

INDEPENDENT AUDITOR'S 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 31 March, 2015, the Statement of Profit and Loss, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over



financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

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, of the state of affairs of the Company as at 31 March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31 March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 22 to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer Note 21(ii) to the financial statements.



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- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company. Refer Note 29 (ii) to the financial statements.

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


Manjula Banerji
(Partner)
(Membership No. 086423)

GURGAON, May 30, 2015




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)

- (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) As explained to us, the Company has a system of physical verification of fixed assets which is designed to cover all fixed assets once in a period of three years and in accordance therewith, no physical verification was due in current year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (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 not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 189 of the Companies Act, 2013.
- (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) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.
- (vi) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 for the Company.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State



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Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at March 31, 2015 for a period of more than six months from the date they became payable.
- (c) Details of dues of Excise Duty and Income-tax which have not been deposited as on March 31, 2015 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	1812.52	28.38#	2000-01, 2003-04 to 2011-12	Customs Excise and Service Tax Appellate Tribunal
Income-tax Act, 1961	Income-tax	9.99	9.99	2005-06	Income Tax Appellate Tribunal
		84.38	64.93	2008-09 to 2011-12	Commissioner (Appeals)

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

Includes Rs.16.72 lacs deposited by the holding company.

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. 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

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We have been further informed that there are no dues in respect of Wealth Tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax and Cess which have not been deposited as on 31st March, 2015 on account of any dispute.

- (d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- (viii) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (ix) According to the information and explanations given to us and the records examined by us, the Company has not taken any loan from financial institutions and banks nor has it issued any debentures.
- (x) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.
- (xi) According to the information and explanations given to us, the Company has not taken any term loans during the year.
- (xii) To the best of our knowledge and according to the information and explanations given to us, 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's Registration No. 015125N)


Manjula Banerji
(Partner)
(Membership No. 086423)


GURGAON, May 30, 2015

INTERNATIONAL TOBACCO COMPANY LIMITED

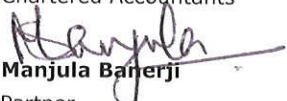
Balance Sheet as at March 31, 2015

		Rs. in lacs	
Particulars	Note No.	As at March 31, 2015	As at March 31, 2014
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	300.00	300.00
(b) Reserves and surplus	3	4136.30	4175.56
		4436.30	4475.56
2 Non-current liabilities			
(a) Deferred tax liabilities (net)	4	-	84.70
(b) Long-term provisions	5	518.23	507.00
		518.23	591.70
3 Current liabilities			
(a) Trade payables	6	303.50	295.79
(b) Other current liabilities	7	233.03	253.54
(c) Short-term provisions	8	107.75	62.27
		644.28	611.60
TOTAL		5598.81	5678.86
B ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	3412.76	3917.83
(ii) Capital work-in-progress		26.35	60.06
		3439.11	3977.89
(b) Deferred tax assets (net)	4	30.94	-
(c) Non-current investments	10	15.62	15.62
(d) Long-term loans and advances	11	202.23	202.80
		248.79	218.42
2 Current assets			
(a) Inventories	12	534.55	582.48
(b) Cash and cash equivalents	13	185.83	229.48
(c) Short-term loans and advances	14	1168.64	656.54
(d) Other current assets	15	21.89	14.05
		1910.91	1482.55
TOTAL		5598.81	5678.86
Accompanying notes 1 to 35 form part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



Manjula Banerji
Partner

For and on behalf of the Board of Directors



Relatool

Place : Gurgaon

Date : May 30, 2015



INTERNATIONAL TOBACCO COMPANY LIMITED

Statement of Profit and Loss for the year ended March 31, 2015

		Rs. in lacs		
Particulars		Note No.	For the year ended March 31, 2015	For the year ended March 31, 2014
1	Revenue from operations	16	5359.13	4898.75
2	Other income	17	41.06	18.71
3	Total revenue (1+2)		5400.19	4917.46
4	Expenses			
	(a) Employee benefits expense	18	2365.20	2231.16
	(b) Finance costs	19	1.27	31.53
	(c) Depreciation expense	9	593.70	449.15
	(d) Other expenses	20	2375.54	2160.31
	Total expenses		5335.71	4872.15
5	Profit before tax (3 - 4)		64.48	45.31
6	Tax expense:			
	(a) Current tax expense for current year		99.20	55.75
	(b) Current tax expense relating to prior years		3.02	(14.35)
	(c) Net current tax expense		102.22	41.40
	(d) Deferred tax charge / (credit)		(77.62)	(39.66)
			24.60	1.74
7	Profit for the year (5 - 6)		39.88	43.57
	Earning per share basic / diluted (in Rs.)	33	13.29	14.52
Accompanying notes 1 to 35 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


Manjula Banerji

Partner




Place : Gurgaon

Date : May 30, 2015




INTERNATIONAL TOBACCO COMPANY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

Rs. in lacs

**For the year
ended
31.03.2015**

**For the year
ended
31.03.2014**

A. CASH FLOW FROM OPERATING ACTIVITIES

Net profit before tax	64.48	45.31
Adjustments for:		
Depreciation	593.70	449.15
Interest income	(22.79)	(7.87)
Finance costs	1.27	31.53
Fixed assets written off	0.39	17.10
Profit on sale of fixed assets	(0.76)	(0.39)
Loss on sale of fixed assets	-	2.61
	571.81	492.13
Operating profit before working capital changes	636.29	537.44
Changes in Working Capital		
Adjustments for (increase)/ decrease in operating assets:		
Long-term loans and advances	(65.30)	(0.58)
Inventories	47.93	(76.17)
Short-term loans and advances	(521.14)	(27.05)
Other current assets	4.25	0.39
Net increase / (decrease) in operating assets	(534.26)	(103.41)
Adjustments for (increase) / decrease in operating liabilities:		
Trade payables	7.71	59.44
Other current liabilities	28.11	(49.55)
Short-term provisions	45.48	9.67
Long-term provisions	11.23	85.54
Net increase / (decrease) in operating liabilities	92.53	105.10
Net increase / (decrease) in working capital	(441.73)	1.69
Cash generated from operations	194.56	539.13
Finance costs	(0.44)	(11.23)
Direct taxes paid (net)	(93.19)	(98.57)
	(93.63)	(109.80)
Net cash from operating activities	100.93	429.33

B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets	(170.97)	(397.82)
Proceeds from sale of fixed assets	15.69	12.55
Interest received	10.70	7.95
Bank balances not considered as cash and cash equivalents	(3.12)	(5.50)
Net cash used in investing activities	(147.70)	(382.82)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(46.77)	46.51
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Opening cash and cash equivalents		
- Cash and cash equivalents	188.58	142.07
Closing cash and cash equivalents		
- Cash and cash equivalents	141.81	188.58

Accompanying notes 1 to 35 form part of the financial statements

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


Manjula Banerji
Partner

Place : Gurgaon
Date: May 30, 2015

**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 specified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act")/ Companies Act, 1956 ("the 1956 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) Use of estimates

The preparation of the financial statements requires the Management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenues and expenses and disclosures relating to contingent liabilities. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results may differ from these estimates. Any revision to the accounting estimates or difference between the estimates and the actual results are recognised in the periods in which the results are known/materialise or the estimates are revised.

iii) 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.

iv) Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

v) Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

vi) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.

Depreciation has been provided on the Straight Line Method (SLM) as per the useful life prescribed in schedule II to the Companies Act, 2013.

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



INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

vii) Investments

Long term investments are stated at cost less provision for diminution, if any, other than temporary.

viii) Revenue Recognition

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

ix) Other income

Interest income is accounted for on accrual basis.

x) Employee benefits

Defined contribution plan

Provident fund and Superannuation fund are the defined contribution schemes offered by the Company. The contributions to these schemes are charged to the statement of profit and loss of the year in which contribution to such schemes becomes due.

Defined benefit plan and Long term Employee benefits

Gratuity liability and long term employee benefits are provided on the basis of an actuarial valuation made at the end of each financial year as per projected unit credit method. Actuarial gains or losses arising from such valuation are charged to revenue in the year in which they arise

xi) Taxes on income

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

Deferred tax is recognised, subject to the consideration of prudence, on timing differences between taxable income and accounting income and is measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets.

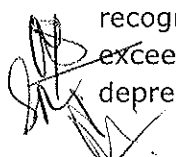
xii) Earning per Share

Basic earnings per share is computed by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding during the year.

xiii) Impairment of assets

The management periodically assesses whether there is any indication that an asset may have been impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life.

Impairment losses recognized in prior years reversed when there is an indication that the impairment losses recognized earlier no longer exists or have decreased. Such reversals are recognized as an increase in the carrying amount of the asset to the extent that does not exceed the carrying amounts that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years.



INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

xiv) 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.

xv) Operating cycle

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

Rs. in lacs**As at
March 31,
2015****As at
March 31,
2014****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, 2015
100.00**shares
held**% held as
at March
31, 2014
100.00**

- Godfrey Phillips India Limited (including its nominees)

300,000

300,000

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

1225.56

1181.99

Less: Adjustment for depreciation due to transition

(net of deferred tax of Rs. 38.01 lacs) (Refer Note 27)

(79.14)

-

Add: Net profit for the current year

39.88

43.57

- Net surplus in the statement of profit and loss

1186.30

1225.56

Total reserves and surplus

4136.30

4175.56

4 - Deferred taxationDeferred tax liabilities

- Accumulated depreciation

152.79

246.59

152.79

246.59

Deferred tax assets

- Provision for entry tax

1.96

1.92

- Provision for compensated absences

181.77

159.97

183.73

161.89

Deferred tax liabilities/(assets)- net

(30.94)

84.70

INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

Rs. in lacs**As at
March 31,
2015****As at
March 31,
2014****5 - Long-term provisions**

- Provision for employee benefits
- Compensated absences

518.23

507.00

518.23**507.00****6 - Trade payables**

- Total outstanding dues of micro and small enterprises (Refer Note 23)
- Total outstanding dues of creditors other than micro and small enterprises

-

0.52

303.50

295.27

303.50**295.79****7 - Other current liabilities**

- Security deposit received
- Payable to gratuity fund (Refer Note 25)
- Other payables
 - Statutory remittances
 - Capital creditors
 - Others

0.75

6.61

131.36

95.67

81.77

82.62

19.15

68.60

-

0.04

233.03**253.54****8 - Short-term provisions**

- Provision for compensated absences

107.75

62.27


107.75**62.27**

INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

Rs. in lacs

	As at March 31, 2015	As at March 31, 2014
10 - Non-current investments		
Non-trade investments - Unquoted		
- Unique Space Developers Limited 1060 equity shares of Rs.100 each fully paid-up (previous year 1060 equity shares)	<u>15.62</u>	<u>15.62</u>
11 - Long-term loans and advances		
(Unsecured - Considered Good)		
- Capital advances	8.91	74.78
- Security deposits	157.82	103.83
- Loans to employees	35.50	24.19
	<u>202.23</u>	<u>202.80</u>
12 - Inventories		
At cost or under		
- Stores and spares (including goods-in-transit of Rs. Nil ; previous year Rs.26.17 lacs)	<u>534.55</u>	<u>582.48</u>
	<u>534.55</u>	<u>582.48</u>
13 - Cash and Cash Equivalents		
Cash and cash equivalents		
Cash in hand	3.69	1.15
Balances with banks		
- on current accounts	138.12	187.43
Cash and cash equivalents (as per AS-3 Cash Flow Statements)	<u>141.81</u>	<u>188.58</u>
Other bank balances		
- on fixed deposit accounts*	44.02	40.90
	<u>185.83</u>	<u>229.48</u>
* Lodged as security with the Government Authorities		
14 - Short-term loans and advances		
- Others (unsecured, considered good)		
- Balance with customs, excise, etc.		
- CENVAT credit receivable	109.78	276.55
- Service tax credit receivable	44.88	36.65
- Income-tax recoverable	259.25	268.29
- Prepaid expenses	29.70	19.60
- Loans and advances to related party (Refer Note 24)	661.33	20.50
- Loans and advances to employees	9.23	6.77
- Others	54.47	28.18
	<u>1168.64</u>	<u>656.54</u>
15 - Other current assets		
- Unbilled revenue	2.05	6.30
- Interest accrued on deposits		
- Others	19.84	7.75
	<u>21.89</u>	<u>14.05</u>
16 - Revenue from operations		
- Manufacturing fee from the holding company (tax deducted at source Rs.107.18 lacs; previous year Rs.97.97 lacs)	<u>5359.13</u>	<u>4898.75</u>
	<u>5359.13</u>	<u>4898.75</u>




9 - Non-current assets

INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

	As at March 31, 2015	Rs. in lacs As at March 31, 2014
10 - Non-current investments		
Non-trade investments - Unquoted		
- Unique Space Developers Limited 1060 equity shares of Rs.100 each fully paid-up (previous year 1060 equity shares)	<u>15.62</u>	<u>15.62</u>
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At cost or under		
- Stores and spares (including goods-in-transit of Rs. Nil ; previous year Rs.26.17 lacs)	<u>534.55</u>	<u>582.48</u>
	<u>534.55</u>	<u>582.48</u>
13 - Cash and Cash Equivalents		
Cash and cash equivalents		
Cash in hand	3.69	1.15
Balances with banks		
- on current accounts	138.12	187.43
Cash and cash equivalents (as per AS-3 Cash Flow Statements)	<u>141.81</u>	<u>188.58</u>
Other bank balances		
- on fixed deposit accounts*	44.02	40.90
	<u>185.83</u>	<u>229.48</u>
* Lodged as security with the Government Authorities		
14 - Short-term loans and advances		
- Others (unsecured, considered good)		
- Balance with customs, excise, etc.		
- CENVAT credit receivable	109.78	276.55
- Service tax credit receivable	44.88	36.65
- Income-tax recoverable	259.25	268.29
- Prepaid expenses	29.70	19.60
- Loans and advances to related party (Refer Note 24)	661.33	20.50
- Loans and advances to employees	9.23	6.77
- Others	54.47	28.18
	<u>1168.64</u>	<u>656.54</u>
15 - Other current assets		
- Unbilled revenue	2.05	6.30
- Interest accrued on deposits		
- Others	19.84	7.75
	<u>21.89</u>	<u>14.05</u>
16 - Revenue from operations		
- Manufacturing fee from the holding company (tax deducted at source Rs.107.18 lacs; previous year Rs.97.97 lacs)	<u>5359.13</u>	<u>4898.75</u>
	<u>5359.13</u>	<u>4898.75</u>




INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to the accounts (continued)

Rs. in lacs

	As at March 31, 2015	As at March 31, 2014
17 - Other Income		
- Interest Income		
- On deposit with banks (tax deducted at source Rs.0.38 lacs; previous year Rs.0.59 lacs)	3.50	3.73
- On loans given to employees	2.49	1.86
- On income tax refund	4.68	-
- Others (tax deducted at source Rs.1.30 lacs; previous year Rs. Nil)	12.12	2.28
- Sale of scrap	7.81	5.81
- Other non-operating revenues		
- Exchange gain (net)	1.78	-
- Profit on sale of assets	0.76	0.39
- Liabilities/provisions no longer required, written back	7.92	4.64
	41.06	18.71
18 - Employee benefits expense		
- Salaries, wages, bonus, etc.	1873.92	1764.25
- Contribution to provident and other funds (including administrative charges)	147.12	133.79
- Workmen and staff welfare expenses	178.69	177.32
- Contribution to gratuity and superannuation fund	165.47	155.80
	2365.20	2231.16
19 - Finance costs		
- Interest - others	1.27	31.53
	1.27	31.53
20 - Other expenses		
- Consumption of stores and spare parts*	9.07	15.26
- Power and fuel	971.79	951.25
- Repairs and maintenance		
- Buildings	24.59	38.62
- Machinery	798.06	632.08
- Others	9.29	10.94
- Rent (paid to the holding company)	6.60	4.80
- Rates and taxes	16.43	18.65
- Insurance	17.06	14.12
- Legal and professional expenses	21.16	20.91
- Auditors' remuneration **		
- As auditors	6.60	6.60
- For tax audit certification work	2.40	2.40
- Reimbursement of out-of-pocket expenses	0.44	0.37
- Travelling and conveyance	55.59	45.79
- Fixed assets written off	0.39	17.10
- Loss on sale of fixed assets	-	2.61
- Directors' sitting fee	0.24	0.16
- Security service expenses	73.85	62.23
- Material and machine handling charges	271.84	215.57
- Exchange loss (net)	-	2.56
- Miscellaneous expenses	90.14	98.29
	2375.54	2160.31

* Excludes consumption of spare parts charged to 'repairs and maintenance - machinery' Rs. 453.17 lacs (previous year Rs. 360.74 lacs)

** Net of service tax




INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

21.i) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs. 47.07 lacs (Previous year Rs. 27.31 lacs).

ii) The Company does not have any long term commitments/ contracts including derivative contracts for which there will be any material foreseeable losses.

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. 1809.72 lacs (Previous year Rs. 1812.19 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. 61.10 lacs (Previous year Rs.15.79 lacs).

23. Trade payables include Rs. Nil (Previous year Rs. 0.52 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. No interest is payable to any supplier under the said Act.

24. Short-term loans and advances to related party represents Rs.661.33 lacs (Previous year Rs. 20.50 lacs) on current account, due from the holding company Godfrey Phillips India Ltd.

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	147.12	133.79
-Employers' contribution to superannuation fund	28.86	25.43

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

- Compensated absences – amount recognized in in the Statement of profit and loss– Rs. 97.84 lacs (Previous year Rs. 134.23 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, 2015	For the year ended March 31, 2014
• Discount rate (per annum)	7.90 %	9.05%
• Rate of increase in compensation levels	7.50% for management and non management	7.50 % for management and non Management
• Expected rate of return on plan assets	7.50%	7.50%
• Expected average remaining working lives of employees	10.35 years	9.39 years
• Retirement age	58 years	58 years
B) Changes in the present value of obligation		
• Present value of obligation as at the beginning of the year	1013.76	883.14
• Interest cost	92.84	70.38
• Current service cost	67.59	42.28
• Past service cost	-	-
• Benefits paid	(44.32)	(73.53)
• Actuarial (gain) / loss on obligations	66.22	91.49
• Present value of obligation as at the end of the year	1196.09	1013.76
C) Changes in the fair value of plan assets		
• Fair value of plan assets as at the beginning of the year	909.90	887.45
• Expected return on plan assets	69.28	66.45
• Actuarial gain /(loss) on plan assets	32.71	(3.68)
• Contribution received	100.92	33.21
• Benefits paid	(44.32)	(73.53)
• Fair value of plan assets as at the end of the year	1068.49	909.90
D) Excess of fair value over book value of plan assets	3.76	(8.19)
E) Net liability recognized in the balance sheet (B-C+D)	(131.36)	(95.67)




INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

F) Constitution of plan assets

	Rs. in lacs	
	For the year ended March 31, 2015	For the year ended March 31, 2014
• Government Securities	175.34	173.80
• Public Sector Bonds	127.68	713.37
• Others	765.47	22.73
• Total	1068.49	909.90

G) Expenses recognized in the statement of profit and loss

• Current service cost	67.59	42.28
• Interest cost	92.84	70.38
• Expected return on plan assets	(69.28)	(66.45)
• Net actuarial (gain) / loss	33.51	95.17
• Past service cost	-	-
• Excess of fair value over book value of plan assets - incremental/(decremental)	11.95	(11.01)
• Total	136.61	130.37

H) Experience adjustments

	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11
• Defined Benefit Obligation	1196.09	1013.76	883.14	798.97	852.95
• Plan Assets	1068.49	909.90	887.45	838.36	726.80
• Surplus / (Deficit)	(127.60)	(103.86)	4.31	39.39	(126.15)
• Experience Adjustment on Plan Liabilities	(24.15)	136.51	15.05	19.03	93.18
• Experience Adjustment on Plan Assets	32.71	(3.68)	3.21	22.26	19.87

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. As per the requirements of the Companies Act, 2013, the Company has computed depreciation with reference to the useful life of respective assets specified in and in the manner prescribed in Schedule II to the Act. Accordingly, an amount of Rs. 79.14 lacs (net of deferred tax Rs. 38.01 lacs) on account of assets whose useful life has already exhausted as on 1st April, 2014, has been charged to opening balance of retained earnings and an additional depreciation amounting to Rs. 225.07 lacs has been charged to the Statement of Profit and Loss for the year ended March 31, 2015 based on the residual life of the remaining assets. In relation to the assets added after 1st April, 2014, depreciation has been charged as per the provisions of said Schedule II.

28. 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

Mr. Ashrant Bhartia, Whole Time Director of the 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.

	Rs. in lacs	
	March 31, 2015	March 31, 2014
1. Holding Company, Godfrey Phillips India Limited		
- Sale of spare parts	8.13	4.12
- Manufacturing fee received	5359.13	4898.75
- Purchase of spare parts, etc.	31.78	7.64
- Rent paid	4.80	4.80
- Expenses reimbursed	3.62	2.62
- Expenses recovered	120974.07*	99497.18*
- Balance receivable at year end	661.33	20.50
- Guarantees given by the holding company to a bank on behalf of the Company	81.18	76.99

* 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.

INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

Rs. in lacs
March 31, 2015 March 31, 2014

- (C) Managerial remuneration # 11.21 # # -
 - Mr. Ashrant Bhartia
 # excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.
 # # subject to approval of the Shareholders in the next Annual General Meeting.

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

Beacon Travels Private Limited

- Travel agent services received	20.81	16.69
- Balance payable at year end	1.91	1.53

29. i) The following are the particulars of disputed dues on account of excise duty, service tax and income-tax as at March 31, 2015 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. in lacs)	Amount deposited (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Law	Excise duty	1812.52 @	28.38 #	2000-01, 2003-04 to 2011-12	Customs, Excise, Service Tax Appellate Tribunal
Income-tax Act, 1961	Income-tax	9.99**	9.99	2005-06	Income Tax Appellate Tribunal
		84.38***	64.93	2008-09 to 2011-12	Commissioner (Appeals)

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

** Provided for in the accounts.

*** Includes Rs. 23.28 lacs provided for in the accounts.

Includes Rs.16.72 lacs deposited by the holding company.

@ Includes Rs. 2.80 lacs provided for in the accounts.

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.in 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	2003-04	Income Tax Appellate Tribunal

INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

- ii) There are no amounts which were required to be transferred to the Investors Education and Protection Fund by the Company.

	Rs. in lacs For the year ended <u>March 31, 2015</u>	For the year ended <u>March 31, 2014</u>
30. Expenditure in foreign currency (net of tax, where applicable)		
Travelling	8.69	4.76
31. Value of imports on C.I.F. basis		
Spare parts	60.62	57.52

32. Value of imported and indigenous spare parts consumed

	For the year ended <u>March 31, 2015</u>		For the year ended <u>March 31, 2014</u>	
	% of total Consumption	Rs.in lacs	% of total Consumption	Rs.in lacs
A) Spare parts*				
i) Imported	42.75	193.75	53.64	193.50
ii) Indigenous	57.25	259.42	46.36	167.24
	100.00	453.17	100.00	360.74

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

	For the year ended <u>March 31, 2015</u>	For the year ended <u>March 31, 2014</u>
33. Earnings per share have been computed as under:-		
(a) Net profit as per statement of profit and loss (Rs. in lacs)	39.88	43.57
(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)	13.29	14.52

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

	As at 31.03.2015		As at 31.03.2014	
Particulars	Amount in foreign currency (Lacs)	Amount in Rs. Lacs	Amount in foreign currency (Lacs)	Amount in Rs. Lacs
Trade Payable	0.0602 EURO	4.04	0.0175 EURO	1.44
	0.017 CHF	1.10	0.017 CHF	1.16
	0.002 GBP	0.22	0.0002 GBP	0.02
Advance to Supplier	0.133 EURO	8.91	-	-




INTERNATIONAL TOBACCO COMPANY LIMITED

Notes to accounts (continued)

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

