

**INDEPENDENT AUDITOR'S REPORT  
To The Members of International Tobacco Company Limited  
Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of **International Tobacco Company Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

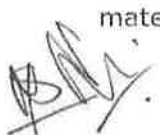
This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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 Ind AS 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 Ind AS financial statements based on our audit.

In conducting 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 of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 March 31, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

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

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable 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 including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **Annexure "A"**. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.



- g) 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, as amended, 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 Ind AS financial statements- Refer note 27 (a) and (b) 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 28 to the financial statements.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company- Refer note 27 (d) to the financial statements.
  - iv. The Company has provided requisite disclosures in the Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8<sup>th</sup> November, 2016 of the Ministry of Finance, during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management. Refer note 36 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in **Annexure "B"** a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

  
**Manjula Banerji**  
(Partner)  
(Membership No. 086423)

Place: Gurgaon  
Date: May 30, 2017



**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of International Tobacco Company Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

  
**Manjula Banerji**  
(Partner)

(Membership No. 086423)

Place: Gurgaon  
Date: May 30, 2017



**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) As explained to us, the Company has a programme of verification of property, plant and equipment to cover all the items once in a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, property, plant and equipment were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land that have been taken on lease and disclosed as other assets - non-current/current in the Ind AS financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement, except that in respect of a plot of land with carrying value of Rs. 4.80 lakhs, a notice of termination of lease has been received by the Company which is subject matter of a dispute pending adjudication by the Allahabad High Court (refer note 13 to the financial statements).
- (ii) As explained to us, the inventories of stores and spares were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered 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, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year.
- (vi) According to the information and explanations given to us, the maintenance of cost records has not been specified by the Central Government under Section 148(1) 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 Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Excise Duty and Service Tax which have not been deposited as on March 31, 2017 on account of disputes are given below:

| Name of Statute          | Nature of Dues              | Forum where Dispute is Pending                    | Period to which Amount Relates            | to the    | Amount of dues* (Rs. Lakhs) | Amount deposited (Rs. Lakhs) |
|--------------------------|-----------------------------|---|---|-----------|-----------------------------|------------------------------|
| Income Tax Act, 1961     | Income tax                  | Income Tax Appellate Tribunal                     | 2005-06 to 2010-11                        | and       | 19.93                       | 19.93                        |
|                          |                             | Commissioner (Appeals)                            | 2008-09 to 2009-10 and 2011-12 to 2012-13 | to and to | 126.13                      | 106.68                       |
| Central Excise Act, 1944 | Excise duty and Service tax | Customs Excise and Service Tax Appellate Tribunal | 2000-01 to 2005-06 to 2013-14             | and       | 1815.16                     | 32.05#                       |
|                          |                             | Commissioner (Appeals)                            | 2012-13 to 2015-16                        |           | 20.66                       | 0.09                         |

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

# deposited by the holding company amounting to Rs.16.72 Lakhs.

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

| Name of Statute          | Nature of Dues | Forum where Dispute is Pending                    | Period to which the Amount Relates | Amount (Rs. Lakhs) |
|--------------------------|----------------|---|------------------------------------|--------------------|
| Income Tax Act, 1961     | Income-tax     | Income Tax Appellate Tribunal                     | 2003-04                            | 5.36               |
| Central Excise Act, 1944 | Excise duty    | Customs Excise and Service Tax Appellate Tribunal | 2006-07 to 2008-09, 2010-11        | 92.53              |
|                          |                | High Court  | 2007-08 and 2008-09                | 45.88              |

We have been further informed that there are no dues in respect of Sales Tax, Customs Duty, Value Added Tax and Cess which have not been deposited as on March 31, 2017 on account of any dispute.

- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) 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 by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.





- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

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

  
**Manjula Banerji**  
(Partner)  
(Membership No. 086423)

Place: Gurgaon  
Date: May 30, 2017





**INTERNATIONAL TOBACCO COMPANY LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

| Particulars                     | Note No. | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---------------------------------|----------|--------------------|--------------------|-------------------|
| <b>ASSETS</b>                   |          |                    |                    |                   |
| <b>Non-current assets</b>       |          |                    |                    |                   |
| Property, plant and equipment   | 6        | <b>2,730.83</b>    | 2,838.20           | 3,115.70          |
| Capital work-in-progress        | 6        | <b>53.70</b>       | 22.45              | 26.35             |
| Financial assets                |          |                    |                    |                   |
| - Investments                   | 7        | <b>196.63</b>      | 257.25             | 291.97            |
| - Loans                         | 8        | <b>46.15</b>       | 30.51              | 35.50             |
| - Other financial assets        | 12       | <b>160.79</b>      | 158.22             | 157.82            |
| Deferred tax assets (Net)       | 9        | <b>115.18</b>      | 29.33              | -                 |
| Other non-current assets        | 13       | <b>236.98</b>      | 238.16             | 240.37            |
| <b>Total non-current assets</b> |          | <b>3,540.26</b>    | 3,574.12           | 3,867.71          |
| <b>Current assets</b>           |          |                    |                    |                   |
| Inventories                     | 10       | <b>509.34</b>      | 491.64             | 534.55            |
| Financial assets                |          |                    |                    |                   |
| - Cash and cash equivalents     | 11       | <b>220.24</b>      | 210.92             | 141.81            |
| - Other bank balances           | 11       | -                  | -                  | 44.02             |
| - Loans                         | 8        | <b>1,058.86</b>    | 837.46             | 670.56            |
| - Other financial assets        | 12       | <b>24.81</b>       | 16.18              | 19.84             |
| Current tax assets (Net)        | 14       | <b>244.44</b>      | 302.13             | 259.25            |
| Other current assets            | 13       | <b>348.31</b>      | 335.52             | 246.08            |
| <b>Total current assets</b>     |          | <b>2,406.00</b>    | 2,193.85           | 1,916.11          |
| <b>Total assets</b>             |          | <b>5,946.26</b>    | 5,767.97           | 5,783.82          |

Contd.

*Handwritten signatures and initials in the bottom left corner.*

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

| Particulars   | Note No. | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|----------|--------------------|--------------------|-------------------|
| <b>EQUITY AND LIABILITIES</b>                         |          |                    |                    |                   |
| <b>Equity</b>   |          |                    |                    |                   |
| Equity share capital                                  | 15       | 300.00             | 300.00             | 300.00            |
| Other equity  | 16       | 4,250.06           | 4,325.26           | 4,302.11          |
| <b>Total equity</b>                                   |          | <b>4,550.06</b>    | <b>4,625.26</b>    | <b>4,602.11</b>   |
| <b>Liabilities</b>                                    |          |                    |                    |                   |
| <b>Non-current liabilities</b>                        |          |                    |                    |                   |
| Provisions  | 18       | 629.73             | 553.72             | 518.23            |
| Deferred tax liabilities (Net)                        | 9        | -                  | -                  | 19.20             |
| <b>Total non-current liabilities</b>                  |          | <b>629.73</b>      | <b>553.72</b>      | <b>537.43</b>     |
| <b>Current liabilities</b>                            |          |                    |                    |                   |
| Financial liabilities                                 |          |                    |                    |                   |
| - Trade payables                                      | 19       | 352.02             | 328.01             | 303.50            |
| - Other financial liabilities                         | 17       | 239.49             | 86.57              | 151.26            |
| Provisions  | 18       | 87.79              | 94.86              | 107.75            |
| Other current liabilities                             | 20       | 87.17              | 79.55              | 81.77             |
| <b>Total current liabilities</b>                      |          | <b>766.47</b>      | <b>588.99</b>      | <b>644.28</b>     |
| <b>Total liabilities</b>                              |          | <b>1,396.20</b>    | <b>1,142.71</b>    | <b>1,181.71</b>   |
| <b>Total equity and liabilities</b>                   |          | <b>5,946.26</b>    | <b>5,767.97</b>    | <b>5,783.82</b>   |
| <b>Notes forming part of the financial statements</b> | 1-39     |                    |                    |                   |

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: New Delhi

Date: May 30, 2017







**INTERNATIONAL TOBACCO COMPANY LIMITED**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

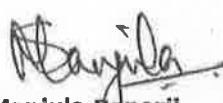
| Particulars  | Note No. | Year ended<br>31.3.2017 | Year ended<br>31.3.2016 |
|--|----------|-------------------------|-------------------------|
| <b>I</b> Revenue from operations   | 21       | <b>5,231.66</b>         | 5,164.18                |
| <b>II</b> Other income   | 22       | <b>25.97</b>            | 19.55                   |
| <b>III Total income (I+II)</b>   |          | <b>5,257.63</b>         | 5,183.73                |
| <b>IV Expenses</b>   |          |                         |                         |
| Employee benefits expenses   | 23       | <b>2,479.32</b>         | 2,260.94                |
| Finance costs  | 24       | <b>0.89</b>             | 0.88                    |
| Depreciation expenses  | 6        | <b>363.53</b>           | 452.95                  |
| Other expenses   | 25       | <b>2,286.38</b>         | 2,405.38                |
| <b>Total expenses (IV)</b>   |          | <b>5,130.12</b>         | 5,120.15                |
| <b>V Profit before tax (III-IV)</b>  |          | <b>127.51</b>           | 63.58                   |
| <b>VI</b> Tax expense:   | 9        |                         |                         |
| - Current tax  |          | <b>147.01</b>           | 58.56                   |
| - Deferred tax credit  |          | <b>(71.88)</b>          | (40.08)                 |
|  |          | <b>75.13</b>            | 18.48                   |
| <b>VII Profit for the year (V-VI)</b>  |          | <b>52.38</b>            | 45.10                   |
| <b>VIII Other comprehensive income</b>   |          |                         |                         |
| Items that will not to be reclassified to profit or loss                                   |          |                         |                         |
| (i) (Loss)/gain on remeasurements of the defined benefit plans                             |          | <b>(120.91)</b>         | 6.45                    |
| (ii) Equity instruments through other comprehensive income                                 |          | <b>(60.62)</b>          | (34.72)                 |
| (iii) Income tax relating to Item (i) that will not be reclassified to profit or loss      |          | <b>39.98</b>            | (2.13)                  |
| (iv) Income tax relating to Item (ii) that will not be reclassified to profit or loss      |          | <b>13.97</b>            | 8.45                    |
| <b>Total other comprehensive income, net of tax (i+ii+iii+iv)</b>                          |          | <b>(127.58)</b>         | (21.95)                 |
| <b>IX Total comprehensive income for the year (VII+VIII)</b>                               |          | <b>(75.20)</b>          | 23.15                   |
| <b>Basic and diluted earnings per equity share</b><br>(Face value of share - Rs. 100 each) | 26       | <b>17.46</b>            | 15.03                   |

**Notes forming part of the financial statements**

1-39

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: New Delhi

Date: May 30, 2017







**INTERNATIONAL TOBACCO COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**(a) Equity share capital**

|   | <u>Amount</u> |
|---|---------------|
| <b>Balance at April 1, 2015</b>                 | <b>300.00</b> |
| Changes in equity share capital during the year | -             |
| <b>Balance at March 31, 2016</b>                | <b>300.00</b> |
| Changes in equity share capital during the year | -             |
| <b>Balance at March 31, 2017</b>                | <b>300.00</b> |

**(b) Other equity**

|  | <u>Reserves and surplus</u> |                          | <u>Items of other comprehensive income</u>                  |                 |
|--|-----------------------------|--------------------------|---|-----------------|
|  | <u>Securities Premium</u>   | <u>Retained earnings</u> | <u>Equity instrument through other comprehensive income</u> | <u>Total</u>    |
| <b>Balance at April 01, 2015</b>                           | <b>2,950.00</b>             | <b>1,125.89</b>          | <b>226.22</b>   | <b>4,302.11</b> |
| Profit for the year  | -                           | 45.10                    | -   | 45.10           |
| Other comprehensive income for the year, net of income-tax | -                           | 4.32                     | (26.27)   | (21.95)         |
| <b>Total comprehensive income</b>                          | <b>-</b>                    | <b>49.42</b>             | <b>(26.27)</b>  | <b>23.15</b>    |
| <b>Balance at March 31, 2016</b>                           | <b>2,950.00</b>             | <b>1,175.31</b>          | <b>199.95</b>   | <b>4,325.26</b> |
| Profit for the year  | -                           | 52.38                    | -   | 52.38           |
| Other comprehensive income for the year, net of income-tax | -                           | (80.93)                  | (46.65)   | (127.58)        |
| <b>Total comprehensive income</b>                          | <b>-</b>                    | <b>(28.55)</b>           | <b>(46.65)</b>  | <b>(75.20)</b>  |
| <b>Balance at March 31, 2017</b>                           | <b>2,950.00</b>             | <b>1,146.76</b>          | <b>153.30</b>   | <b>4,250.06</b> |

**Notes forming part of the financial statements**

1-39

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: New Delhi

Date: May 30, 2017



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

| Particulars   | For the year ended<br>31.3.2017 | For the year ended<br>31.3.2016 |
|---|---------------------------------|---------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                                 |                                 |                                 |
| Profit before tax   | 127.51                          | 63.58                           |
| <b>Adjustments for:</b>   |                                 |                                 |
| Depreciation expenses   | 363.53                          | 452.95                          |
| Interest income from:   |                                 |                                 |
| - Deposits and loans  | (16.66)                         | (14.42)                         |
| Interest expenses   |                                 |                                 |
| - Others  | 0.89                            | 0.88                            |
| Property, plant and equipment written off                                     | 6.68                            | 0.41                            |
| Loss on sale of property, plant and equipment                                 | 8.53                            | 0.37                            |
| Profit on sale of property, plant and equipment                               | -                               | (0.43)                          |
|   | <b>362.97</b>                   | <b>439.76</b>                   |
| <b>Operating profit before working capital changes</b>                        | <b>490.48</b>                   | <b>503.34</b>                   |
| <b>Adjustments for changes in working Capital:</b>                            |                                 |                                 |
| Loans, other financial assets and other assets                                | (247.45)                        | (248.44)                        |
| Inventories   | (17.70)                         | 42.91                           |
| Trade payables, other financial liabilities, other liabilities and provisions | 142.15                          | (80.03)                         |
|   | <b>(123.00)</b>                 | <b>(285.56)</b>                 |
| <b>Cash generated by operating activities</b>                                 | <b>367.48</b>                   | <b>217.78</b>                   |
| Interest paid   | (0.06)                          | (0.05)                          |
| Interest received   | 4.88                            | -                               |
| Income taxes paid (Net)   | (49.34)                         | (103.57)                        |
|   | <b>(44.52)</b>                  | <b>(103.62)</b>                 |
| <b>Net cash generated by operating activities</b>                             | <b>322.96</b>                   | <b>114.16</b>                   |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                                 |                                 |                                 |
| Purchase of property, plant and equipment                                     | (322.57)                        | (109.12)                        |
| Proceeds from sale of property, plant and equipment                           | 5.78                            | 1.97                            |
| Interest received   | 3.15                            | 18.08                           |
| Bank balances not considered as cash and cash equivalents                     | -                               | 44.02                           |
| <b>Net cash used in investing activities</b>                                  | <b>(313.64)</b>                 | <b>(45.05)</b>                  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B)</b>                      | <b>9.32</b>                     | <b>69.11</b>                    |
| Cash and cash equivalents at the beginning of the year                        | 210.92                          | 141.81                          |
| Cash and cash equivalents at the end of the year                              | <b>220.24</b>                   | <b>210.92</b>                   |

**Notes forming part of the financial statements**

1-39

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

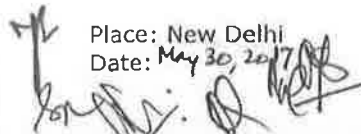
**For and on behalf of the Board of Directors**

  
**Manjula Banerji**

Partner

Place: New Delhi  
Date: May 30, 2017



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 1. Corporate information

International Tobacco Company Limited ('the Company') is a public limited company incorporated in India. The Company is engaged in manufacturing of tobacco and tobacco products on behalf of holding company.

The address of its registered office is Macropolo Building, Ground Floor, Next to Kala Chowky Post Office, Dr. Babasaheb Ambedkar Road, Lalbaug, Mumbai - 400033 and the address of its corporate office is Omaxe Square, Plot No.14, Jasola District Centre, Jasola, New Delhi - 110025.

#### 2. Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

Up to the year ended March 31, 2016, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is April 1, 2015. Refer Note no. 38 for the details of first time adoption exemptions availed by the Company. The financial statements are presented in rupees and all values are rounded to the nearest lakhs, except when otherwise indicated.

#### 3. Basis of preparation and presentation

##### 3.1. Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies mentioned below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

##### 3.2. Use of estimates

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS 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 assets and 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 and future periods affected.

#### 4. Significant accounting policies

##### 4.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

##### 4.1.1. Manufacturing fees

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





## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.1.2. Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 4.2. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### 4.2.1. Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in the statement of profit and loss.

##### 4.2.2. Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### 4.3. Foreign currencies

##### 4.3.1. Functional and presentational currency

The Company's financial statements are presented in Indian rupees (INR), which is also the Company's functional currency. Functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

##### 4.3.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

#### 4.4. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### 4.4.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated in accordance with the Income-tax Act, 1961, using tax rates that have been enacted or substantially enacted by the end of the reporting period.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.4.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

#### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### 4.5. Employee benefits

##### 4.5.1. Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

##### 4.5.2. Long term employee benefits

Long term employee benefits include compensated absences. The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

##### 4.5.3. Defined contribution plan

Provident fund, superannuation fund and employee's state insurance 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 on the basis of services rendered by the employees.

##### 4.5.4. Defined benefit plan

Gratuity liability is 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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

##### 4.5.5. Termination benefits

Termination benefit is recognised as an expense at earlier of when the Company can no longer withdraw the offer of termination benefit and when the expense is incurred.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.6. Property, plant and equipment

##### 4.6.1. Recognition and Measurement

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and any recognised impairment losses, and include interest on loans attributable to the acquisition of qualifying assets upto the date they are ready for their intended use. Freehold land is measured at cost and is not depreciated.

##### 4.6.2. Capital work in progress

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

##### 4.6.3. Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

##### 4.6.4. Depreciation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets (other than free hold land and properties under construction) is recognised on straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Estimated useful lives of the assets are as follows:

|   |                |
|---|----------------|
| Buildings                                       | 30 - 60 years  |
| Plant and machinery                             | 7.5 - 15 years |
| Electrical installation and equipments          | 10 years       |
| Computers and information technology equipments | 3 - 6 years    |
| Furniture, fixtures and office equipments       | 5 -10 years    |
| Motor vehicles                                  | 8 years        |

Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### 4.7. Impairment of tangible assets

The management periodically assesses whether there is any indication that an asset may have been impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment loss (if any). 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 are reversed when there is an indication that the impairment losses recognized earlier no longer exist 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 depreciation) had no impairment loss been recognized in prior years.

##### 4.8. Inventories

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

Net realisable value is the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

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## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.9. Provisions and contingencies

##### 4.9.1. Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of time value is material, the amount is determined by discounting the expected future cash flows.

##### 4.9.2. Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

#### 4.10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 4.10.1. Financial assets

##### 4.10.1.1. Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### 4.10.1.2. Classification of financial assets

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company classifies its financial assets in the following measurement categories:

- ▶ those measured at amortised cost,
- ▶ those to be measured subsequently at fair value, either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL)

##### Financial assets at amortised cost:

A financial asset is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

##### Financial assets at FVTOCI:

A financial asset is classified as at the FVTOCI if both of the following criteria are met unless the asset is designated at fair value through profit or loss under fair value option.

- (a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial asset, and
- (b) The asset's contractual cash flows represent SPPI.

##### Financial assets at FVTPL:

FVTPL is a residual category for financial assets. Any asset, which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as at FVTPL.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.10.1.3. Investments in equity instruments at FVTOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to present the subsequent changes in the fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the 'Reserve for equity instruments through other comprehensive income'. The cumulative gain or loss is not reclassified to profit or loss on disposal of the investments.

A financial asset is held for trading if:

- ▶ it has been acquired principally for the purpose of selling it in the near term; or
- ▶ on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has an recent actual pattern of short-term profit-taking; or
- ▶ it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

The Company has equity investment in one entity which is not held for trading. The Company has elected the FVTOCI irrevocable option for this investment (Refer Note no. 7). Fair value is determined in the manner described in Note no. 32.

Dividend on above investment in equity instruments is recognised in profit or loss when the Company's right to receive the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Company, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

#### 4.10.1.4. Derecognition

A financial asset is primarily derecognised when:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### 4.10.1.5. Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits and bank balance.
- b) Any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

The Company believes that, considering their nature of business and past history, the expected credit loss in relation to its financial assets is non-existent or grossly immaterial. Thus, the Company has not recognised any provision for expected credit loss. The Company reviews this policy annually, if required.

#### 4.10.2. Financial liabilities

##### 4.10.2.1. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Company's financial liabilities include other payables.

##### 4.10.2.2. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### **Financial liabilities at fair value through profit or loss (FVTPL)**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 4.10.2.3. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### 4.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 4.12. 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.

#### 4.13. Earnings per share (EPS)

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

#### 4.14. Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management of the Company to make judgements, estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

##### Judgements and estimates

In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### Defined benefit plans ( Gratuity)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Further details about gratuity obligations are given in Note no. 31.

##### Fair value measurement of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuer to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation technique and inputs used in determining the fair value of assets and liabilities are disclosed in Note no. 32.

##### Useful lives of property, plant and equipment

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

##### Contingent liabilities

The Company has ongoing litigations with various regulatory authorities and others. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**6 Property, plant and equipment and capital work in progress**

|                                   | As at<br>31.3.2017   | As at<br>31.3.2016 | As at<br>1.4.2015  |
|-----------------------------------|----------------------|--------------------|--|
| <b>Carrying amount of:</b>        |                      |                    |  |
| Property, plant and equipment     | 2,730.83             | 2,838.20           | 3,115.70   |
| Capital work-in-progress          | 53.70                | 22.45              | 26.35  |
|                                   | <b>Land-freehold</b> | <b>Buildings</b>   | <b>Plant and<br/>machinery</b>                                     |
|                                   |                      |                    | <b>Electrical<br/>installation<br/>and<br/>equipments</b>          |
|                                   |                      |                    | <b>Computers and<br/>information<br/>technology<br/>equipments</b> |
|                                   |                      |                    | <b>Furniture,<br/>fixtures and<br/>office<br/>equipments</b>       |
|                                   |                      |                    | <b>Motor<br/>vehicles</b>  |
|                                   |                      |                    | <b>Total</b>   |
| <b>Cost or deemed cost</b>        |                      |                    |  |
| <b>Balance at April 1, 2015</b>   | 15.50                | 1,693.49           | 1,078.30   |
| Additions                         | -                    | 135.14             | 30.77  |
| Disposals                         | -                    | -                  | -  |
| <b>Balance at March 31, 2016</b>  | 15.50                | 1,828.63           | 1,109.07   |
| Additions                         | -                    | -                  | 57.13  |
| Disposals                         | -                    | 0.28               | 34.86  |
| <b>Balance at March 31, 2017</b>  | 15.50                | 1,828.35           | 1,131.34   |
| <b>Accumulated depreciation</b>   |                      |                    |  |
| <b>Balance at April 1, 2015</b>   | -                    | -                  | -  |
| Depreciation expense              | -                    | 73.24              | 284.15   |
| Eliminated on disposals of assets | -                    | -                  | -  |
| <b>Balance at March 31, 2016</b>  | -                    | 73.24              | 284.15   |
| Depreciation expense              | -                    | 77.13              | 200.14   |
| Eliminated on disposals of assets | -                    | -                  | 15.28  |
| <b>Balance at March 31, 2017</b>  | -                    | 150.37             | 469.01   |
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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|   | <b>As at<br/>31.3.2017</b> | <b>As at<br/>31.3.2016</b> | <b>As at<br/>1.4.2015</b> |
|---|----------------------------|----------------------------|---------------------------|
| <b>7 Investments</b>  |                            |                            |                           |
| <b>Non-current</b>  |                            |                            |                           |
| <b>Investment in equity investments (valued at fair value through other comprehensive income)- Unquoted</b>             |                            |                            |                           |
| Unique Space Developers Limited<br>1,060 equity shares of Rs.100 each fully paid-up (previous year 1,060 equity shares) | <b>196.63</b>              | 257.25                     | 291.97                    |
| <b>Investment in other equity instruments</b>   | <b>196.63</b>              | 257.25                     | 291.97                    |
| <b>8 Loans (carried at amortised cost)<br/>(unsecured considered good unless otherwise stated)</b>                      |                            |                            |                           |
| <b>Non-current</b>  |                            |                            |                           |
| Loans to employees  | <b>46.15</b>               | 30.51                      | 35.50                     |
|   | <b>46.15</b>               | 30.51                      | 35.50                     |
| <b>Current</b>  |                            |                            |                           |
| Loans and advances to related parties (Refer Note no. 34)   | <b>1,042.19</b>            | 825.63                     | 661.33                    |
| Loans and advances to employees   | <b>16.67</b>               | 11.83                      | 9.23                      |
|   | <b>1,058.86</b>            | 837.46                     | 670.56                    |
| <b>Total</b>  | <b>1,105.01</b>            | 867.97                     | 706.06                    |

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(All amounts are in Rs. lakhs unless otherwise stated)

**Income tax expense in the statement of profit and loss comprises:**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are as follows:

|   | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|--------------------|--------------------|-------------------|
| <b>Deferred tax asset</b>                                       |                    |                    |                   |
| Provisions for compensated absences                             | 219.67             | 189.24             | 181.77            |
| Provisions for entry tax  | 1.96               | 1.96               | 1.96              |
| Voluntary retirement scheme payment deductible in instalments   | 36.56              | -                  | -                 |
| <b>Total deferred tax assets</b>                                | <b>258.19</b>      | <b>191.20</b>      | <b>183.73</b>     |
| <b>Deferred tax liability</b>                                   |                    |                    |                   |
| Financial assets fair valued through other comprehensive income | (27.71)            | (41.68)            | (50.13)           |
| Property, plant and equipment                                   | (115.30)           | (120.19)           | (152.80)          |
| <b>Total deferred tax liabilities</b>                           | <b>(143.01)</b>    | <b>(161.87)</b>    | <b>(202.93)</b>   |
| <b>Deferred tax assets/(liabilities) after set off</b>          | <b>115.18</b>      | <b>29.33</b>       | <b>(19.20)</b>    |

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**9 Income taxes (continued)**

**Movement in deferred tax assets and liabilities during the year are as follows:**

|   | Opening<br>Balance | Recognised in<br>profit or loss | Recognised in<br>other<br>comprehensive<br>income | Closing<br>Balance |
|---|--------------------|---------------------------------|---|--------------------|
| <b>For the year ended March 31, 2016</b>                        |                    |                                 |   |                    |
| <b>Deferred tax assets in relation to:</b>                      |                    |                                 |   |                    |
| Provisions for compensated absences                             | 181.77             | 7.47                            | -   | 189.24             |
| Provisions for entry tax  | 1.96               | -                               | -   | 1.96               |
|   | <b>183.73</b>      | <b>7.47</b>                     | <b>-</b>  | <b>191.20</b>      |
| <b>Deferred tax liabilities in relation to:</b>                 |                    |                                 |   |                    |
| Financial assets fair valued through other comprehensive Income | (50.13)            | -                               | 8.45  | (41.68)            |
| Property, plant and equipment                                   | (152.80)           | 32.61                           | -   | (120.19)           |
|   | <b>(202.93)</b>    | <b>32.61</b>                    | <b>8.45</b>                                       | <b>(161.87)</b>    |
| <b>Net deferred tax assets/(liabilities)</b>                    | <b>(19.20)</b>     | <b>40.08</b>                    | <b>8.45</b>                                       | <b>29.33</b>       |
| <b>For the year ended March 31, 2017</b>                        |                    |                                 |   |                    |
| <b>Deferred tax assets in relation to:</b>                      |                    |                                 |   |                    |
| Provisions for compensated absences                             | 189.24             | 30.43                           | -   | 219.67             |
| Provisions for entry tax  | 1.96               | -                               | -   | 1.96               |
| Voluntary retirement scheme payment deductible in Instalments   | -                  | 36.56                           | -   | 36.56              |
|   | <b>191.20</b>      | <b>66.99</b>                    | <b>-</b>  | <b>258.19</b>      |
| <b>Deferred tax liabilities in relation to:</b>                 |                    |                                 |   |                    |
| Financial assets fair valued through other comprehensive Income | (41.68)            | -                               | 13.97   | (27.71)            |
| Property, plant and equipment                                   | (120.19)           | 4.89                            | -   | (115.30)           |
|   | <b>(161.87)</b>    | <b>4.89</b>                     | <b>13.97</b>                                      | <b>(143.01)</b>    |
| <b>Net deferred tax assets</b>                                  | <b>29.33</b>       | <b>71.88</b>                    | <b>13.97</b>                                      | <b>115.18</b>      |

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# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

|  | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|--|--------------------|--------------------|-------------------|
| <b>10. Inventories</b><br>(At cost or under)   |                    |                    |                   |
| Stores and spare parts   | 509.34             | 491.64             | 534.55            |
|  | <b>509.34</b>      | 491.64             | 534.55            |
| <b>11. Cash and bank balances</b>  |                    |                    |                   |
| <b>Cash and cash equivalents</b><br>(as per cash flow statements)  |                    |                    |                   |
| Cash on hand   | 2.69               | 1.82               | 3.69              |
| Balances with banks  |                    |                    |                   |
| - In current accounts  | 217.55             | 209.10             | 138.12            |
| <b>Cash and cash equivalents as per cash flow statement</b>  | <b>220.24</b>      | 210.92             | 141.81            |
| <b>Other bank balances:</b>  |                    |                    |                   |
| In earmarked accounts for  |                    |                    |                   |
| - Fixed deposit receipts lodged with government authorities  | -                  | -                  | 44.02             |
|  | -                  | -                  | 44.02             |
| <b>Cash and bank balances</b>  | <b>220.24</b>      | 210.92             | 185.83            |
| <b>12. Other financial assets at amortised cost</b><br>(unsecured considered good unless otherwise stated) |                    |                    |                   |
| <b>Non-current</b>   |                    |                    |                   |
| Security deposits  | 160.79             | 158.22             | 157.82            |
|  | <b>160.79</b>      | 158.22             | 157.82            |
| <b>Current</b>   |                    |                    |                   |
| Interest accrued on bank and other deposits  | 24.81              | 16.18              | 19.84             |
|  | <b>24.81</b>       | 16.18              | 19.84             |

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|   | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|--------------------|--------------------|-------------------|
| <b>13. Other assets</b>   |                    |                    |                   |
| <b>(unsecured considered good unless otherwise stated)</b>  |                    |                    |                   |
| <b>Non-current</b>  |                    |                    |                   |
| Capital advances  | 13.78              | 10.01              | 8.91              |
| Prepaid expenses  | 2.12               | 1.88               | -                 |
| Leasehold land under operating lease*   | 221.08             | 226.27             | 231.46            |
|   | <b>236.98</b>      | <b>238.16</b>      | <b>240.37</b>     |
| <b>Current</b>  |                    |                    |                   |
| With excise on current/CENVAT accounts  | 177.62             | 177.26             | 154.66            |
| Unbilled Revenue  | 8.93               | 5.03               | 2.05              |
| Prepaid expenses  | 31.87              | 25.83              | 29.71             |
| Leasehold land under operating lease*   | 5.19               | 5.19               | 5.19              |
| Others  | 124.70             | 122.21             | 54.47             |
|   | <b>348.31</b>      | <b>335.52</b>      | <b>246.08</b>     |
| * Includes Rs. 4.80 lakhs (March 31, 2016 - Rs. 4.87 lakhs and April 1, 2015 - Rs. 4.94 lakhs) in respect of plot of land for which a notice of 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. |                    |                    |                   |
| <b>14. Current tax assets and liabilities</b>   |                    |                    |                   |
| <b>Current tax assets</b>   |                    |                    |                   |
| Income tax recoverable (net of provisions)  | 245.03             | 302.71             | 259.83            |
| <b>Total current tax assets</b>   | <b>245.03</b>      | <b>302.71</b>      | <b>259.83</b>     |
| <b>Current tax liabilities</b>  |                    |                    |                   |
| Income tax payable (net of payments)  | 0.59               | 0.58               | 0.58              |
| <b>Total current tax liabilities</b>  | <b>0.59</b>        | <b>0.58</b>        | <b>0.58</b>       |

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|   | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|--------------------|--------------------|-------------------|
| <b>15. Equity share capital</b>   |                    |                    |                   |
| <b>Authorised</b>   |                    |                    |                   |
| 500,000 equity shares of Rs. 100 each   | 500.00             | 500.00             | 500.00            |
|   | <u>500.00</u>      | <u>500.00</u>      | <u>500.00</u>     |
| <b>Issued, subscribed and fully paid up</b>   |                    |                    |                   |
| 300,000 equity shares of Rs. 100 each<br>(including 6,000 shares allotted as fully paid pursuant to a contract<br>without payment being received in cash) | 300.00             | 300.00             | 300.00            |

{Of the above shares, 299,994 shares are held by the holding company - Godfrey Phillips India Limited and 6 shares are held by individuals as nominees of the holding company}

- (i) There has been no movement in the equity shares in the current and previous year.
- (ii) 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.
- (iii) 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.
- (iv) Shares held by each shareholder holding more than 5%:

| Name of the shareholder                                 | As at 31.3.2017     |           | As at 31.3.2016     |           | As at 1.4.2015      |           |
|---|---------------------|-----------|---------------------|-----------|---------------------|-----------|
|   | Number of<br>shares | % holding | Number of<br>shares | % holding | Number of<br>shares | % holding |
| Godfrey Phillips India Limited (Including its nominees) | 3,00,000            | 100.00%   | 3,00,000            | 100.00%   | 3,00,000            | 100.00%   |

**16. Other equity**

|   |                 |                 |                 |
|---|-----------------|-----------------|-----------------|
| Securities Premium  | 2,950.00        | 2,950.00        | 2,950.00        |
| Reserve for equity instruments through other comprehensive income                                     | 153.30          | 199.95          | 226.22          |
| Retained earnings   | 1,146.76        | 1,175.31        | 1,125.89        |
|   | <u>4,250.06</u> | <u>4,325.26</u> | <u>4,302.11</u> |
| <b>Reserve for equity instruments through other comprehensive income</b>                              |                 |                 |                 |
| Balance at beginning of year  | 199.95          | 226.22          | -               |
| Net fair value (loss)/gain on investments in equity instruments at FVTOCI net of income tax           | (46.65)         | (26.27)         | 226.22          |
| Closing balance   | <u>153.30</u>   | <u>199.95</u>   | <u>226.22</u>   |
| <b>Retained earnings</b>  |                 |                 |                 |
| Balance at beginning of year  | 1,175.31        | 1,125.89        | 1,086.01        |
| Profit for the current year   | 52.38           | 45.10           | 39.88           |
| Other comprehensive income arising from remeasurement of defined benefit obligation net of income tax | (80.93)         | 4.32            | -               |
| Balance at end of year  | <u>1,146.76</u> | <u>1,175.31</u> | <u>1,125.89</u> |

**Securities premium :**

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

**Reserve for equity instruments through other comprehensive income :**

This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income.

**Retained earnings :**

Retained earnings is the amount that can be distributed by the Company as dividends to its equity shareholders subject to the requirements of the Companies Act, 2013. The amount reported above are not distributable in entirety.

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# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

|   | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|--------------------|--------------------|-------------------|
| <b>17. Other financial liabilities</b>  |                    |                    |                   |
| <b>Current</b>  |                    |                    |                   |
| Payable to gratuity fund  | 164.14             | 0.82               | 131.36            |
| Payables for fixed assets   | 74.60              | 85.00              | 19.15             |
| Security deposits - at amortised cost   | 0.75               | 0.75               | 0.75              |
|   | <u>239.49</u>      | <u>86.57</u>       | <u>151.26</u>     |
| <b>18. Provisions</b>   |                    |                    |                   |
| <b>Non-current</b>  |                    |                    |                   |
| Provision for employee benefits<br>-Compensated absences  | 629.73             | 553.72             | 518.23            |
|   | <u>629.73</u>      | <u>553.72</u>      | <u>518.23</u>     |
| <b>Current</b>  |                    |                    |                   |
| Provision for employee benefits<br>-Compensated absences  | 87.79              | 94.86              | 107.75            |
|   | <u>87.79</u>       | <u>94.86</u>       | <u>107.75</u>     |
| <b>Total</b>  | <u>717.52</u>      | <u>648.58</u>      | <u>625.98</u>     |
| <b>19. Trade payables</b>   |                    |                    |                   |
| <b>Trade payables</b>   |                    |                    |                   |
| -Micro and small enterprises (Refer Note no. 29)  | 0.51               | 0.55               | -                 |
| -Other than micro and small enterprises   | 351.51             | 327.46             | 303.50            |
|   | <u>352.02</u>      | <u>328.01</u>      | <u>303.50</u>     |
| The Company generally pays its vendors within 15 to 30 days and interest, if any, payable under the terms of the Micro, Small and Medium Enterprises Development Act, 2006 is recognised. |                    |                    |                   |
| <b>20. Other liabilities</b>  |                    |                    |                   |
| <b>Current</b>  |                    |                    |                   |
| Statutory dues  | 80.49              | 72.15              | 81.77             |
| Others  | 6.68               | 7.40               | -                 |
|   | <u>87.17</u>       | <u>79.55</u>       | <u>81.77</u>      |

Liabilities are non-interest bearing and have a term upto one year.

**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|   | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|---|---------------------------------|---------------------------------|
| <b>21. Revenue from operations</b>                      |                                 |                                 |
| Manufacturing fees from the holding company             | <b>5,231.66</b>                 | 5,164.18                        |
| <b>Total revenue from operations</b>                    | <b>5,231.66</b>                 | <b>5,164.18</b>                 |
| <b>22. Other income</b>                                 |                                 |                                 |
| Interest income (gross) from:                           |                                 |                                 |
| - Deposits and loans                                    | <b>11.78</b>                    | 14.42                           |
| - On income tax refund                                  | <b>4.88</b>                     | -                               |
| Liabilities/provisions no longer required, written back | <b>5.30</b>                     | 1.16                            |
| Sale of scrap   | <b>3.40</b>                     | 3.54                            |
| Profit on sale of property, plant and equipment         | <b>-</b>                        | 0.43                            |
| Foreign currency fluctuation (net)                      | <b>0.61</b>                     | -                               |
|   | <b>25.97</b>                    | <b>19.55</b>                    |
| <b>23. Employee benefits expenses</b>                   |                                 |                                 |
| Salaries and wages                                      | <b>2,072.34</b>                 | 1,854.25                        |
| Contribution to provident and other funds               | <b>147.05</b>                   | 150.19                          |
| Workmen and staff welfare expenses                      | <b>190.07</b>                   | 183.38                          |
| Contribution to gratuity and superannuation fund        | <b>69.86</b>                    | 73.12                           |
|   | <b>2,479.32</b>                 | <b>2,260.94</b>                 |
| <b>24. Finance costs</b>                                |                                 |                                 |
| Interest expenses on others*                            | <b>0.89</b>                     | 0.88                            |
|   | <b>0.89</b>                     | <b>0.88</b>                     |

\*including Rs. 0.83 lakhs (previous year Rs. 0.83 lakhs) towards interest on entry tax.



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|  | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|--|---------------------------------|---------------------------------|
| <b>25. Other Expenses</b>                              |                                 |                                 |
| Consumption of stores and spare parts*                 | <b>42.60</b>                    | 26.42                           |
| Power and fuel   | <b>734.47</b>                   | 820.91                          |
| Rent (paid to the holding company)#                    | <b>4.84</b>                     | 4.81                            |
| Rent   | <b>6.99</b>                     | 95.43                           |
| Repairs and maintenance                                |                                 |                                 |
| - Buildings  | <b>76.30</b>                    | 83.31                           |
| - Plant and machinery                                  | <b>795.48</b>                   | 775.05                          |
| - Others   | <b>17.49</b>                    | 14.90                           |
| Insurance  | <b>21.97</b>                    | 17.99                           |
| Rates and taxes  | <b>11.36</b>                    | 16.11                           |
| Legal and professional expenses                        | <b>18.92</b>                    | 17.83                           |
| Auditors' Remuneration (net of cenvatable service tax) |                                 |                                 |
| - Audit fees   | <b>7.50</b>                     | 7.50                            |
| - For tax audit  | <b>2.64</b>                     | 2.64                            |
| - Reimbursement of expenses                            | <b>1.86</b>                     | 0.31                            |
| Travelling and conveyance                              | <b>30.56</b>                    | 68.17                           |
| Property, plant and equipment written off              | <b>6.68</b>                     | 0.41                            |
| Loss on sale of property, plant and equipment          | <b>8.53</b>                     | 0.37                            |
| Directors' sitting fee                                 | <b>0.18</b>                     | 0.22                            |
| Foreign currency fluctuation (net)                     | <b>-</b>                        | 0.88                            |
| Security service expenses                              | <b>84.62</b>                    | 80.18                           |
| Machine and material handling expenses                 | <b>325.85</b>                   | 286.92                          |
| Miscellaneous expenses                                 | <b>87.54</b>                    | 85.02                           |
|  | <b>2,286.38</b>                 | 2,405.38                        |

\*Excludes consumption of spare parts charged to 'repairs and maintenance-machinery' Rs. 455.71 lakhs (previous year Rs. 454.38 lakhs)

#Including cess

**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

|  | <b>Year ended<br/>31.3.2017</b> | Year ended<br>31.3.2016 |
|--|---------------------------------|-------------------------|
|--|---------------------------------|-------------------------|

**26. Earnings per share**

|   |                 |          |
|---|-----------------|----------|
| Profit for the year attributable to owners of the Company [A]   | <b>52.38</b>    | 45.10    |
| Weighted average number of equity shares for the purpose of basic earning per share and diluted earning per share [B] | <b>3,00,000</b> | 3,00,000 |
| Basic and diluted earnings per share (Rs.) [A/B]<br>(Face value of Rs. 100 each)                                      | <b>17.46</b>    | 15.03    |

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# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

|  | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|--|--------------------|--------------------|-------------------|
|--|--------------------|--------------------|-------------------|

### 27. Contingent liabilities not provided for

|   |        |        |       |
|---|--------|--------|-------|
| a) Demands from income tax authorities disputed by the Company @# | 116.62 | 116.62 | 61.10 |
|---|--------|--------|-------|

@all these matters are subject to legal proceedings in the ordinary course of business and in the opinion of the Company, these are not expected to have material effect on the financial results of the Company when ultimately concluded.

# 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. 1,828.95 lakhs (March 31, 2016 - Rs. 1,825.39 lakhs and April 1, 2015 - Rs. 1,809.72 lakhs), 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.

b) Claims against the Company not acknowledged as debts Rs. 1.37 lakhs (March 31, 2016 - Rs. 1.37 lakhs and April 1, 2015 - Rs. 1.37 lakhs).

c) The following are the particulars of dues on account of excise duty, service tax and income-tax as at March 31, 2017 that have been disputed by the Company in appeals pending before the appellate authorities:

| Nature of the statute    | Nature of the dues          | Amount of dues* (Rs. lakhs) | Amount deposited (Rs. lakhs) | Period to which the amount relates    | Forum where dispute is pending                    |
|--------------------------|-----------------------------|-----------------------------|------------------------------|---------------------------------------|---|
| Central Excise Act, 1944 | Excise duty and Service tax | 1815.16@                    | 32.05#                       | 2000-01 and 2005-06 to 2013-14        | Customs Excise and Service Tax Appellate Tribunal |
|                          |                             | 20.66                       | 0.09                         | 2012-13 to 2015-16                    | Commissioner (Appeals)                            |
| Income-tax Act, 1961     | Income tax                  | 19.93**                     | 19.93                        | 2005-06 and 2010-11                   | Income Tax Appellate Tribunal                     |
|                          |                             | 126.13***                   | 106.68                       | 2008-09, 2009-10, 2011-12 and 2012-13 | Commissioner (Appeals)                            |

\* amount as per demand orders, including interest and penalty, where quantified in the order.

\*\*provided for in the accounts.

\*\*\*provided for in the accounts amounting to Rs.9.51 lakhs.

# deposited by the holding company amounting to Rs.16.72 lakhs.

@ provided for in the accounts amounting to Rs.6.87 lakhs.

Further, there are no dues of sales tax, value added tax, customs duty and cess matters which have not been deposited on account of any disputes.

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

| Name of the statute      | Nature      | Amount (Rs. lakhs) | Period to which the amount relates | Forum where department has preferred appeal       |
|--------------------------|-------------|--------------------|------------------------------------|---|
| Central Excise Act, 1944 | Excise duty | 92.53              | 2006-07 to 2008-09, 2010-11        | Customs Excise and Service Tax Appellate Tribunal |
|                          |             | 45.88              | 2007-08 and 2008-09                | High Court  |
| Income Tax Act, 1961     | Income tax  | 5.36               | 2003-04                            | Income Tax Appellate Tribunal                     |

d) There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

|  | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|--|--------------------|--------------------|-------------------|
|--|--------------------|--------------------|-------------------|

#### 28. Commitments

a) The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) **46.71** 16.95 47.07

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

#### 29. Dues to micro and small enterprises

Trade payables include Rs. 0.51 lakhs (Previous year Rs. 0.55 lakhs) due to micro, small and medium enterprises as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" ("MSMED") to the extent such parties have been identified on the basis of information available with the Company. No interest is payable to any supplier under the said Act.

#### 30. Operating lease arrangements

##### The Company as a lessee

##### Leasing arrangements

The Company has entered into various operating lease agreements for premises (residentials, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and are usually renewable by mutual consent on mutually agreeable terms.

The Company has also entered into various operating lease arrangements for various lands. These arrangements are non-cancellable in nature and range between thirty to ninety years.

The aggregate rentals under such agreements have been charged as rent in Note no. 25.

##### Non-cancellable operating lease commitments

|   |              |       |       |
|---|--------------|-------|-------|
| Within one year                                   | <b>4.86</b>  | 4.86  | 4.86  |
| Later than one year but not later than five years | <b>19.43</b> | 19.43 | 19.43 |
| Later than five years                             | <b>59.52</b> | 64.37 | 69.23 |

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*Sanjay Singh*  
*Sanjay Singh*

**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**31. Employee benefit plans****(a) Defined contribution plans and amounts recognised in the statement of profit and loss**

|   | Year ended<br>31.3.2017 | Year ended<br>31.3.2016 |
|---|-------------------------|-------------------------|
| Contribution towards provident fund       | 147.05                  | 150.19                  |
| Contribution towards super annuation fund | 26.63                   | 28.75                   |
|   | <b>173.68</b>           | 178.94                  |

**(b) Other long term employee benefits (based on actuarial valuation)**

|  | Year ended<br>31.3.2017 | Year ended<br>31.3.2016 |
|--|-------------------------|-------------------------|
| Compensated absences – amount recognized in the statement of profit and loss | 179.37                  | 104.38                  |

**(c) Defined benefit plans****Gratuity**

The Company makes annual contributions to gratuity fund established as a trust, which is a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity as per provisions of the payment of Gratuity Act or the Company Scheme, whichever is beneficial.

**The plan typically exposes the Company to actuarial risks such as: loss of investment risk, interest rate risk, mortality rate risk and salary rate risk.**

**Loss of investment risk**

The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

**Interest rate risk**

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the plan's liability.

**Mortality rate risk**

The present value of defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary rate risk**

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for defined benefit plan:

**Net employee benefit expense recognized in employee cost:**

|   | Year ended<br>31.3.2017 | Year ended<br>31.3.2016 |
|---|-------------------------|-------------------------|
| Current service cost  | 43.54                   | 39.98                   |
| Net interest cost   | (2.72)                  | 5.02                    |
|   | <b>40.82</b>            | 45.00                   |
| Excess/(shortfall) of fair value over book value of plan assets | 2.41                    | (0.63)                  |
| <b>Net employee benefit expense recognized in employee cost</b> | <b>43.23</b>            | 44.37                   |

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**(c) Defined benefit plans - Gratuity (continued)**

**Amount recognised in other comprehensive income:**

|   | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|---|---------------------------------|---------------------------------|
| Actuarial loss on obligations arising from change in financial assumptions        | <b>78.69</b>                    | -                               |
| Actuarial loss on obligations arising on account of experience adjustments        | <b>43.88</b>                    | 8.80                            |
| Return on plan assets (excluding amounts included in net interest expense)        | <b>(1.66)</b>                   | (15.25)                         |
| <b>Net expense/(income) for the year recognized in other comprehensive income</b> | <b>120.91</b>                   | (6.45)                          |

**(I) Changes in the present value of the defined benefit obligation are as follows:**

|  | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|--|---------------------------------|---------------------------------|
| <b>Opening defined obligation</b>  | <b>1,225.90</b>                 | 1,196.09                        |
| Current service cost   | <b>43.54</b>                    | 39.98                           |
| Interest cost  | <b>90.84</b>                    | 87.77                           |
| Benefits paid  | <b>(156.39)</b>                 | (106.74)                        |
| Actuarial loss on obligations arising from change in financial assumptions | <b>78.69</b>                    | -                               |
| Actuarial loss on obligations arising on account of experience adjustments | <b>43.88</b>                    | 8.80                            |
| <b>Defined benefit obligation</b>  | <b>1,326.46</b>                 | 1,225.90                        |

**(II) Changes in the fair value of plan assets are as follows:**

|  | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|--|---------------------------------|---------------------------------|
| <b>Opening fair value of plan assets</b>                                   | <b>1,228.21</b>                 | 1,068.49                        |
| Interest income  | <b>93.56</b>                    | 82.75                           |
| Return on plan assets (excluding amounts included in net interest expense) | <b>1.66</b>                     | 15.25                           |
| Contribution by employer   | <b>40.24</b>                    | 168.46                          |
| Benefits paid  | <b>(156.39)</b>                 | (106.74)                        |
| <b>Closing fair value of plan assets</b>                                   | <b>1,207.28</b>                 | 1,228.21                        |

**(III) Excess of fair value over book value of plan assets**

**5.54**      3.13

**(IV) Net liability recognised in the balance sheet (I - II + III)**

**124.72**      0.82

**The major categories of plan assets of the fair value of the total plan assets are as follows:**

|                             | <b>Amount</b>   | <b>% of total<br/>plan assets</b> |
|-----------------------------|-----------------|-----------------------------------|
| <b>As at March 31, 2017</b> |                 |                                   |
| Government debt securities  | 123.17          | 10.20%                            |
| Other debt Instruments      | 75.74           | 6.27%                             |
| Insurer managed funds       | 1,009.61        | 83.63%                            |
| Others                      | (1.24)          | -0.10%                            |
|                             | <b>1,207.28</b> | <b>100.00%</b>                    |

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# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

### (c) Defined benefit plans - Gratuity (continued)

|                             | Amount          | % of total plan assets |
|-----------------------------|-----------------|------------------------|
| <b>As at March 31, 2016</b> |                 |                        |
| Government debt securities  | 152.03          | 12.38%                 |
| Other debt instruments      | 86.42           | 7.03%                  |
| Insurer managed funds       | 991.87          | 80.76%                 |
| Others                      | (2.11)          | -0.17%                 |
|                             | <b>1,228.21</b> | <b>100.00%</b>         |

|                            | Amount          | % of total plan assets |
|----------------------------|-----------------|------------------------|
| <b>As at April 1, 2015</b> |                 |                        |
| Government debt securities | 175.34          | 16.41%                 |
| Other debt instruments     | 127.68          | 11.95%                 |
| Insurer managed funds      | 754.82          | 70.64%                 |
| Others                     | 10.65           | 1.00%                  |
|                            | <b>1,068.49</b> | <b>100.00%</b>         |

The principal assumptions used in determining gratuity obligation for the Company's plans are shown below:

|   | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|--------------------|--------------------|-------------------|
| Discount rate (in %)                                  | 7.00%              | 7.90%              | 7.90%             |
| Salary escalation rate (in %)                         | 7.50%              | 7.50%              | 7.50%             |
| Expected rate of return on plan assets                | 7.50%              | 7.50%              | 7.50%             |
| Expected average remaining working lives of employees | 9.47 years         | 8.65 years         | 10.35 years       |

A quantitative sensitivity analysis for significant assumption is as shown below:

| Assumption   | Impact on defined benefit obligation |                    |
|--|--------------------------------------|--------------------|
|  | As at<br>31.3.2017                   | As at<br>31.3.2016 |
| Impact of increase in 0.5% in discount rate          | -3.38%                               | -3.23%             |
| Impact of decrease in 0.5% in discount rate          | 3.60%                                | 3.43%              |
| Impact of increase in 0.5% in salary escalation rate | 3.52%                                | 3.42%              |
| Impact of decrease in 0.5% in salary escalation rate | -3.37%                               | -3.26%             |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected as contributions to the defined benefit plan in future years:

|  | Year ended<br>31.3.2017 | Year ended<br>31.3.2016 |
|--|-------------------------|-------------------------|
| Within the next 12 months (next annual reporting period) | 136.50                  | 130.29                  |
| Between 2 and 5 years                                    | 732.65                  | 623.64                  |
| Between 6 and 9 years                                    | 470.12                  | 544.71                  |
| 10 year and above  | 1,108.42                | 1,072.25                |
| <b>Total expected payments</b>                           | <b>2,447.69</b>         | <b>2,370.89</b>         |

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 6.97 years.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 32. Financial instruments and risk management

##### 32.1 Fair values

The fair value of financial assets and liabilities are included at the amount at which the instruments could be exchanged in as current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- i) The fair value of cash and cash equivalents, trade payables, security deposits received and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ii) The financial instruments with fixed and variable interest rates are evaluated by the Company based on parameters such as interest rates and individual credit worthiness of the counterparty. Based on this evaluation, allowances are taken to account for the expected losses of these receivables, if any.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by using valuation techniques that are appropriate in the circumstances and for which sufficient data are available.

Level 1: This level of hierarchy includes financial assets that are measured by reference to quoted prices in the active market.

Level 2: This level of hierarchy includes items measured using inputs other than quoted prices included within Level 1 that are observable for such items, either directly or indirectly.

Level 3: This level of hierarchy includes items measured using inputs that are not based on observable market data (unobservable inputs). Fair value determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instruments nor based on available market data. The item in this category are unquoted equity instruments.

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32 Financial instruments and risk management (continued)****32.2. Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured at fair value and have been grouped into Level 1, Level 2 and Level 3 below:

| <b>As at March 31, 2017</b>  | <b>Carrying amount</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--|------------------------|----------------|----------------|----------------|
| <b>Financial assets</b>  |                        |                |                |                |
| <b>Financial instruments at amortised cost:</b>                      |                        |                |                |                |
| Cash and cash equivalents  | 220.24                 |                |                |                |
| Loans  | 1,105.01               |                |                |                |
| Other financial assets   |                        |                |                |                |
| - Security deposits  | 160.79                 |                |                |                |
| - Interest accrued on bank and other deposits                        | 24.81                  |                |                |                |
| <b>Financial instruments at FVTOCI:</b>                              |                        |                |                |                |
| Investment in equity instruments designated upon initial recognition | 196.63                 | -              | -              | 196.63         |
| <b>Total financial assets</b>  | <b>1,707.48</b>        | <b>-</b>       | <b>-</b>       | <b>196.63</b>  |
| <b>Financial liabilities</b>   |                        |                |                |                |
| <b>Financial instruments at amortised cost:</b>                      |                        |                |                |                |
| Trade payables   | 352.02                 |                |                |                |
| Other financial liabilities  |                        |                |                |                |
| - Security deposits  | 0.75                   |                |                |                |
| - Payable to gratuity fund   | 164.14                 |                |                |                |
| - Payables for fixed assets  | 74.60                  |                |                |                |
| <b>Total financial liabilities</b>                                   | <b>591.51</b>          |                |                |                |

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.2. Fair value hierarchy (continued)**

| As at March 31, 2016   | Carrying amount | Level 1  | Level 2  | Level 3       |
|--|-----------------|----------|----------|---------------|
| <b>Financial assets</b>  |                 |          |          |               |
| <b>Financial instruments at amortised cost:</b>                      |                 |          |          |               |
| Cash and cash equivalents  | 210.92          |          |          |               |
| Loans  | 867.97          |          |          |               |
| Other financial assets   |                 |          |          |               |
| - Security deposits  | 158.22          |          |          |               |
| - Interest accrued on bank and other deposits                        | 16.18           |          |          |               |
| <b>Financial instruments at FVTOCI:</b>                              |                 |          |          |               |
| Investment in equity instruments designated upon initial recognition | 257.25          | -        | -        | 257.25        |
| <b>Total financial assets</b>  | <b>1,510.54</b> | <b>-</b> | <b>-</b> | <b>257.25</b> |
| <b>Financial liabilities</b>   |                 |          |          |               |
| <b>Financial instruments at amortised cost:</b>                      |                 |          |          |               |
| Trade payables   | 328.01          |          |          |               |
| Other financial liabilities  |                 |          |          |               |
| - Security deposits  | 0.75            |          |          |               |
| - Payable to gratuity fund   | 0.82            |          |          |               |
| - Payables for fixed assets  | 85.00           |          |          |               |
| <b>Total financial liabilities</b>                                   | <b>414.58</b>   |          |          |               |

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.2. Fair value hierarchy (continued)**

| <b>As at April 1, 2015</b>   | <b>Carrying<br/>amount</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|--|----------------------------|----------------|----------------|----------------|
| <b>Financial assets</b>  |                            |                |                |                |
| <b>Financial instruments at amortised cost:</b>                      |                            |                |                |                |
| Cash and cash equivalents  | 141.81                     |                |                |                |
| Other bank balances  | 44.02                      |                |                |                |
| Loans  | 706.06                     |                |                |                |
| Other financial assets   |                            |                |                |                |
| - Security deposits  | 157.82                     |                |                |                |
| - Interest accrued on bank and other deposits                        | 19.84                      |                |                |                |
| <b>Financial instruments at FVTOCI:</b>                              |                            |                |                |                |
| Investment in equity instruments designated upon Initial recognition | 291.97                     | -              | -              | 291.97         |
| <b>Total financial assets</b>  | <b>1,361.52</b>            | -              | -              | <b>291.97</b>  |
| <b>Financial liabilities</b>   |                            |                |                |                |
| <b>Financial instruments at amortised cost:</b>                      |                            |                |                |                |
| Trade payables   | 303.50                     |                |                |                |
| Other financial liabilities  |                            |                |                |                |
| - Security deposits  | 0.75                       |                |                |                |
| - Payable to gratuity fund   | 131.36                     |                |                |                |
| - Payables for fixed assets  | 19.15                      |                |                |                |
| <b>Total financial liabilities</b>                                   | <b>454.76</b>              |                |                |                |



## **INTERNATIONAL TOBACCO COMPANY LIMITED**

### **Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

#### **32.3 Financial risk management objectives and policies**

The Company's financial risk management is an integral part of how to plan and execute its business strategies. The Company's financial risk management policy is set by Senior Management.

The Company manages market risk through its finance department, which evaluates and exercises independent control over the entire process of market risk management. The finance department recommends risk management objectives and policies, which are approved by Senior Management. The activities of this department include management of cash resources and ensuring compliance with market risk limits and policies.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest in order to optimize the Company's position with regard to interest income and interest expenses and to manage the interest rate risk, the finance department undertakes the interest rate risk management exercise from time to time.

The Company is not exposed to significant interest rate risk as at the respective reporting dates.

##### **Liquidity risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligation on time or at a reasonable price. The Company's finance department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by Senior Management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.3 Financial risk management objectives and policies (continued)****(A) Maturities of financial liabilities**

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| <b>Contractual maturities of financial liabilities</b> | <b>Less than 1 Year</b> | <b>More than 1 Year</b> | <b>Total</b>  |
|--|-------------------------|-------------------------|---------------|
| <b>As at March 31, 2017</b>                            |                         |                         |               |
| Trade payables   | 352.02                  | -                       | 352.02        |
| Other financial liabilities                            | 239.49                  | -                       | 239.49        |
|  | <b>591.51</b>           | -                       | <b>591.51</b> |
| <b>As at March 31, 2016</b>                            |                         |                         |               |
| Trade payables   | 328.01                  | -                       | 328.01        |
| Other financial liabilities                            | 86.57                   | -                       | 86.57         |
|  | <b>414.58</b>           | -                       | <b>414.58</b> |
| <b>As at April 1, 2015</b>                             |                         |                         |               |
| Trade payables   | 303.50                  | -                       | 303.50        |
| Other financial liabilities                            | 151.26                  | -                       | 151.26        |
|  | <b>454.76</b>           | -                       | <b>454.76</b> |

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## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 32.3 Financial risk management objectives and policies (continued)

##### (B) Foreign currency risk exposure

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of the reporting periods expressed in Rs., are as follows:

| Currency exposure  | GBP         | EURO         | CHF         |
|--|-------------|--------------|-------------|
| <b>As at March 31, 2017</b>                                |             |              |             |
| <b><u>Financial Liabilities</u></b>                        |             |              |             |
| Trade payables   | 0.02        | 6.19         | 1.11        |
| <b>Net exposure to foreign currency risk (liabilities)</b> | <b>0.02</b> | <b>6.19</b>  | <b>1.11</b> |
| <b>As at March 31, 2016</b>                                |             |              |             |
| <b><u>Financial Liabilities</u></b>                        |             |              |             |
| Trade payables   | 0.02        | 11.76        | 1.19        |
| <b>Net exposure to foreign currency risk (liabilities)</b> | <b>0.02</b> | <b>11.76</b> | <b>1.19</b> |
| <b>As at April 1, 2015</b>                                 |             |              |             |
| <b><u>Financial Liabilities</u></b>                        |             |              |             |
| Trade payables   | 0.02        | 4.04         | 1.10        |
| <b>Net exposure to foreign currency risk (liabilities)</b> | <b>0.02</b> | <b>4.04</b>  | <b>1.10</b> |

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.3 Financial risk management objectives and policies (continued)****(C) Foreign currency exposures that are not hedged by derivative Instruments or otherwise are as follows:**

| Particulars                        | Currency | As at 31.3.2017                       |               | As at 31.3.2016                       |               | As at 1.4.2015                        |               |
|------------------------------------|----------|---------------------------------------|---------------|---------------------------------------|---------------|---------------------------------------|---------------|
|                                    |          | Amount in foreign currency (in lakhs) | Amount in Rs. | Amount in foreign currency (in lakhs) | Amount in Rs. | Amount in foreign currency (in lakhs) | Amount in Rs. |
| Current liabilities and provisions | EURO     | 0.09                                  | 6.19          | 0.16                                  | 11.76         | 0.06                                  | 4.04          |
|                                    | GBP      | 0.00                                  | 0.02          | 0.00                                  | 0.02          | 0.00                                  | 0.02          |
|                                    | CHF      | 0.02                                  | 1.11          | 0.02                                  | 1.19          | 0.02                                  | 1.10          |

**Foreign currency sensitivity analysis**

The Company exposure to foreign currency changes for above currencies is not material.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.4 Fair value measurements**

**32.4.1 Fair value measurement and description of valuation techniques and significant unobservable inputs used in fair value measurement**

The fair value of investment in unquoted equity instruments have been estimated using a market approach wherein equity value per share has been determined using the market approach. Under this approach the management has considered fair value of assets and liabilities of the investee company. For computing the fair value of the land (being major asset) management has made certain assumptions about the following significant unobservable inputs:

| Financial asset  | Fair value as at (Rs. lakhs) |           |          | Fair value hierarchy | Valuation technique | Significant unobservable inputs                                  | Input value  |
|--|------------------------------|-----------|----------|----------------------|---------------------|--|--|
|  | 31.3.2017                    | 31.3.2016 | 1.4.2015 |                      |                     |  |  |
| Investment in equity instruments at FVTOCI (unquoted) (Refer Note no. 7) | <b>196.63</b>                | 257.25    | 291.97   | Level 3              | Market approach     | Built up area (in sq. ft.)                                       | March 31, 2017 - 23,567<br>March 31, 2016 - 31,423<br>April 1, 2015 - 31,423 |
|  |                              |           |          |                      |                     | Residential rate for sales (Rs./sq. ft.)                         | March 31, 2017 - 15,000<br>March 31, 2016 - 14,250<br>April 1, 2015 - 13,500 |
|  |                              |           |          |                      |                     | Payment towards purchase of FSI from MCGM (Rs./sq. ft.)          | March 31, 2017 - 5,357<br>March 31, 2016 - 3,600<br>April 1, 2015 - 3,200    |
|  |                              |           |          |                      |                     | Payment towards purchase of Fungible FSI from MCGM (Rs./sq. ft.) | March 31, 2017 - 5,357<br>March 31, 2016 - 5,022<br>April 1, 2015 - 2,006    |
|  |                              |           |          |                      |                     | Cost of construction (Rs./sq. ft.)                               | March 31, 2017 - 2,500<br>March 31, 2016 - 2,450<br>April 1, 2015 - 2,350    |
|  |                              |           |          |                      |                     | Interest rate (% per annum)                                      | March 31, 2017 - 18<br>March 31, 2016 - 18<br>April 1, 2015 - 18             |
|  |                              |           |          |                      |                     | Expected profit for builder (% per annum)                        | March 31, 2017 - 25<br>March 31, 2016 - 25<br>April 1, 2015 - 25             |

The above investment in equity instruments is not held for trading. Instead, it is held for medium or long term strategic purpose. Upon the application of Ind AS 109, the Company has chosen to designate the investment in equity instruments as at FVTOCI as the directors believe that this provides a more meaningful presentation for medium or long term strategic investment, than reflecting changes in fair value immediately in profit or loss.

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**32.4 Fair value measurements (continued)**

**32.4.2 Reconciliation of Level 3 fair value measurements**

Unlisted shares irrevocably designated as at FVTOCI

|   | <b>As at<br/>31.3.2017</b> | As at<br>31.3.2016 | As at<br>1.4.2015 |
|---|----------------------------|--------------------|-------------------|
| Opening balance                                     | <b>257.25</b>              | 291.97             | 15.62             |
| Total gains or losses in other comprehensive income | <b>(60.62)</b>             | (34.72)            | 276.35            |
| <b>Closing balance</b>                              | <b>196.63</b>              | 257.25             | 291.97            |

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## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### 33. Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's Capital Management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

#### Gearing ratio

|                                  | As at<br>31.3.2017 | As at<br>31.3.2016 | As at<br>1.4.2015 |
|----------------------------------|--------------------|--------------------|-------------------|
| Trade payables                   | 352.02             | 328.01             | 303.50            |
| Other financial liabilities      | 239.49             | 86.57              | 151.26            |
| Other liabilities                | 87.17              | 79.55              | 81.77             |
| Less : Cash and cash equivalents | 220.24             | 210.92             | 141.81            |
| Other bank balances              | -                  | -                  | 44.02             |
| <b>Net debt</b>                  | <b>458.44</b>      | <b>283.21</b>      | <b>350.70</b>     |
| Total equity                     | 4,550.06           | 4,625.26           | 4,602.11          |
| <b>Capital and net debt</b>      | <b>5,008.50</b>    | <b>4,908.47</b>    | <b>4,952.81</b>   |
| Gearing ratio                    | 9.15%              | 5.77%              | 7.08%             |

**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**34. Related party transactions**

| 34.1                | Disclosure of related parties  | Principal Activities                      | Place of incorporation and operation | Proportion of ownership interest / voting rights held by the parent entity |                    |                   |
|---------------------|--------------------------------|---|--------------------------------------|--|--------------------|-------------------|
|                     |                                |   |                                      | As at<br>31.3.2017   | As at<br>31.3.2016 | As at<br>1.4.2015 |
| (a) Holding Company |                                |   |                                      |  |                    |                   |
|                     | Godfrey Phillips India Limited | Manufacture of tobacco & tobacco products | India                                | 100%   | 100%               | 100%              |

**(b) Key management personnel and their relatives:**

Mr. K.K. Modi, President and Managing Director of the holding company

Mr. Ashrant Bhartia, Whole Time Director of the Company

**(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:**

Beacon Travels Private Limited

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**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**34. Related party transactions (continued)****34.2 Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end.****A Nature of transactions**

|   | <b>Year ended<br/>31.3.2017</b> | <b>Year ended<br/>31.3.2016</b> |
|---|---------------------------------|---------------------------------|
| <b>i) Trading transactions</b>  |                                 |                                 |
| <b>Godfrey Phillips India Limited</b>                                     |                                 |                                 |
| - Sale of spare parts   | <b>3.62</b>                     | 7.55                            |
| - Manufacturing fees received   | <b>5,231.66</b>                 | 5,164.18                        |
| - Purchase of spare parts, etc.   | <b>11.15</b>                    | 13.60                           |
| - Rent paid (excluding cess)  | <b>4.80</b>                     | 4.80                            |
| - Expenses reimbursed   | <b>39.17</b>                    | 27.03                           |
| - Expenses recovered  | <b>110,598.75*</b>              | 115,183.46*                     |
| - Guarantee given by the holding company to bank on behalf of the Company | <b>52.60</b>                    | 46.47                           |
| <b>Beacon Travels Private Limited</b>                                     |                                 |                                 |
| - Travel Agent Services   | <b>34.02</b>                    | 63.11                           |
| <b>ii) Short term benefits to key management personnel \$</b>             |                                 |                                 |
| <b>Ashrant Bhartia</b>  | <b>35.37</b>                    | 33.63                           |

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

\$ excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**34. Related party transactions (continued)****34.2 Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end.****B Outstanding balance**

|  | <b>As at<br/>31.3.2017</b> | <b>As at<br/>31.3.2016</b> | <b>As at<br/>1.4.2015</b> |
|--|----------------------------|----------------------------|---------------------------|
| <b>Loans and advances to related parties - Current</b> |                            |                            |                           |
| Godfrey Phillips India Limited                         | <b>1,026.31</b>            | 811.32                     | 661.33                    |
| Ashrant Bhartia  | <b>12.95</b>               | 14.31                      | -                         |
| Beacon Travels Private Limited                         | <b>2.93</b>                | -                          | -                         |
| <b>Trade payables</b>                                  |                            |                            |                           |
| Beacon Travels Private Limited                         | -                          | 6.34                       | 1.91                      |

**34.3 Compensation of key management personnel**

|                                     | <b>Year ended<br/>31.03.2017</b> | <b>Year ended<br/>31.03.2016</b> |
|-------------------------------------|----------------------------------|----------------------------------|
| <b>Short-term employee benefits</b> |                                  |                                  |
| Ashrant Bhartia                     | <b>35.37</b>                     | 33.63                            |

**Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured and interest free and settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

35. The Company is primarily engaged in the business of manufacturing of tobacco and tobacco products on behalf of holding company. The entire business has been considered as a single segment in terms of Ind AS 108 on Segment Reporting. There being no business outside India, the entire business has been considered as single geographic segment.

36. Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016 is as per the following details:

30, 2016 is as per the following details.

|   | (Amount in Rs.) |                          |               |
|---|-----------------|--------------------------|---------------|
|   | SBNs            | Other denomination notes | Total         |
| <b>Closing cash in hand as on November 8, 2016</b>  | <b>55,000</b>   | <b>27,167</b>            | <b>82,167</b> |
| (+) Permitted receipts                              | -               | 2,45,000                 | 2,45,000      |
| (-) Permitted payments                              | -               | 1,98,761                 | 1,98,761      |
| (-) Amount deposited in Banks                       | 55,000          | -                        | 55,000        |
| <b>Closing cash in hand as on December 30, 2016</b> | <b>-</b>        | <b>73,406</b>            | <b>73,406</b> |

37. **Applicability of new and revised Ind AS**

Ind AS 7 has been amended in March 2017 to require an entity to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company will adopt the amended standard from the effective date which is still to be notified. The Company is in the process of performing a detailed analysis of the changes to understand the impact. Further, amendment in Ind AS 102 which deals with share based payments, is not applicable to the Company.

## **INTERNATIONAL TOBACCO COMPANY LIMITED**

### **Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

#### **38. First time adoption of Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS. The effect of the Company's transition to Ind AS is summarised in the following notes:

- (i) Transition elections
- (ii) Reconciliation of equity, total comprehensive income, balance sheet, profit and loss and cash flows as reported as per Ind AS in this statement with as reported in previous years as per previous Indian GAAP.

##### **38.1. Transition elections**

The Company has prepared the opening balance sheet as per Ind AS as of April 1, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required under Ind AS and applying Ind AS in measurement of recognised assets and liabilities. However, this principle is subject to certain exception and certain optional exemptions availed by the Company as detailed below.

##### **Exemptions applied**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions:

##### **Deemed cost of property, plant and equipment**

The Company has opted to consider previous GAAP carrying value of property, plant and equipment as deemed cost on transition date.

##### **Leases**

The Company has opted to determine whether an arrangement existing at the date of transition contains a lease, on the basis of facts and circumstances existing at the date of transition rather than at the inception of the arrangement.

##### **Designation of previously recognised financial instruments**

The Company has opted to designate an investment in an equity instrument as at fair value through other comprehensive income on the basis of facts and circumstances that exist at the date of transition to Ind AS.

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**38.2. Reconciliation of total equity as at March 31, 2016 and April 1, 2015**

| Particulars  | Notes to first time adoption | As at April 1, 2015 (Date of transition) | As at March 31, 2016 (End of last period presented under previous GAAP) |
|--|------------------------------|--|---|
| <b>Total equity (shareholders' funds) reported under previous GAAP</b>           |                              | 4,436.30                                 | 4,490.91  |
| <b>Increase/(Decrease) due to Ind AS Adjustments</b>                             |                              |  |   |
| Impact of measuring investments at fair value through other comprehensive income | (i)                          | 276.35                                   | 241.63  |
| Impact of amortization of leasehold land   | (ii)                         | (60.41)                                  | (65.60)   |
| Deferred tax adjustments on above  | (iii)                        | (50.13)                                  | (41.68)   |
| <b>Total adjustment to equity</b>  |                              | <b>165.81</b>                            | <b>134.35</b>   |
| <b>Total equity under Ind AS</b>   |                              | <b>4,602.11</b>                          | <b>4,625.26</b>   |

**Reconciliation of total comprehensive income for the year ended March 31, 2016**

| Particulars  | Notes to first time adoption | Year ended March 31, 2016 |
|--|------------------------------|---------------------------|
| <b>Profit after tax as reported under Previous GAAP</b>                                    |                              | <b>54.61</b>              |
| <b>Effects of transition to Ind AS:</b>  |                              |                           |
| - Impact of amortization of leasehold land   | (ii)                         | (5.19)                    |
| - Actuarial gain or loss on defined benefit plan transferred to other comprehensive income | (iv)                         | (6.45)                    |
| - Tax adjustments  | (iii)                        | 2.13                      |
| <b>Profit after tax as reported under Ind AS</b>   |                              | <b>45.10</b>              |
| <b>Other comprehensive income</b>  |                              |                           |
| - Impact of measuring investments at fair value through other comprehensive income         | (i)                          | (34.72)                   |
| - Actuarial gain or loss on defined benefit plan   | (iv)                         | 6.45                      |
| - Income tax on above  | (iii)                        | 6.32                      |
| <b>Total other comprehensive income</b>  |                              | <b>(21.95)</b>            |
| <b>Total comprehensive income as reported under Ind AS</b>                                 |                              | <b>23.15</b>              |

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**First-time IND AS adoption reconciliation**

**38.3. Effect of Ind AS adoption on the balance sheet as at April 1, 2015 and March 31, 2016**

| Particulars                     | Notes to first time adoption | Opening Balance Sheet as at April 1, 2015<br>(Date of Transition) |                                |                 | Balance sheet as at March 31, 2016<br>(End of last period presented under previous GAAP) |                                |                 |
|---------------------------------|------------------------------|---|--------------------------------|-----------------|--|--------------------------------|-----------------|
|                                 |                              | Previous GAAP   | Effect of transition to Ind AS | Ind AS          | Previous GAAP  | Effect of Transition to Ind AS | Ind AS          |
| <b>Non-current assets</b>       |                              |   |                                |                 |  |                                |                 |
| Property, plant and equipment   | (ii)                         | 3,412.76  | (297.06)                       | 3,115.70        | 3,135.26   | (297.06)                       | 2,838.20        |
| Capital work-in-progress        |                              | 26.35   | -                              | 26.35           | 22.45  | -                              | 22.45           |
| Financial assets                |                              |   |                                |                 |  |                                |                 |
| -Investments                    | (i)                          | 15.62   | 276.35                         | 291.97          | 15.62  | 241.63                         | 257.25          |
| -Loans                          |                              | 35.50   | -                              | 35.50           | 30.51  | -                              | 30.51           |
| -Other financial assets         |                              | 157.82  | -                              | 157.82          | 158.22   | -                              | 158.22          |
| Deferred tax assets (Net)       | (iii)                        | 30.94   | (30.94)                        | -               | 71.01  | (41.68)                        | 29.33           |
| Other non-current assets        | (ii)                         | 8.91  | 231.46                         | 240.37          | 11.89  | 226.27                         | 238.16          |
| <b>Total non-current assets</b> |                              | <b>3,687.90</b>   | <b>179.81</b>                  | <b>3,867.71</b> | <b>3,444.96</b>  | <b>129.16</b>                  | <b>3,574.12</b> |
| <b>Current assets</b>           |                              |   |                                |                 |  |                                |                 |
| Inventories                     |                              | 534.55  | -                              | 534.55          | 491.64   | -                              | 491.64          |
| Financial assets                |                              |   |                                |                 |  |                                |                 |
| -Cash and cash equivalents      |                              | 141.81  | -                              | 141.81          | 210.92   | -                              | 210.92          |
| -Other bank balances            |                              | 44.02   | -                              | 44.02           | -  | -                              | -               |
| -Loans                          |                              | 670.56  | -                              | 670.56          | 837.46   | -                              | 837.46          |
| -Other financial assets         |                              | 19.84   | -                              | 19.84           | 16.18  | -                              | 16.18           |
| Current tax assets (Net)        |                              | 259.25  | -                              | 259.25          | 302.13   | -                              | 302.13          |
| Other current assets            | (ii)                         | 240.89  | 5.19                           | 246.08          | 330.33   | 5.19                           | 335.52          |
| <b>Total current assets</b>     |                              | <b>1,910.92</b>   | <b>5.19</b>                    | <b>1,916.11</b> | <b>2,188.66</b>  | <b>5.19</b>                    | <b>2,193.85</b> |
| <b>Total assets</b>             |                              | <b>5,598.82</b>   | <b>185.00</b>                  | <b>5,783.82</b> | <b>5,633.62</b>  | <b>134.35</b>                  | <b>5,767.97</b> |

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**38.3. Effect of Ind AS adoption on the balance sheet as at April 1, 2015 and March 31, 2016 (continued)**

| Particulars                          | Opening Balance Sheet as at April 1, 2015<br>(Date of Transition) |                                |                              | Balance sheet as at March 31, 2016<br>(End of last period presented under previous GAAP) |                                |                             |
|--------------------------------------|---|--------------------------------|------------------------------|--|--------------------------------|-----------------------------|
|                                      | Previous GAAP   | Effect of transition to Ind AS | Opening Ind AS balance sheet | Previous GAAP  | Effect of Transition to Ind AS | As per Ind AS Balance Sheet |
| <b>EQUITY AND LIABILITIES</b>        |   |                                |                              |  |                                |                             |
| <b>Equity</b>                        |   |                                |                              |  |                                |                             |
| Equity share capital                 | 300.00  | -                              | 300.00                       | 300.00   | -                              | 300.00                      |
| Other equity                         | 4,136.30  | 165.81                         | 4,302.11                     | 4,190.91   | 134.35                         | 4,325.26                    |
| <b>Total equity</b>                  | <b>4,436.30</b>   | <b>165.81</b>                  | <b>4,602.11</b>              | <b>4,490.91</b>  | <b>134.35</b>                  | <b>4,625.26</b>             |
| <b>Liabilities</b>                   |   |                                |                              |  |                                |                             |
| <b>Non-current liabilities</b>       |   |                                |                              |  |                                |                             |
| Financial liabilities                | 518.23  | -                              | 518.23                       | 553.72   | -                              | 553.72                      |
| Provisions                           | -   | 19.20                          | 19.20                        | -  | -                              | -                           |
| Deferred tax liabilities (Net)       | -   | -                              | -                            | -  | -                              | -                           |
| <b>Total non-current liabilities</b> | <b>518.23</b>   | <b>19.20</b>                   | <b>537.43</b>                | <b>553.72</b>  | <b>-</b>                       | <b>553.72</b>               |
| <b>Current liabilities</b>           |   |                                |                              |  |                                |                             |
| Financial liabilities                | 303.50  | -                              | 303.50                       | 328.01   | -                              | 328.01                      |
| -Trade payables                      | 151.26  | -                              | 151.26                       | 86.57  | -                              | 86.57                       |
| -Other financial liabilities         | 107.75  | -                              | 107.75                       | 94.86  | -                              | 94.86                       |
| Provisions                           | 81.77   | -                              | 81.77                        | 79.55  | -                              | 79.55                       |
| Other current liabilities            | -   | -                              | -                            | -  | -                              | -                           |
| <b>Total current liabilities</b>     | <b>644.28</b>   | <b>-</b>                       | <b>644.28</b>                | <b>588.99</b>  | <b>-</b>                       | <b>588.99</b>               |
| <b>Total liabilities</b>             | <b>1,162.51</b>   | <b>19.20</b>                   | <b>1,181.71</b>              | <b>1,142.71</b>  | <b>-</b>                       | <b>1,142.71</b>             |
| <b>Total equity and liabilities</b>  | <b>5,598.81</b>   | <b>185.01</b>                  | <b>5,783.82</b>              | <b>5,633.62</b>  | <b>134.35</b>                  | <b>5,767.97</b>             |

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2017**

(All amounts are in Rs. lakhs unless otherwise stated)

**38.4. Effect of Ind AS adoption on the statement of profit and loss for the year ended March 31, 2016**

| Particulars  | Notes to first time adoption | Previous GAAP   | Effect of Transition to Ind AS | Ind AS          |
|--|------------------------------|-----------------|--------------------------------|-----------------|
| <b>I</b> Revenue from operations   |                              | 5,164.18        | -                              | 5,164.18        |
| <b>II</b> Other income   |                              | 19.55           | -                              | 19.55           |
| <b>III</b> <b>Total income (I+II)</b>  |                              | <u>5,183.73</u> | -                              | <u>5,183.73</u> |
| <b>IV</b> <b>Expenses</b>  |                              |                 |                                |                 |
| Employee benefits expenses   | (iv)                         | 2,254.49        | 6.45                           | 2,260.94        |
| Finance costs  |                              | 0.88            | -                              | 0.88            |
| Depreciation expenses  |                              | 452.95          | -                              | 452.95          |
| Other expenses   | (ii)                         | 2,400.19        | 5.19                           | 2,405.38        |
| <b>Total expenses (IV)</b>   |                              | <u>5,108.51</u> | <u>11.64</u>                   | <u>5,120.15</u> |
| <b>V</b> <b>Profit before tax (III-IV)</b>   |                              | 75.22           | (11.64)                        | 63.58           |
| <b>VI</b> Tax expense:   |                              |                 |                                |                 |
| - Current tax  | (iv)                         | 60.69           | (2.13)                         | 58.56           |
| - Deferred tax credit  |                              | (40.08)         | -                              | (40.08)         |
|  |                              | <u>20.61</u>    | <u>(2.13)</u>                  | <u>18.48</u>    |
| <b>VII</b> <b>Profit for the year (V-VI)</b>   |                              | <u>54.61</u>    | <u>(9.51)</u>                  | <u>45.10</u>    |
| <b>VIII</b> <b>Other comprehensive income</b>  |                              |                 |                                |                 |
| Items that will not to be reclassified to profit or loss                               |                              |                 |                                |                 |
| (i) (Loss)/gain on remeasurement of the defined benefit plan                           | (iv)                         | -               | 6.45                           | 6.45            |
| (ii) Equity instruments through other comprehensive income                             | (i)                          | -               | (34.72)                        | (34.72)         |
| (iii) Income tax relating to items (i) that will not be reclassified to profit or loss | (iv)                         | -               | (2.13)                         | (2.13)          |
| (iv) Income tax relating to items (ii) that will not be reclassified to profit or loss | (iii)                        | -               | 8.45                           | 8.45            |
| <b>Total other comprehensive income, net of tax (i+ii+iii+iv)</b>                      |                              | -               | <u>(21.95)</u>                 | <u>(21.95)</u>  |
| <b>IX</b> <b>Total comprehensive income for the year (VII+VIII)</b>                    |                              | <u>54.61</u>    | <u>(31.46)</u>                 | <u>23.15</u>    |

**38.5. Effect of Ind AS adoption of the statement of cash flows for the year ended March 31, 2016:**

The transition from previous GAAP to Ind AS did not have a material impact on the statement of cash flows.

**38.6. Effect of Ind AS adoption of the other comprehensive income for the year ended March 31, 2016:**

Under previous GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled previous GAAP profit and loss to profit and loss as per Ind AS. Further, previous GAAP profit and loss is reconciled to total comprehensive Income as per Ind AS.

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2017

(All amounts are in Rs. lakhs unless otherwise stated)

#### Notes to first time adoption

- (i) Under the previous GAAP, investment in equity instruments were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments aggregating to Rs. 276.35 lakhs have been recognised in retained earnings as at the date of transition and Rs. 34.72 lakhs subsequently in the other comprehensive income for the year ended March 31, 2016. Consequent to this change, the amount of non-current investments increased by Rs. 276.35 lakhs as at April 1, 2015 and by Rs. 241.63 lakhs as at March 31, 2016.
- (ii) Under the previous GAAP, leasehold land was included under the head property, plant and equipment (PPE) and was not amortised. As per Ind AS 17 - 'Leases', the Company has assessed and treated these lands as operating lease and thus measuring the same at the aggregate value of upfront payments and other charges under other non-current/current assets. The resultant cumulative amortisation of leasehold land aggregating to Rs. 60.41 lakhs has been recognised in retained earnings as at the date of transition and Rs. 5.19 lakhs subsequently in the profit or loss for the year ended March 31, 2016. Consequent to this change, the amount of PPE decreased by Rs. 297.06 lakhs as at April 1, 2015 and by Rs. 297.06 lakhs as at March 31, 2016 with a corresponding increase in other assets by Rs. 236.65 lakhs as at April 1, 2015 (other non-current assets by Rs. 231.46 lakhs and other current assets by Rs. 5.19 lakhs) and by Rs. 231.46 lakhs as at March 31, 2016 (other non-current assets by Rs. 226.27 lakhs and other current assets by Rs. 5.19 lakhs).
- (iii) Deferred tax has been recognised on the adjustments made on transition to Ind AS. The resulting amount of deferred tax liabilities (net of deferred tax assets) recognised on the adjustments due to Ind AS aggregating to Rs. 19.20 lakhs has been recognised in retained earnings as at the date of transition. Consequent to this change, the amount of deferred tax assets (net) decreased by Rs. 30.94 lakhs and increase in deferred tax liability (net) by Rs. 19.20 lakhs as at April 1, 2015 and decrease in deferred tax asset (net) by Rs. 41.68 lakhs as at March 31, 2016.
- (iv) Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss aggregating to Rs. 6.45 lakhs (tax effect of this Rs. 2.13 lakhs). Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. There is no impact on the total equity.
- (v) Ind AS requires assets and liabilities to be classified into financial assets/liabilities and other assets/liabilities and accordingly, certain reclassifications have been carried out.

#### 39. Approval of financial statements

The financial statements were approved for issue by the Board of Directors on May 30, 2017.