year.
4. Shares held by each shareholder holding more than 5%

Name of the shareholder	shares held	% held as at March 31, 2014	shares held	% held as at March 31, 2013
- Godfrey Phillips India Limited (including its nominees)	300,000	100.00	300,000	100.00

**3 - Reserves and surplus**

Security premium reserve		
- At the beginning and end of the year	2950.00	2950.00
Surplus in the Statement of Profit and Loss		
- Profit brought forward from last year	1181.99	1167.41
Add: Net profit for the current year	43.57	14.58
- Net surplus in the statement of profit and loss	1225.56	1181.99
Total reserves and surplus	4175.56	4131.99

**4 - Deferred tax liabilities (net)**

<u>Deferred tax liabilities</u>		
- Accumulated depreciation	246.59	255.36
	246.59	255.36
<u>Deferred tax assets</u>		
- Provision for entry tax	1.92	1.92
- Provision for compensated absences	159.97	129.08
	161.89	131.00
Deferred tax liabilities - net	84.70	124.36



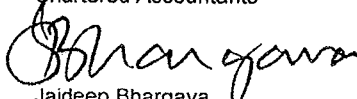
## INTERNATIONAL TOBACCO COMPANY LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Rupees in lacs

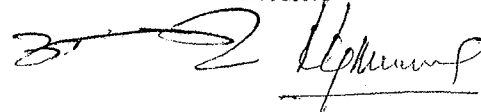
	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	45.31	11.08
Adjustments for:		
Depreciation	449.15	455.43
Interest income	(7.87)	(6.90)
Finance costs	31.53	0.93
Fixed assets written off	17.10	0.73
Profit on sale of fixed assets	(0.39)	(0.35)
Loss on sale of fixed assets	2.61	-
	<u>492.13</u>	<u>449.84</u>
Operating profit before working capital changes	<u>537.44</u>	<u>460.92</u>
Changes in Working Capital		
Adjustments for (increase)/ decrease in operating assets:		
Long-term loans and advances	(0.58)	(14.15)
Inventories	(76.17)	(40.86)
Short term loans and advances	(6.55)	146.86
Other current assets	(20.11)	(2.36)
Net increase / (decrease) in operating assets	<u>(103.41)</u>	<u>89.49</u>
Adjustments for (increase) / decrease in operating liabilities:		
Trade payables	59.44	(22.11)
Other current liabilities	(49.55)	60.43
Short-term provisions	9.67	9.97
Long-term provisions	85.54	90.49
Net increase / (decrease) in operating liabilities	<u>105.10</u>	<u>138.78</u>
Net increase / (decrease) in working capital	<u>1.69</u>	<u>228.27</u>
Cash generated from operations	<u>539.13</u>	<u>689.19</u>
Finance costs	(11.23)	(0.93)
Direct taxes paid (net)	<u>(98.57)</u>	<u>(78.33)</u>
	<u>(109.80)</u>	<u>(79.26)</u>
Net cash from operating activities	<u>429.33</u>	<u>609.93</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(397.82)	(609.45)
Proceeds from sale of fixed assets	12.55	0.66
Interest received	7.95	2.31
Bank balances not considered as cash and cash equivalents	(5.50)	(0.72)
Net cash used in investing activities	<u>(382.82)</u>	<u>(607.20)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>46.51</u>	<u>2.73</u>
Opening cash and cash equivalents		
- Cash and bank balances	142.07	139.34
Closing cash and cash equivalents		
- Cash and bank balances	<u>188.58</u>	<u>142.07</u>

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

  
Jaideep Bhargava  
Partner

Place : Gurgaon  
Date: May 28, 2014

For and on behalf of the Board of  
Directors





# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes forming part of the financial statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### i) Accounting convention

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (Accounting Standards) Rules, 2006 (as amended) ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Companies Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### ii) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation in the accounts is charged on the straight line method (SLM) at the higher of the rates prescribed under the Companies Act, 1956 or the accelerated rates determined based on their useful lives as per the technical estimates of the Management, and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value are retained in the books.

The rates applied are as follows:-

Buildings - Other than factory	1.63 %
- Factory	3.34 %
Plant and machinery	4.75 % / 10.34 %
Furniture and fixtures	6.33 %
Computers and information technology equipments	16.21%
Office Equipments	4.75 % / 5.15%
Electrical installation and equipments	3.39% / 4.75% / 5.15%
Motor vehicles	9.50 %

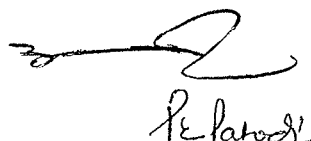
No amortization is done in respect of leasehold land in view of lease being perpetual.

#### iii) Investments

Long term investments are stated at cost net of provision for permanent diminution, if any.

#### iv) Inventories

Inventories are valued at lower of cost and net realisable value. The cost of stores and spares is determined on moving weighted average cost basis.



## INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

Rupees in lacs

	As at March 31, 2014	As at March 31, 2013
<b>5 - Long term provisions</b>		
- Provision for employee benefits		
- Compensated absences	507.00	421.46
	<u>507.00</u>	<u>421.46</u>
<b>6 - Trade payables*</b>		
- Total outstanding dues of micro and small enterprises (Refer Note 23)	0.52	0.87
- Total outstanding dues of creditors other than micro and small enterprises	295.27	235.48
	<u>295.79</u>	<u>236.35</u>
* Do not include any amounts outstanding as on March 31, 2014 which are required to be transferred to Investor Education and Protection Fund		
<b>7 - Other current liabilities</b>		
- Security deposit received	6.61	6.61
- Payable to gratuity fund	95.67	42.61
- Other payables		
- Statutory remittances	82.62	45.55
- Capital creditors	68.60	89.55
- Others (Refer Note 24)	0.04	119.42
	<u>253.54</u>	<u>303.74</u>
<b>8 - Short term provisions</b>		
- Provision for compensated absences	62.27	52.60
	<u>62.27</u>	<u>52.60</u>




INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

9 - Non-current assets

Description	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		Rupees in lacs
	As at	Additions	Deductions	As at	As at	For the	On	As at	As at	
	March 31, 2013			March 31, 2014	March 31, 2013	year	deductions	March 31, 2014	March 31, 2013	
Leasehold land	297.06 #	-	-	297.06 #	-	-	-	-	297.06	297.06
Freehold land	15.50	-	-	15.50	-	-	-	-	15.50	15.50
Buildings	2284.14	88.15	0.03	2352.26	507.87	77.80	0.03	585.64	1766.62	1756.27
Plant and machinery	4884.33	204.41	377.83	4710.91	3335.25	330.30	352.29	3313.26	1397.55	1549.08
Electrical installations and equipments	386.12	13.78	12.31	387.59	110.63	18.12	7.58	121.17	266.42	275.49
Computers and information technology equipments	63.51	3.18	6.06	60.63	42.22	6.63	5.70	43.15	17.48	21.29
Furniture and fixtures	139.44	0.74	6.70	133.48	71.12	6.85	6.36	71.61	61.87	68.32
Office equipment	44.76	2.97	1.54	46.19	9.89	2.17	0.64	11.42	34.77	34.87
Motor vehicles	28.15	47.49	-	76.64	8.90	7.28	-	16.18	60.46	20.25
Total of tangible assets	8124.01	360.72	404.47	8080.26	4085.88	449.15	372.60	4162.43	3917.83	
Previous year	7427.24	709.43	12.66	8124.01	3642.07	455.43	11.62	4085.88	4038.13	

# Includes Rs.6.69 lacs (previous year Rs.6.69 lacs) in respect of plot of land for which a notice for termination of lease has been received from the Government of U.P. The Company has disputed the said notice by a petition filed before the Allahabad High Court and the same is pending disposal.



INTERNATIONAL TOBACCO COMPANY LIMITED  
Notes to the accounts (continued)

Rupees in lacs  
As at March  
31, 2013

	As at March 31, 2014	As at March 31, 2013
<b>10 - Non current investments</b>		
<b>Non-trade Investments - Unquoted</b>		
- Unique Space Developers Limited*		
1060 equity shares of Rs.100 each fully paid-up (previous year 1060 equity shares)	15.62	15.62
*A company under the same management		
<b>11 - Long-term loans and advances</b>		
(Unsecured - Considered Good)		
- Capital advances	74.78	12.44
- Security deposits	103.83	106.11
- Loans to employees	24.19	21.33
	202.80	139.88
<b>12 - Inventories</b>		
At cost or under		
- Stores and spares (including goods-in-transit of Rs. 26.17 lacs; previous year Rs.13.67 lacs)	582.48	506.31
	582.48	506.31
<b>13 - Cash and Bank Balances</b>		
<b>Cash and cash equivalents</b>		
Cash in hand	1.15	0.90
Balances with banks		
- on current accounts	187.43	141.17
	188.58	142.07
<b>Other bank balances</b>		
- on fixed deposit accounts*	40.90	35.40
	229.48	177.47
* Lodged as security with the Government Authorities		
<b>14 - Short term loans and advances</b>		
- Others (unsecured, considered good)		
- Balance with customs, excise, etc.		
- CENVAT credit receivable	276.55	196.75
- Service tax credit receivable	36.65	48.95
- Income-tax recoverable	268.29	211.12
- MAT credit entitlement		12.07
Less MAT credit utilised	-	12.07
- Prepaid expenses	19.60	42.19
- Loans and advances to employees	6.77	6.36
- Others	28.18	66.95
	636.04	572.32
<b>15 - Other current assets</b>		
- Unbilled revenue	6.30	6.69
- Interest accrued on deposits		
- Banks	-	2.36
- Others	7.75	5.47
- Other ( Refer Note -24 )	20.50	-
	34.55	14.52
<b>16 - Revenue from operations</b>		
- Manufacturing fee from the holding company (tax deducted at source Rs. 97.97 lacs; previous year Rs.80.78 lacs)	4898.75	4039.31
	4898.75	4039.31

*SN*

*Rz*

**INTERNATIONAL TOBACCO COMPANY LIMITED**  
Notes to the accounts (continued)

	Rupees in lacs	
	As at March 31, 2014	As at March 31, 2013
<b>17 - Other Income</b>		
- Interest Income		
- On deposit with banks (tax deducted at source Rs.0.59 lacs; previous year Rs.0.08 lacs)	3.73	3.10
- On loans given to employees	1.86	1.10
- On income tax refund	-	0.37
- Others (tax deducted at source Rs.Nil lacs; previous year Rs.0.27 lacs)	2.28	2.33
	5.81	6.78
- Sale of scrap		
- Other non-operating revenues	0.39	0.35
- Profit on sale of assets	4.64	-
- Liabilities/provisions no longer required, written back	-	0.54
- Exchange gain (net)	18.71	14.57
<b>18 - Employee benefits expense</b>		
- Salaries, wages, bonus, etc.	1764.25	1454.41
- Contribution to provident and other funds (including administrative charges)	133.79	114.74
- Workmen and staff welfare expenses	177.32	125.40
- Contribution to gratuity and superannuation fund	155.80	86.33
	2231.16	1780.88
<b>19 - Finance costs</b>		
- Interest - others	31.53	0.93
	31.53	0.93
<b>20 - Other expenses</b>		
- Consumption of stores and spare parts*	15.26	10.66
- Power and fuel	951.25	725.70
- Repairs and maintenance		
- Buildings	38.62	16.60
- Machinery	632.08	667.09
- Others	10.94	10.22
- Rent (paid to the holding company)	4.80	4.80
- Rates and taxes	18.65	19.21
- Insurance	14.12	25.77
- Legal and professional expenses	20.91	23.93
- Auditors' remuneration **		
- As auditors	6.60	6.60
- For tax audit certification work	2.40	2.00
- Reimbursement of out-of-pocket expenses	0.37	8.60
- Travelling and conveyance	45.79	38.69
- Fixed assets written off	17.10	0.73
- Loss on sale of fixed assets	2.61	-
- Directors' sitting fee	0.16	0.24
- Security service expenses	62.23	53.22
- Material and machine handling charges	215.57	127.86
- Exchange Loss (net)	2.56	-
- Miscellaneous expenses	98.29	72.24
	2160.31	1805.56

\* Excludes consumption of spare parts charged to 'repairs and maintenance - machinery' Rs. 360.74 lacs (previous year Rs. 387.57 lacs)

\*\* Net of service tax



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to accounts (continued)

21. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 27.31 lacs (Previous year Rs. 85.23 lacs).

## 22. CONTINGENT LIABILITIES

- i) Claims against the Company not acknowledged as debts Rs. 1.37 lacs (Previous year Rs.1.37 lacs)
- ii) The Company has received show cause notices from Excise Authorities asking it to explain why certain amounts mentioned in these notices should not be paid by the Company. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind. Further, the Company has received demands against some such show cause notices aggregating Rs 1812.19 lacs (Previous year Rs. 1730.18 lacs), which the Company is contesting before the appellate authorities. The liability, if any, on this account, will rest with the holding company under the contract manufacturing arrangement.
- iii) Unprovided demands from income tax authorities disputed by the Company amount to Rs. 15.79 lacs (Previous year Rs.15.79 lacs).

23. Trade payables include Rs 0.52 lacs (Previous year Rs 0.87 lacs) due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Development Act, 2006" to the extent such parties have been identified from available information. The Company has not received any claims for interest from any supplier under the said Act.

24. Other current assets includes Rs. 20.50 lacs (Previous year Rs. Nil) and Other current liabilities includes Rs. Nil( Previous year Rs. 118.14 lacs) on current account from the holding company.

## 25. Employee benefits

The Company has classified the various benefits provided to employees as under-

I. Defined contribution plans and amounts recognized in the statement of profit and loss.

	(Rs. In lacs)	
	Current Year	Previous Year
-Employers' contribution to provident fund and employee's pension scheme	133.79	114.70
-Employers' contribution to superannuation fund	25.43	21.31
-Employers' contribution to employee's state insurance	-	0.04

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in in the Statement of profit and loss– Rs. 134.23 lacs (Previous year Rs. 137.91 lacs).

III. Defined benefit plans (based on actuarial valuation)

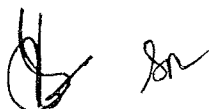
- Gratuity



**INTERNATIONAL TOBACCO COMPANY LIMITED**  
Notes to accounts (continued)

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same are given below:

A) Principal Assumptions	Gratuity (Funded)	
	For the year ended March 31, 2014	For the year ended March 31, 2013
<ul style="list-style-type: none"> <li>Discount rate (per annum)</li> <li>Rate of increase in compensation levels</li> </ul>	9.05 % 7.50% for management and non management	7.95% Management : 9.0% p.a. for first year & 7.00 % p.a. thereafter Non Management: 7%
<ul style="list-style-type: none"> <li>Expected rate of return on plan assets</li> </ul>	7.50%	7.50%
<ul style="list-style-type: none"> <li>Expected average remaining working lives of employees</li> </ul>	9.39 years	10.26 years
<ul style="list-style-type: none"> <li>Retirement age</li> </ul>	58 years	58 years
B) Changes in the present value of obligation		
<ul style="list-style-type: none"> <li>Present value of obligation as at the beginning of the year</li> </ul>	883.14	798.97
<ul style="list-style-type: none"> <li>Interest cost</li> </ul>	70.38	65.92
<ul style="list-style-type: none"> <li>Current service cost</li> </ul>	42.28	34.00
<ul style="list-style-type: none"> <li>Past Service Cost</li> </ul>	-	-
<ul style="list-style-type: none"> <li>Benefits paid</li> </ul>	(73.53)	(54.07)
<ul style="list-style-type: none"> <li>Actuarial (gain) / loss on obligations</li> </ul>	91.49	38.32
<ul style="list-style-type: none"> <li>Present value of obligation as at the end of the year</li> </ul>	1013.76 \	883.14 \
C) Changes in the fair value of plan assets		
<ul style="list-style-type: none"> <li>Fair value of plan assets as at the beginning of the year</li> </ul>	887.45	838.36
<ul style="list-style-type: none"> <li>Expected return on plan assets</li> </ul>	66.45	62.60
<ul style="list-style-type: none"> <li>Actuarial gain /(loss) on plan assets</li> </ul>	(3.68)	3.21
<ul style="list-style-type: none"> <li>Contribution received</li> </ul>	33.21	37.35
<ul style="list-style-type: none"> <li>Benefits paid</li> </ul>	(73.53)	(54.07)
<ul style="list-style-type: none"> <li>Fair value of plan assets as at the end of the year</li> </ul>	909.90 \	887.45 \
D) Excess of fair value over book value of plan assets	( 8.19)	2.82
E) Net liability recognized in the balance sheet (B-C+D)	(95.67) \	(1.49)





**INTERNATIONAL TOBACCO COMPANY LIMITED**

Notes to accounts (continued)

**F) Constitution of plan assets**

	Rs in lacs	
	For the year ended March 31, 2014	For the year ended March 31, 2013
• Government Securities	173.80	188.29
• Public Sector Bonds	713.37	664.68
• Others	22.73	34.48
• Total	909.90	887.45

**G) Expenses recognized in the statement of profit and loss**

• Current service cost	42.28 \	34.00
• Interest cost	70.38 \	65.92
• Expected return on plan assets	(66.45) \	(62.60)
• Net actuarial (gain) / loss	95.17 \	35.11
• Past Service Cost	-	-
• Excess of fair value over book value of plan assets - incremental/(decremental)	(11.01)	(7.41)
• Total	130.37	65.02

**H) Experience adjustments**

	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10
• Defined Benefit Obligation	1013.76 \	883.14 \	798.97	852.95	675.26
• Plan Assets	909.90 \	887.45 \	838.36	726.80	676.12
• Surplus / (Deficit)	(103.86) \	4.31 \	39.39	(126.15)	0.86
• Experience Adjustment on Plan Liabilities	136.51	15.05	19.03	93.18	21.29
• Experience Adjustment on Plan Assets	(3.68)	3.21	22.26	19.87	13.03

**I) Expected employer contribution for next year –Rs. 80 lacs approx.**

26. As the Company's business activity falls within a single primary business segment viz Cigarette and tobacco products and is a single geographical segment, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting" are not applicable.




**INTERNATIONAL TOBACCO COMPANY LIMITED**

Notes to accounts (continued)

**27. Related party disclosures under Accounting Standard 18****(A) Names of related parties and nature of related party relationships:**

- (a) Holding company:  
Godfrey Phillips India Limited
- (b) Fellow subsidiary companies:  
Chase Investments Limited  
Kashyap Metal and Allied Industries Limited  
Unique Space Developers Limited
- (c) Subsidiaries of fellow subsidiary companies:  
Gopal Krishna Infrastructure & Real Estate Limited.  
Rajputana Infrastructure Corporate Limited.
- (d) Key management personnel:  
Mr. K.K. Modi, President and Managing Director of the holding company
- (e) Enterprises over which key management personnel and their relatives are able to exercise significant influence:  
Beacon Travels Private Limited

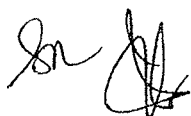
**(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end.**

	Rupees in lacs	
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
1. Holding Company, Godfrey Phillips India Limited		
- Sale of spare parts	4.12	1.85
- Manufacturing fee received	4898.75	4039.31
- Purchase of spare parts, etc.	7.64	11.58
- Rent paid	4.80	4.80
- Expenses reimbursed	2.62	3.62
- Expenses recovered	99497.18*	88990.67*
- Balance payable/(receivable) at year end	(20.50)	118.14
- Guarantees given by the holding company to a bank on behalf of the Company	76.99	54.29

\* Comprises of excise duty, etc. paid for and on behalf of the holding company under the contract manufacturing arrangement, out of the funds made available by it.

2. Enterprises over which key management personnel and their relatives are able to exercise significant influence:  
Beacon Travels Private Limited

- Travel agent services received	16.69	14.97
- Balance at year end	1.53	0.03




**INTERNATIONAL TOBACCO COMPANY LIMITED**

Notes to accounts (continued)

28. The following are the particulars of disputed dues on account of excise duty, service tax and income-tax as at March 31, 2014 that have been disputed by the Company in appeals pending before the appellate authorities:-

Name of the statute	Nature of the dues	Amount of dues * (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Law	Excise duty	1809.39	15.26 #	2000-01, 2003-04 to 2011-12	Customs, Excise, Service Tax Appellate Tribunal
		2.80	2.80@	2000-01	Commissioner (Appeals)
Income-tax Act, 1961	Income-tax	9.99**	9.99	2005-06	Income Tax Appellate Tribunal
		38.76***	29.97	2008-09, 2009-10, 2010-11	Commissioner (Appeals)

\* As per demand orders including interest and penalty wherever indicated in the Order.

\*\* Provided for in the accounts.

\*\*\* Includes Rs 29.97 lacs provided for in the accounts.

# Includes Rs. 14.26 lacs deposited by the holding company.

@ includes Rs. 2.14 lacs deposited by the holding company.

There are no dues of sales tax, wealth tax, customs duty and cess matters which have not been deposited on account of any dispute.

Further, as per information available with the Company, the concerned authority is in appeal against favorable orders received by the Company in respect of the following matters:

Name of the statute	Nature	Amount (Rs. lacs)	Period to which the amount relates	Forum where department has preferred appeal
Central Excise Law	Excise duty	141.39	2001-02 to 2003-04, 2006-07 to 2008-09, 2010-11	Customs, Excise, Service Tax Appellate Tribunal
		45.88	2007-08 to 2008-09	High Court
Income-Tax Act, 1961	Income-tax	5.36	2003-2004	Income Tax Appellate Tribunal

	Rupees in lacs
<b>For the year ended</b>	<b>For the year ended</b>
<b><u>March 31, 2014</u></b>	<b><u>March 31, 2013</u></b>

**29. Expenditure in foreign currency**  
(net of tax, where applicable)

Travelling

4.76

1.23

**30. Value of imports on C.I.F. basis**

Spare parts

57.52

64.81

Capital goods

-

37.78

**INTERNATIONAL TOBACCO COMPANY LIMITED**

Notes to accounts (continued)

**31. Value of imported and indigenous spare parts consumed**

	For the year ended March 31, 2014		For the year ended March 31, 2013	
	% of total Consumption	Rupees in lacs	% of total Consumption	Rupees in lacs
A Spare parts*				
i) Imported	53.64	193.50	60.94	236.18
ii) Indigenous	46.36	167.24	39.06	151.39
	100.00	360.74	100.00	387.57

\*Charged to 'repairs and maintenance - machinery' account.

	For the year ended March 31, 2014	For the year ended March 31, 2013
32. Earnings per share have been computed as under:-		
(a) Net profit as per statement of profit and loss (Rs. in lacs)	43.57	14.58
(b) Weighted average number of equity shares outstanding	3,00,000	3,00,000
(c) Basic and diluted earnings per share - Rupees a (face value of share - Rs.100 each)	14.52	4.86

**33. Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:**

	As at 31.03.2014		As at 31.03.2013	
Particulars	Amount in foreign currency (Lacs)	Amount in Rs. Lacs	Amount in foreign currency (Lacs)	Amount in Rs. Lacs
	0.0175 EURO	1.44	0.044 EURO	3.07
	0.017 CHF	1.16	0.017 CHF	0.98
Trade Payables	0.0002 GBP	0.02		
			0.15 EURO	1.03
Advance to Supplier	-	-		

**34. The figures for the previous year have been regrouped/ recast, wherever considered necessary, to conform to the current year's classification/disclosure.**
