

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of International Tobacco Company Limited

### **Report on the Audit of the Ind AS Financial Statements**

#### **Opinion**

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 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013, as amended ("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, 2020, its profit including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Opinion**

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Ind AS financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.



**Responsibility of Management for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of 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 loss, 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) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of 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 Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
  - (h) 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 28 to the Ind AS financial statements;



# **S.R. BATLIBOI & Co. LLP**

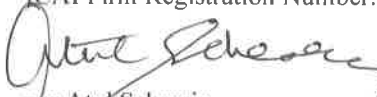
Chartered Accountants

- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

  
per Atul Seksaria  
Partner



Membership Number: 086370

UDIN: 20086370AAAABV6664

Place of Signature: Faridabad

Date: 30 June 2020

**Annexure I referred to in paragraph 1 under “Report on Other Legal and Regulatory Requirements” of our report of even date**

**Re: International Tobacco Company Limited (‘the Company’)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) Property, plant and equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given to us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, 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 Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Companies Act 2013 in respect of investments made have been complied with by the Company. In our opinion and according to the information and explanations given to us, there are no loans, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable and hence not commented upon.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company and hence not commented upon.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees’ state insurance, income-tax, duty of custom, duty of excise, goods and service tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income-tax, duty of custom, duty of excise, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



- (c) According to the information and explanations given to us, the outstanding dues on account of income tax and excise duty which have not been deposited on account of any dispute are as follows:

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	194.39	10.00	FY 2006-07 to FY 2013-14	Customs Excise and Service Tax Appellate Tribunal
		121.93	4.58	FY 2010-11	Commissioner (Appeals)
		1,366.56	-	FY 2006-07 to FY 2009-10	Supreme Court
Income-tax Act, 1961	Income tax	45.30	45.30	FY 2011-12	Income Tax Appellate Tribunal
		101.41	78.74	FY 2010-11, FY 2012-13, FY 2015-16 and FY 2016-17	Commissioner (Appeals)
		2.97	2.97	FY 2005-06	Assessing Officer

\*Includes interest and penalty wherever the amount indicated in the order.

Further, the concerned authority is in appeal against favorable orders received by the Company in respect of the following matters:

Nature of the statute	Nature of the dues	Amount of dues* (Rs. lakhs)	Period to which the amount relates	Forum where department has preferred appeal
Income-tax Act, 1961	Income tax	5.36	FY 2003-04	Income Tax Appellate Tribunal

There are no dues of sales tax, custom duty, goods and service tax and cess which have not been deposited on account of any dispute.

- (viii) The Company does not have any outstanding dues in respect of financial institution, bank, debenture holders or dues in the nature of a loan to Government. Therefore, reporting under this clause is not applicable to the Company and hence, not commented upon.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause 3(ix) of the Order is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company and no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.



# **S.R. BATLIBOI & CO. LLP**

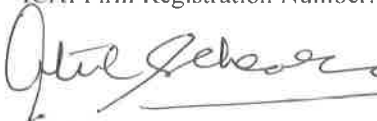
Chartered Accountants

- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Companies Act, 2013 ('Act') where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 of the Act are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of share or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and, hence not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Atul Seksaria

Partner

Membership Number: 086370



UDIN: 20086370AAAABV6664

Place: Faridabad

Date: 30 June 2020

**Annexure 2 referred to in para 2(f) under the heading “Reporting on Other Legal and Regulatory Requirements” to the Independent Auditor’s Report of even date on the Ind AS financial statements of International Tobacco Company Limited**

**Report on the Internal Financial Controls 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, 2020 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 the 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”) and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 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





# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

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.

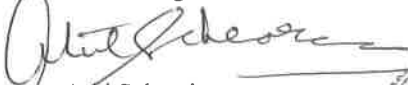
## **Opinion**

In our opinion, 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, 2020, 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 S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Atul Seksaria

Partner

Membership Number: 086370

UDIN: 20086370AAAABV6664



Place: Faridabad

Date: June 30, 2020

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2020**

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

Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6.1	2,939.00	2,903.74
Capital work-in-progress	6.1	77.28	1.91
Right to use asset	6.2	210.70	-
Financial assets			
- Investments	7	173.85	205.71
- Loans	9	33.73	26.89
- Other financial assets	13	148.20	148.20
Deferred tax assets (Net)	10	-	80.51
Income tax assets (Net)	15	499.21	374.11
Other non-current assets	14	43.63	225.36
<b>Total non-current assets</b>		<b>4,125.60</b>	<b>3,966.43</b>
<b>Current assets</b>			
Inventories	11	563.95	541.53
Financial assets			
- Trade receivables	8	410.63	967.43
- Cash and cash equivalents	12	189.00	285.85
- Loans	9	6.79	6.34
- Other financial assets	13	35.80	39.26
Other current assets	14	734.79	266.38
		<b>1,940.96</b>	<b>2,106.79</b>
<b>Total current assets</b>		<b>1,940.96</b>	<b>2,106.79</b>
<b>Total assets</b>		<b>6,066.56</b>	<b>6,073.22</b>

*[Handwritten signature]*



# INTERNATIONAL TOBACCO COMPANY LIMITED

## BALANCE SHEET AS AT MARCH 31, 2020

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

Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16	300.00	300.00
Other equity	17	4,588.56	4,470.98
<b>Total equity</b>		<b>4,888.56</b>	4,770.98
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	19	297.75	284.90
Deferred tax liabilities (Net)	10	31.82	-
<b>Total non-current liabilities</b>		<b>329.57</b>	284.90
<b>Current liabilities</b>			
Financial liabilities			
- Trade payables	20		
(a) Total Outstanding dues of Micro Enterprises and Small Enterprises		3.64	3.97
(b) Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises		577.22	710.56
- Other financial liabilities	18	49.78	55.16
Other current liabilities	21	73.49	120.21
Provisions	19	140.92	126.85
Income tax liabilities (Net)	15	3.38	0.59
<b>Total current liabilities</b>		<b>848.43</b>	1,017.34
<b>Total liabilities</b>		<b>1,178.00</b>	1,302.24
<b>Total equity and liabilities</b>		<b>6,066.56</b>	6,073.22

Notes forming part of the financial statements

1-36

As per our report of even date

**For S.R. Batliboi & Co. LLP**

Firm registration number: 301003E/E300005

Chartered Accountants

Per Atul Seksaria  
Partner  
Membership No.: 086370



**For and on behalf of the Board of Directors  
of International Tobacco Company Limited**



Place: New Delhi  
Date: June 30, 2020

*[Signature]*

*[Signature]*

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020**

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

Particulars	Note No.	Year ended 31.03.2020	Year ended 31.03.2019
<b>I</b> Revenue from operations	22	<b>5,973.89</b>	5,678.28
<b>II</b> Other income	23	<b>20.38</b>	25.29
<b>III Total income (I+II)</b>		<b>5,994.27</b>	5,703.57
<b>IV Expenses</b>			
Employee benefits expenses	24	<b>2,266.90</b>	2,389.48
Finance costs	25	<b>0.42</b>	0.52
Depreciation expenses	6	<b>276.77</b>	259.64
Other expenses	26	<b>3,067.77</b>	2,933.31
<b>Total expenses (IV)</b>		<b>5,611.86</b>	5,582.95
<b>V Profit before tax (III-IV)</b>		<b>382.41</b>	120.62
<b>VI</b> Tax expense:	10		
- Current tax		<b>31.17</b>	10.35
- Deferred tax expense		<b>118.39</b>	36.00
		<b>149.56</b>	46.35
<b>VII Profit for the year (V-VI)</b>		<b>232.85</b>	74.27
<b>VIII Other comprehensive income</b>			
Items that will not to be reclassified to profit or loss			
(i) Gain/(loss) on remeasurements of the defined benefit plans		<b>(119.58)</b>	24.68
(ii) Equity instruments through other comprehensive income		<b>(31.86)</b>	15.87
(iii) Income tax relating to item (i) that will not be reclassified to profit or loss		<b>30.10</b>	(8.24)
(iv) Income tax relating to item (ii) that will not be reclassified to profit or loss		<b>6.07</b>	(3.07)
<b>Total other comprehensive income, net of tax (i+ii+iii+iv)</b>		<b>(115.27)</b>	29.24
<b>IX Total comprehensive income for the year (VII+VIII)</b>		<b>117.58</b>	103.51
<b>Basic and diluted earnings per equity share</b>	27	<b>77.62</b>	24.76
(Face value of share - Rs. 100 each)			

**Notes forming part of the financial statements**

1-36

As per our report of even date

**For S.R. Batliboi & Co. LLP**

Firm registration number: 301003E/E300005

Chartered Accountants

Per Atul Seksaria  
Partner  
Membership No.: 086370



**For and on behalf of the Board of Directors  
of International Tobacco Company Limited**

*[Signature]*

*[Signature]*

Place: Faridabad  
Date: June 30, 2020

Place: New Delhi  
Date: June 30, 2020

*[Signature]*

**INTERNATIONAL TOBACCO COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020**

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

**(a) Equity share capital**

	<u>Amount</u>
<b>Balance at April 1, 2018</b>	<b>300.00</b>
Changes in equity share capital during the year	-
<b>Balance at March 31, 2019</b>	<b>300.00</b>
Changes in equity share capital during the year	-
<b>Balance at March 31, 2020</b>	<b>300.00</b>

**(b) Other equity**

	<b>Reserves and surplus</b>		<b>Items of other comprehensive income</b>	
	<b>Securities Premium</b>	<b>Retained earnings</b>	<b>Equity instrument through other comprehensive income</b>	<b>Total</b>
<b>Balance at April 1, 2018</b>	<b>2,950.00</b>	<b>1,270.00</b>	<b>147.47</b>	<b>4,367.47</b>
Profit for the year	-	74.27	-	74.27
Other comprehensive income for the year, net of income-tax	-	16.44	12.80	29.24
<b>Total comprehensive income</b>	<b>-</b>	<b>90.71</b>	<b>12.80</b>	<b>103.51</b>
<b>Balance at March 31, 2019</b>	<b>2,950.00</b>	<b>1,360.71</b>	<b>160.27</b>	<b>4,470.98</b>
Profit for the year	-	232.85	-	232.85
Other comprehensive income for the year, net of income-tax	-	(89.48)	(25.79)	(115.27)
<b>Total comprehensive income</b>	<b>-</b>	<b>143.37</b>	<b>(25.79)</b>	<b>117.58</b>
<b>Balance at March 31, 2020</b>	<b>2,950.00</b>	<b>1,504.08</b>	<b>134.48</b>	<b>4,588.56</b>

**Notes forming part of the financial statements**

1-36

As per our report of even date

**For S.R. Batliboi & Co. LLP**

Firm registration number: 301003E/E300005

Chartered Accountants

**Per Atul Seksaria**

Partner

Membership No.: 086370



**For and on behalf of the Board of Directors of International Tobacco Company Limited**



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*[Handwritten signature]*

Place: Faridabad

Date: June 30, 2020

Place: New Delhi

Date: June 30, 2020

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020**

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

Particulars	For the year ended 31.03.2020	For the year ended 31.03.2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	382.41	120.62
<b>Adjustments for:</b>		
Depreciation expenses	276.77	259.64
Interest income from - Deposits and loans	(8.99)	(10.93)
Advances/claims written off	0.82	15.18
Interest expenses - Others	0.42	0.52
Liabilities written back	(4.63)	(4.37)
Property, plant and equipment written off	8.87	15.85
Loss on sale of property, plant and equipment (net)	4.59	7.08
Foreign currency fluctuation (net)	0.69	2.09
	278.54	285.06
<b>Operating profit before working capital changes</b>	660.95	405.68
<b>Adjustments for changes in working Capital:</b>		
Loans, trade receivables, other financial assets and other assets	71.94	109.07
Inventories	(22.43)	19.26
Trade payables, other financial liabilities, other liabilities and provisions	(265.60)	(27.95)
	(216.09)	100.38
<b>Cash generated from operating activities</b>	444.86	506.06
Income taxes paid (Net)	(123.38)	(113.57)
	(123.38)	(113.57)
<b>Net cash generated from operating activities</b>	321.48	392.49
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(435.94)	(548.96)
Proceeds from sale of property, plant and equipment	5.31	13.24
Interest received	12.45	3.35
<b>Net cash (used in) investing activities</b>	(418.18)	(532.37)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(0.15)	(0.06)
<b>Net cash (used in) financing activities</b>	(0.15)	(0.06)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	(96.85)	(139.94)
Cash and cash equivalents at the beginning of the year	285.85	425.79
Cash and cash equivalents at the end of the year	189.00	285.85

**Notes forming part of the financial statements**

As per our report of even date  
**For S.R. Batliboi & Co. LLP**  
 Firm registration number: 301003E/E300005  
 Chartered Accountants

Per Atul Seksaria  
 Partner  
 Membership No.: 086370

Place: Faridabad  
 Date: June 30, 2020

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**For and on behalf of the Board of Directors  
 of International Tobacco Company Limited**

Place: New Delhi  
 Date: June 30, 2020

## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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, 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.

The financial statements were approved by the Board of Directors on June 30, 2020.

#### 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.

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

##### Revenue recognition

##### 4.1.1. Manufacturing fees (Revenue from contracts with customers)

The Company's revenue from contracts with customers comprises of manufacturing fees from the holding company. Revenue from manufacturing fees is recognised when control of the goods is transferred to the customers which usually is at the time of production of cigarettes. Revenue is recognised basis the quantum of cased production of cigarettes.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

##### 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.





## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

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

#### 4.2. Leases

##### Company as a lessor

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.

##### Company as a lessee

- 4.2.3. At the date of commencement of the lease, the Company recognises a right-of-use-asset ("ROU") and a corresponding lease liabilities for all the lease arrangements in which it is a lessee, except for the leases with a term of 12 months or less (short term leases) and the leases of low value assets. For these short term and leases of low value assets, the Company recognises the lease payments as an operating expense on accrual basis.

##### i) Right of use asset

The Company recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). The ROU assets are initially recognised at cost, which comprise of the initial amount of the lease liabilities adjusted for any payment made at or prior to the commencement date of the lease plus any initial direct cost less any lease incentive. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. The ROU asset are depreciated on a straight line basis over the shorter of the lease term and the estimated useful life of the underlying asset, as follows:

Land: 56 to 99 years

The right-of-use asset are also subject to impairment. Refer to the accounting policies in section 4.10. Impairment of non-financial assets.

ROU asset have been separately presented in the Balance Sheet

##### ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 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).





## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

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

#### 4.4. Taxation

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

##### 4.4.1. Current tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date and includes any adjustment to tax payable in respect of previous year.

##### 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.

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, 2020**

(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. 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, taking into account their nature, their estimated usage, their operating conditions, past history of their replacement and maintenance support etc.

Estimated useful lives of the assets based on technical estimates are as under:

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

The useful lives estimated above are equal to those indicated in Schedule II of the Companies Act, 2013.

Freehold land is not depreciated.

The ROU asset are depreciated on a straight line basis over the shorter of the lease term and the estimated useful life of the underlying asset. (Refer note no. 4.2.3).

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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 amortized 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 amortized cost or as FVTOCI, is classified as at FVTPL.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

(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.

**Financial liabilities at amortised cost**

After initial recognition, interest-bearing loans and borrowings, lease liabilities and trade and other payables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

(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 and cash equivalents comprises of cash on hand and at banks, 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.

For the purpose of the Statement of Cash Flows, Cash & Cash Equivalents consists of Cash and Short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

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

Basic 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.

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 are adjusted for the effects of all dilutive potential equity shares.

**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, 2020**  
(All amounts are in Rs. lakhs unless otherwise stated)

**4.15. Application of new Standards**

**4.15.1. Ind As 116 - Lease Accounting (Company as a lessee)**

The Company has adopted IND AS 116 - leases effective 1st April, 2019, using the modified retrospective method. The company has applied the standard to its leases with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been re-stated.

The standard replaces the current policy of lease accounting in the cases where the Company is a lessee. The core principle of the standard is to recognise a 'Right of Use Asset (ROU)' and a corresponding lease liability for all the lease arrangements in which it is a lessee, except for the leases with a term of 12 months or less (short term leases) and the leases of low value assets.

Additional disclosures as required by Ind As 116 and impact of transition on the financial statements have been provided in Note no. 6.2.

**Previous Period Accounting Policy (Company as a lessee)**

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.

**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.

**4.15.2. Appendix C to IND AS 12 - Uncertainty over Income Tax Treatments**

The Company has adopted Appendix C to IND AS 12 - Uncertainty over Income Tax Treatments, effective 1st April, 2019, using the modified retrospective method. The Company has applied the standard with the cumulative impact recognised on the date of initial application (1st April, 2019). Accordingly, previous period information has not been re-stated.

If the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it reflects the effect of uncertainty in determining the taxable profit, tax bases, unused tax losses, or tax rates.

The Company expects to better predict the resolution of the uncertainty by using 'The most likely amount' approach. Consequently, it uses the singly most likely amount in the range of possible outcomes to predict the resolution of the uncertainty.

The same did not have a material impact on the Company's financial statements.

**4.16 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the Company's financial statements. The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.





## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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:

##### a) 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.

##### b) Provisions and 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.

Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements. When considering the classification of legal or tax cases as probable, possible or remote, there is judgement involved. Management uses in-house and external legal professionals to make informed decision. These are set out in Note no. 28.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

Notes to the financial statements for the year ended March 31, 2020  
(All amounts are in Rs. lakhs unless otherwise stated)

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

	As at 31.03.2020	As at 31.03.2019						
Carrying amount of:								
Property, plant and equipment	2,939.00	2,903.74						
Capital work-in-progress	77.28	1.91						
	Land-freehold	Buildings	Plant and machinery	Electrical installation and equipments	Computers and information technology equipments	Furniture, fixtures and office equipments	Motor vehicles	Total
Cost								
Balance at April 1, 2018	15.50	1,895.35	1,172.76	415.80	10.05	60.18	113.69	3,683.33
Additions	-	33.88	213.44	269.17	-	54.53	13.39	584.41
Disposals	-	-	39.84	0.04	1.65	1.20	26.39	69.12
Balance at March 31, 2019	15.50	1,929.23	1,346.36	684.93	8.40	113.51	100.69	4,198.62
Additions	-	256.45	62.17	-	1.68	5.30	-	325.60
Disposals	-	0.85	22.25	1.68	6.72	4.60	25.66	61.76
Balance at March 31, 2020	15.50	2,184.83	1,386.28	683.25	3.36	114.21	75.03	4,462.46
Accumulated depreciation								
Balance at April 1, 2018	-	228.43	604.24	147.99	7.25	40.81	39.47	1,068.19
Depreciation expense	-	81.21	112.50	43.37	-	8.10	14.46	259.64
Eliminated on disposals of assets	-	-	17.04	-	0.61	0.64	14.66	32.95
Balance at March 31, 2019	-	309.64	699.70	191.36	6.64	48.27	39.27	1,294.88
Depreciation expense	-	83.09	107.78	56.65	0.44	12.16	11.46	271.58
Eliminated on disposals of assets	-	0.35	15.68	1.06	5.77	3.71	16.42	42.99
Balance at March 31, 2020	-	392.38	791.80	246.95	1.31	56.72	34.31	1,523.47
Net book value								
Balance at March 31, 2020	15.50	1,792.44	594.49	436.30	2.05	57.50	40.72	2,939.00
Balance at March 31, 2019	15.50	1,619.59	646.66	493.57	1.76	65.24	61.42	2,903.74





# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020 (All amounts are in Rs. lakhs unless otherwise stated)

### 6.2 Leases

The Company has lease contracts for various items of land used in its operations. Leases of land have a term of 56 to 90 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	As at 31.03.2020
<b>Carrying amount of:</b>	
Right to use asset:	210.70
<b>Total</b>	<b>210.70</b>
<b>Cost</b>	<b>Right-of-Use: Land *</b>
	<b>Total</b>
<b>Balance at April 1, 2019</b>	<b>215.89</b>
Additions / Modifications	-
Derecognition	-
<b>Balance at March 31, 2020</b>	<b>215.89</b>
<b>Accumulated depreciation</b>	
<b>Balance at April 1, 2019</b>	-
Depreciation expense	5.19
Derecognition	-
<b>Balance at March 31, 2020</b>	<b>5.19</b>
<b>Balance at March 31, 2020</b>	<b>210.70</b>
Balance at April 1, 2019	215.89

\* Includes Rs. 4.57 lakhs (Previous year - Rs. 4.64 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.

*(Handwritten signature)*



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

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

	As at 31.03.2020	As at 31.03.2019
<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		
1,060 equity shares of Rs.100 each fully paid-up (Previous year 1,060 equity shares)	173.85	205.71
<b>Total</b>	<b>173.85</b>	<b>205.71</b>
<b>8 Trade receivables (at amortised cost) (Unsecured considered good unless otherwise stated)</b>		
Receivable from the Holding company (Refer Note no. 34)	410.63	967.43
<b>Total</b>	<b>410.63</b>	<b>967.43</b>
The average credit period on sale of services ranges upto 90 days. No interest is charged on trade receivables.		
<b>Age of receivables</b>		
No past due	410.63	967.43
<b>9 Loans (carried at amortised cost) (unsecured considered good unless otherwise stated)</b>		
<b>Non-current</b>		
Loans to employees	33.73	26.89
	<b>33.73</b>	<b>26.89</b>
<b>Current</b>		
Loans and advances to employees	6.79	6.34
	<b>6.79</b>	<b>6.34</b>
<b>Total</b>	<b>40.52</b>	<b>33.23</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

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

**10 Income taxes**

The major component of income tax expense are:

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

	Year ended 31.03.2020	Year ended 31.03.2019
<b>Current income tax</b>		
In respect of the current year	30.10	21.67
In respect of prior year	1.07	(11.32)
	31.17	10.35
<b>Deferred tax</b>		
In respect of the current year	118.39	19.98
In respect of prior year	-	16.02
	118.39	36.00
<b>Total income tax expense recognised in the statement of profit and loss</b>	<b>149.56</b>	<b>46.35</b>
<b>Effective tax rate</b>	<b>39.11%</b>	<b>38.43%</b>

**Statement of Other Comprehensive Income:**

**Current income tax credit /(expense)**

In respect of the current year 30.10 (8.24)

**Deferred tax credit / (expense)**

In respect of the current year 6.07 (3.07)

**Income tax charge to OCI**

36.17 (11.31)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31.03.2020	Year ended 31.03.2019
<b>Profit before tax</b>	<b>382.41</b>	<b>120.62</b>
Income tax expense calculated at corporate tax rate of 25.168% (Previous year 33.384%)	96.24	40.27
Effect of write off of MAT credit entitlement	29.91	-
Effect of change in income tax rate	19.79	-
Effect of expenses that are not deductible in determining taxable profit	2.55	1.38
Effect of change in income tax expense related to prior years	1.07	4.70
<b>Income tax expenses recognised in statement of profit and loss</b>	<b>149.56</b>	<b>46.35</b>

The tax rate used for the current year reconciliation above is the corporate tax rate of 25.168% (Previous year 33.384%) payable by corporate entities in India on taxable profits under the Indian tax laws.

**Deferred tax balances**

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

	As at 31.03.2020	As at 31.03.2019
<b>Deferred tax asset</b>		
Provisions for compensated absences	112.57	172.55
Provisions for entry tax	0.23	0.30
Voluntary retirement scheme payment deductible in instalments	21.79	47.42
Unabsorbed depreciation	5.79	31.46
MAT credit entitlement	-	29.91
<b>Total deferred tax assets</b>	<b>140.38</b>	<b>281.64</b>
<b>Deferred tax liability</b>		
Financial assets fair valued through other comprehensive income	(23.75)	(29.82)
Property, plant and equipment	(148.45)	(171.31)
<b>Total deferred tax liabilities</b>	<b>(172.20)</b>	<b>(201.13)</b>
<b>Deferred tax assets / (liabilities) after set off</b>	<b>(31.82)</b>	<b>80.51</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

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

**10 Income taxes (continued)**

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

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing Balance
<b>For the year ended March 31, 2019</b>				
<b>Deferred tax assets in relation to:</b>				
Provisions for compensated absences	217.62	(45.07)	-	172.55
Provisions for entry tax	1.98	(1.68)	-	0.30
Voluntary retirement scheme payment deductible in instalments	60.42	(13.00)	-	47.42
Unabsorbed Depreciation	-	31.46	-	31.46
MAT Credit Entitlement	-	29.91	-	29.91
	<b>280.02</b>	<b>1.62</b>	<b>-</b>	<b>281.64</b>
<b>Deferred tax liabilities in relation to:</b>				
Financial assets fair valued through other comprehensive income	(26.75)	-	(3.07)	(29.82)
Property, plant and equipment	(133.69)	(37.62)	-	(171.31)
	<b>(160.44)</b>	<b>(37.62)</b>	<b>(3.07)</b>	<b>(201.13)</b>
<b>Net deferred tax assets</b>	<b>119.58</b>	<b>(36.00)</b>	<b>(3.07)</b>	<b>80.51</b>
<b>For the year ended March 31, 2020</b>				
<b>Deferred tax assets in relation to:</b>				
Provisions for compensated absences	172.55	(59.98)	-	112.57
Provisions for entry tax	0.30	(0.07)	-	0.23
Voluntary retirement scheme payment deductible in instalments	47.42	(25.63)	-	21.79
Unabsorbed depreciation	31.46	(25.67)	-	5.79
MAT credit entitlement	29.91	(29.91)	-	-
	<b>281.64</b>	<b>(141.26)</b>	<b>-</b>	<b>140.38</b>
<b>Deferred tax liabilities in relation to:</b>				
Financial assets fair valued through other comprehensive income	(29.82)	-	6.07	(23.75)
Property, plant and equipment	(171.31)	22.86	-	(148.45)
	<b>(201.13)</b>	<b>22.86</b>	<b>6.07</b>	<b>(172.20)</b>
<b>Net deferred tax liabilities</b>	<b>80.51</b>	<b>(118.40)</b>	<b>6.07</b>	<b>(31.82)</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

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

	As at 31.03.2020	As at 31.03.2019
<b>11. Inventories</b> (At cost or under)		
Stores and spare parts (net of provision of Rs.109.55 lakhs; Previous year Rs.161.79 lakhs)	563.95	541.53
	<b>563.95</b>	541.53
<b>12. Cash and bank balances</b>		
<b>Cash and cash equivalents (as per cash flow statements)</b>		
Cash on hand	3.23	1.19
Balances with banks		
- In current accounts	185.77	284.66
<b>Cash and cash equivalents as per cash flow statement</b>	<b>189.00</b>	285.85
<b>Cash and bank balances</b>	<b>189.00</b>	285.85
<b>13. Other financial assets at amortised cost (unsecured considered good unless otherwise stated)</b>		
<b>Non-current</b>		
Security deposits	148.20	148.20
	<b>148.20</b>	148.20
<b>Current</b>		
Interest accrued on security deposits	35.80	39.26
	<b>35.80</b>	39.26





# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020

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

	As at 31.03.2020	As at 31.03.2019
<b>14. Other assets</b>		
<b>(unsecured considered good unless otherwise stated)</b>		
<b>Non-current</b>		
Prepaid expenses	0.66	1.28
Capital advances	27.20	2.19
Balance with government authorities	15.77	11.19
Leasehold land under operating lease (Refer Note no. 6.2)	-	210.70
	<b>43.63</b>	<b>225.36</b>
<b>Current</b>		
Balance with government authorities	639.86	33.17
Prepaid expenses	35.61	30.07
Leasehold land under operating lease (Refer Note no. 6.2)	-	5.19
Recoverable from gratuity fund (Refer Note no. 31)	-	136.99
Others	59.32	60.96
	<b>734.79</b>	<b>266.38</b>
<b>15. Income tax assets and liabilities</b>		
<b>Income tax assets (Non-current)</b>		
Income tax recoverable (net of advance tax and provisions)	499.21	374.11
	<b>499.21</b>	<b>374.11</b>
<b>Income tax liabilities (Current)</b>		
Income tax payable (net of payments)	3.38	0.59
	<b>3.38</b>	<b>0.59</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**  
(All amounts are in Rs. lakhs unless otherwise stated)

	As at 31.03.2020	As at 31.03.2019
<b>16. Equity share capital</b>		
<b>Authorised</b>		
500,000 equity shares of Rs. 100 each	500.00	500.00
	<u>500.00</u>	<u>500.00</u>
<b>Issued, subscribed and fully paid up</b>		
300,000 equity shares of Rs. 100 each (including 6,000 shares allotted as fully paid pursuant to a contract without payment being received in cash)	300.00	300.00
{Of the above shares, 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 holding company:  
Out of equity shares issued by the company, shares held by its holding company are as below:

	As at 31.03.2020 Number of shares	As at 31.03.2019 Number of shares
Holding Company		
Godfrey Phillips India Limited (including its nominees)	3,00,000	3,00,000

- (v) Shares held by each shareholder holding more than 5%:

	As at 31.03.2020		As at 31.03.2019	
Name of the shareholder	Number of shares	% holding	Number of shares	% holding
Godfrey Phillips India Limited (including its nominees)	3,00,000	100.00%	3,00,000	100.00%

As per records of the company, the above shareholding represents legal ownership of shares.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**  
(All amounts are in Rs. lakhs unless otherwise stated)

	As at 31.03.2020	As at 31.03.2019
<b>17. Other equity</b>		
Securities Premium	2950.00	2,950.00
Reserve for equity instruments through other comprehensive income	134.48	160.27
Retained earnings	1504.08	1,360.71
	<u>4588.56</u>	<u>4,470.98</u>
<b>Reserve for equity instruments through other comprehensive income</b>		
Balance at beginning of year	160.27	147.47
Net fair value (loss)/gain on investments in equity instruments at FVTOCI net of income tax	(25.79)	12.80
Closing balance	<u>134.48</u>	<u>160.27</u>
<b>Retained earnings</b>		
Balance at beginning of year	1,360.71	1,270.00
Profit for the current year	232.85	74.27
Other comprehensive income arising from remeasurement of defined benefit obligation net of income tax	(89.48)	16.44
<b>Balance at end of year</b>	<u>1,504.08</u>	<u>1,360.71</u>

**Securities premium :**

Securities premium 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.





**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**  
(All amounts are in Rs. lakhs unless otherwise stated)

	As at 31.03.2020	As at 31.03.2019
<b>18. Other financial liabilities</b>		
<b>Current</b>		
Payables for property, plant and equipment	44.42	54.41
Payable to gratuity fund (Refer Note no. 31)	4.61	-
Security deposits	0.75	0.75
	<b>49.78</b>	<b>55.16</b>
<b>19. Provisions</b>		
<b>Non-current</b>		
Provision for employee benefits		
-Compensated absences	297.75	284.90
	<b>297.75</b>	<b>284.90</b>
<b>Current</b>		
Provision for employee benefits		
-Compensated absences	140.92	126.85
	<b>140.92</b>	<b>126.85</b>
Total	<b>438.67</b>	<b>411.75</b>
<b>20. Trade payables</b>		
Trade payables		
-Micro and small enterprises (Refer Note no. 30)	3.64	3.97
-Other than micro and small enterprises	577.22	710.56
	<b>580.86</b>	<b>714.53</b>
<b>21. Other liabilities</b>		
<b>Current</b>		
Statutory dues	64.63	108.96
Others	8.86	11.25
	<b>73.49</b>	<b>120.21</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

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

	Year ended 31.03.2020	Year ended 31.03.2019
<b>22. Revenue from operations</b>		
<b>Revenue from Contract with Customers</b>		
Manufacturing fees from the Holding company (Refer Note no. 34)*	5,973.89	5,678.28
<b>Total revenue from operations</b>	<b>5,973.89</b>	<b>5,678.28</b>
*The revenue is recorded at a point in time.		
<b>23. Other income</b>		
Interest income from:		
- Deposits and loans	8.99	10.93
Liabilities/provisions no longer required, written back	4.63	4.37
Sale of scrap	6.76	9.99
	<b>20.38</b>	<b>25.29</b>
<b>24. Employee benefits expenses</b>		
Salaries and wages	1,921.01	1,948.73
Contribution to provident and other funds (Refer Note no. 31)	124.86	134.85
Workmen and staff welfare expenses	181.41	208.73
Contribution to gratuity and superannuation fund (Refer Note no. 31)	39.62	97.17
	<b>2,266.90</b>	<b>2,389.48</b>
<b>25. Finance costs</b>		
Interest expenses on others*	0.42	0.52
	<b>0.42</b>	<b>0.52</b>

\*including Rs. 0.13 lakhs (Previous year Rs. 0.27 lakhs) towards interest on entry tax.



**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

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

	<b>Year ended 31.03.2020</b>	<b>Year ended 31.03.2019</b>
<b>26. Other Expenses</b>		
Consumption of stores and spare parts*	<b>10.77</b>	10.79
Power and fuel	<b>873.01</b>	854.44
Rent (paid to the Holding company)	<b>4.80</b>	4.80
Rent	-	5.19
Repairs and maintenance		
- Buildings	<b>155.45</b>	103.39
- Plant and machinery	<b>1,032.04</b>	968.28
- Others	<b>20.73</b>	45.41
Insurance	<b>17.82</b>	19.67
Rates and taxes	<b>30.14</b>	12.61
Legal and professional expenses	<b>28.13</b>	46.02
Auditors' Remuneration (net of cenvatable indirect tax)		
- Audit fees	<b>7.50</b>	7.50
- For tax audit	<b>2.64</b>	2.64
- Reimbursement of expenses	<b>0.80</b>	0.88
Travelling and conveyance	<b>115.54</b>	117.23
Property, plant and equipment written off	<b>8.87</b>	15.85
Loss on sale of property, plant and equipment (net)	<b>4.59</b>	7.08
Directors' sitting fee	<b>0.28</b>	0.42
Security service expenses	<b>88.95</b>	85.44
Contract labour charges	<b>250.38</b>	214.74
Machine and material handling expenses	<b>310.22</b>	292.01
Foreign currency fluctuation (net)	<b>0.69</b>	2.09
Housekeeping expenses	<b>43.55</b>	39.59
Advances/claims written off	<b>0.82</b>	15.18
Miscellaneous expenses	<b>60.05</b>	62.06
	<b>3,067.77</b>	<b>2,933.31</b>

\*Excludes consumption of spare parts charged to 'repairs and maintenance-plant & machinery'.

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**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

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

	<b>Year ended 31.03.2020</b>	Year ended 31.03.2019
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**27. Earnings per share**

Profit for the year attributable to owners of the Company [A]	<b>232.85</b>	74.27
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] (Face value of Rs. 100 each)	<b>77.62</b>	24.76



# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020

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

	As at 31.03.2020	As at 31.03.2019
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### 28. Contingent liabilities not provided for

a) Demands from income tax authorities disputed by the Company 136.77 123.49

b) The Company has received certain 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 notices aggregating Rs. 1682.88 lakhs (Previous year - Rs. 328.98 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.

c) Claims against the Company not acknowledged as debts Rs. 1.37 lakhs (March 31, 2019 - Rs. 1.37 lakhs).

d) The following are the particulars of dues on account of excise duty and income-tax as at March 31, 2020 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	1,366.56	-	FY 2006-07 to FY 2009-10	Supreme Court
		194.39	10.00	FY 2006-07 to FY 2013-14	Customs Excise and Service Tax Appellate Tribunal
		121.93	4.58	FY 2010-11	Commissioner (Appeals)
Income-tax Act, 1961	Income tax	45.30	45.30	FY 2011-12	Income Tax Appellate Tribunal
		101.41	78.74	FY 2010-11, FY 2012-13 and FY 2015-16 to FY 2016-17	Commissioner (Appeals)
		2.97	2.97	FY 2005-06	Assessing Officer

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

Further, there are no dues of goods and service 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
Income Tax Act, 1961	Income tax	5.36	FY 2003-04	Income Tax Appellate Tribunal

The management believes that the liabilities in the above matters are possible but not probable and hence no provision has been considered necessary there against.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

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

	As at 31.03.2020	As at 31.03.2019
<b>29. Commitments</b>		
a) The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances)	287.50	11.35
b) The Company does not have any other long term contracts including derivative contracts for which there will be any material foreseeable losses.		
<b>30. Dues to micro and small enterprises</b>		
Trade payables include Rs. 3.64 lakhs (Previous year Rs. 3.97 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.		
Information as required to be furnished as per section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) for the year ended March 31, 2020 is given below. This information has been determined to the extent such parties have been identified on the basis of information available with the Company.		
i) Principal amount and interest due thereon remaining unpaid to any supplier covered under MSMED Act, 2006		
Principal	3.64	3.97
Interest	-	-
ii) The amount of interest paid by the buyer in terms of section 16, of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSEMD Act.	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
v) The amount of further interest remaining due and payable even in the succeeding years, untill such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSEMD Act, 2006	-	-



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

(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 31.03.2020	Year ended 31.03.2019
Contribution towards provident fund	124.86	134.85
Contribution towards superannuation fund	17.60	18.75
	<b>142.46</b>	<b>153.60</b>

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

	Year ended 31.03.2020	Year ended 31.03.2019
Compensated absences – amount recognized in the statement of profit and loss	88.46	91.53

**(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 31.03.2020	Year ended 31.03.2019
Current service cost	77.66	52.57
Net interest cost	(13.72)	(14.66)
	<b>63.94</b>	<b>37.91</b>
Excess/(shortfall) of fair value over book value of plan assets	(41.92)	40.51
<b>Net employee benefit expense recognized in employee cost</b>	<b>22.02</b>	<b>78.42</b>



# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020

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

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

#### Amount recognised in other comprehensive income:

	Year ended 31.03.2020	Year ended 31.03.2019
Actuarial (gain)/loss on obligations arising from change in financial assumptions	55.22	26.09
Actuarial (gain)/loss on obligations arising on account of experience adjustments	102.51	(39.30)
Actuarial (gain)/loss on obligations arising from changes in demographic assumptions	-	(0.01)
Return on plan assets (excluding amounts included in net interest expense)	(8.77)	(11.34)
Adjustment to recognize the effect of asset ceiling	(29.38)	(0.12)
<b>Net (income)/expense for the year recognized in other comprehensive income</b>	<b>119.58</b>	<b>(24.68)</b>

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

	As at 31.03.2020	As at 31.03.2019
<b>Opening defined obligation</b>	<b>1,161.67</b>	<b>1,216.71</b>
Current service cost	50.27	54.43
Interest cost	73.42	81.75
Benefits paid	(150.16)	(178.00)
Actuarial loss/(gain) on obligations arising from change in financial assumptions	55.22	26.09
Actuarial loss/(gain) on obligations arising from change in demographic assumptions	-	(0.01)
Actuarial loss/(gain) on obligations arising on account of experience adjustments	102.51	(39.30)
<b>Defined benefit obligation</b>	<b>1,292.93</b>	<b>1,161.67</b>

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

	As at 31.03.2020	As at 31.03.2019
<b>Opening fair value of plan assets</b>	<b>1,353.31</b>	<b>1,406.43</b>
Interest income	89.13	98.39
Return on plan assets (excluding amounts included in net interest expense)	8.77	11.34
Contribution by employer	-	15.15
Benefits paid	(150.16)	(178.00)
<b>Closing fair value of plan assets</b>	<b>1,301.05</b>	<b>1,353.31</b>

(III) Excess of fair value over book value of plan assets 12.73 54.65

(IV) Net (asset)/liability recognised in the balance sheet (I - II + III) 4.61 (136.99)

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

	Amount	% of total plan assets
<b>As at March 31, 2020</b>		
Government debt securities	71.57	5.50%
Other debt instruments	20.52	1.58%
Insurer managed funds	1,204.05	92.54%
Others	4.91	0.38%
	<b>1,301.05</b>	<b>100.00%</b>





**INTERNATIONAL TOBACCO COMPANY LIMITED**

**Notes to the financial statements for the year ended March 31, 2020**

(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, 2019</b>		
Government debt securities	72.03	5.32%
Other debt instruments	20.52	1.52%
Insurer managed funds	1,207.49	89.22%
Others	53.27	3.91%
	<b>1,353.31</b>	<b>100.00%</b>

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

	As at 31.03.2020	As at 31.03.2019
Discount rate (in %)	6.30%	7.25%
Salary escalation rate (in %)	7.50%	7.50%
Expected rate of return on plan assets	7.50%	7.50%
Expected average remaining working lives of employees	9.67 years	8.65 years

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

Assumption	Impact on defined benefit obligation	
	As at 31.03.2020	As at 31.03.2019
Impact of increase in 0.5% in discount rate	-2.30%	-2.25%
Impact of decrease in 0.5% in discount rate	2.43%	2.36%
Impact of increase in 0.5% in salary escalation rate	2.39%	2.35%
Impact of decrease in 0.5% in salary escalation rate	-2.29%	-2.25%

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 31.03.2020	Year ended 31.03.2019
Within the next 12 months (next annual reporting period)	397.05	297.95
Between 2 and 5 years	598.43	652.88
Between 6 and 9 years	294.85	243.85
10 year and above	577.62	573.41
<b>Total expected payments</b>	<b>1,867.95</b>	<b>1,768.09</b>

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 4.73 years.



## **INTERNATIONAL TOBACCO COMPANY LIMITED**

### **Notes to the financial statements for the year ended March 31, 2020**

(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 receivables, trade payables, security deposits and other financial 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.



# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020

(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:

As at March 31, 2020	Carrying amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
<b>Financial instruments at amortised cost:</b>					
Cash and cash equivalents	189.00	189.00	-	-	-
Loans	40.52	40.52	-	-	-
Trade receivables	410.63	410.63	-	-	-
Other financial assets					
- Security deposits	148.20	148.20	-	-	-
- Interest accrued on security deposits	35.80	35.80	-	-	-
<b>Financial instruments at FVTOCI:</b>					
Investment in equity instruments designated upon initial recognition	173.85	173.85	-	-	173.85
<b>Total financial assets</b>	<b>998.00</b>	<b>998.00</b>	<b>-</b>	<b>-</b>	<b>173.85</b>
<b>Financial liabilities</b>					
<b>Financial instruments at amortised cost:</b>					
Trade payables	580.86	580.86	-	-	-
Other financial liabilities					
- Security deposits	0.75	0.75	-	-	-
- Payable to gratuity fund	4.61	4.61	-	-	-
- Payables for property, plant and equipment	44.42	44.42	-	-	-
<b>Total financial liabilities</b>	<b>630.64</b>	<b>630.64</b>	<b>-</b>	<b>-</b>	<b>-</b>



# INTERNATIONAL TOBACCO COMPANY LIMITED

## Notes to the financial statements for the year ended March 31, 2020

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

### 32.2. Fair value hierarchy (continued)

As at March 31, 2019	Carrying amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
<b>Financial instruments at amortised cost:</b>					
Cash and cash equivalents	285.85	285.85	-	-	-
Loans	33.23	33.23	-	-	-
Trade receivables	967.43	967.43	-	-	-
Other financial assets					
- Security deposits	148.20	148.20	-	-	-
- Interest accrued on security deposits	39.26	39.26	-	-	-
<b>Financial instruments at FVTOCI:</b>					
Investment in equity instruments designated upon initial recognition	205.71	205.71	-	-	205.71
<b>Total financial assets</b>	<b>1,679.68</b>	<b>1,679.68</b>	<b>-</b>	<b>-</b>	<b>205.71</b>
<b>Financial liabilities</b>					
<b>Financial instruments at amortised cost:</b>					
Trade payables	714.53	714.53	-	-	-
Other financial liabilities					
- Security deposits	0.75	0.75	-	-	-
- Payables for property, plant and equipment	54.41	54.41	-	-	-
<b>Total financial liabilities</b>	<b>769.69</b>	<b>769.69</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **INTERNATIONAL TOBACCO COMPANY LIMITED**

### **Notes to the financial statements for the year ended March 31, 2020**

(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.

##### **Credit risk**

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of trade receivables.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the financial statement.

Financial assets are provided for, when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been provided for, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss in the subsequent reporting period. The management believes that there is no significant exposure of credit risk due to the nature of Company's business.

##### **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.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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.

Contractual maturities of financial liabilities	Less than 1 Year	More than 1 Year	Total
<b>As at March 31, 2020</b>			
Trade payables	580.86	-	580.86
Other financial liabilities	49.78	-	49.78
	<b>630.64</b>	<b>-</b>	<b>630.64</b>
<b>As at March 31, 2019</b>			
Trade payables	714.53	-	714.53
Other financial liabilities	55.16	-	55.16
	<b>769.69</b>	<b>-</b>	<b>769.69</b>



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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. in lakhs, are as follows:

Currency exposure	EURO	GBP
<b>As at March 31, 2020</b>		
<b><u>Financial Liabilities</u></b>		
Trade payables	19.83	0.89
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>19.83</b>	<b>0.89</b>
<b>As at March 31, 2019</b>		
<b><u>Financial Liabilities</u></b>		
Trade payables	0.09	-
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>0.09</b>	<b>-</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

(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 31.03.2020		As at 31.03.2019	
		Amount in foreign currency (in lakhs)	Amount in Rs. (in lakhs)	Amount in foreign currency (in lakhs)	Amount in Rs. (in lakhs)
Current liabilities and provisions	EURO	0.24	19.83	0.001	0.09
	GBP	0.01	0.89	-	-

**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, 2020

(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
	31.03.2020	31.03.2019				
Investment in equity instruments at FVTOCI (unquoted) (Refer Note no. 7)	173.85	205.71	Level 3	Market approach	Built up area (in sq. ft.)	March 31, 2020 - 23,567 March 31, 2019 - 23,567
					Residential rate for sales (Rs./sq. ft.)	March 31, 2020 - 13,500 March 31, 2019 - 15,000
					Payment towards purchase of FSI from MCGM (Rs./sq. ft.)	March 31, 2020 - 3,213 March 31, 2019 - 4,590
					Payment towards purchase of Fungible FSI from MCGM (Rs./sq. ft.)	March 31, 2020 - 3,213 March 31, 2019 - 4,590
					Cost of construction (Rs./sq. ft.)	March 31, 2020 - 2,500 March 31, 2019 - 2,500
					Interest rate (% per annum)	March 31, 2020 - 18 March 31, 2019 - 18
					Expected profit for builder (% per annum)	March 31, 2020 - 25 March 31, 2019 - 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.



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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 31.03.2020</b>	<b>As at 31.03.2019</b>
Opening balance	<b>205.71</b>	189.84
Total gains or (losses) in other comprehensive income	<b>(31.86)</b>	15.87
<b>Closing balance</b>	<b>173.85</b>	205.71



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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 31.03.2020	As at 31.03.2019
Trade payables	580.86	714.53
Other financial liabilities	49.78	55.16
Other liabilities	73.49	120.21
Less : Cash and cash equivalents	(189.00)	(285.85)
<b>Net debt (A)</b>	<b>515.13</b>	<b>604.05</b>
Total equity	4,888.56	4,770.98
<b>Capital and net debt (B)</b>	<b>5,403.69</b>	<b>5,375.03</b>
<b>Gearing ratio (A/B)</b>	<b>9.53%</b>	<b>11.24%</b>



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

(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 31.03.2020	As at 31.03.2019

**(a) Holding Company**

Godfrey Phillips India Limited	Manufacture of tobacco & tobacco products	India	100%	100%
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**(b) Key management personnel and their relatives:**

Late Mr. K.K.Modi, President and Managing Director of the Holding Company (upto November 2, 2019)

Dr. Bina Modi, President and Managing Director of the Holding Company (ordinary director upto November 13, 2019)

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

**(d) Fellow Subsidiary**

Unique Space Developers Limited

**(e) Other related parties**

International Tobacco Company Limited employees Gratuity Fund No.1

International Tobacco Company Limited employees Gratuity Fund No.2

International Tobacco Company Limited Management Staff Superannuation Fund



## INTERNATIONAL TOBACCO COMPANY LIMITED

### Notes to the financial statements for the year ended March 31, 2020

(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

	Year ended 31.03.2020	Year ended 31.03.2019
<b>a) Godfrey Phillips India Limited</b>		
- Sale of spare parts	36.26	37.94
- Manufacturing services rendered	5,973.89	5,678.28
- Purchase of spare parts, etc.	27.55	21.09
- Rent paid (excluding GST & cess)	4.80	4.80
- Expenses reimbursed	26.55	16.11
- Expenses recovered	1112.07*	6339.33*
- Guarantee given by the Holding company to bank on behalf of the Company	47.58	47.58
<b>b) Beacon Travels Private Limited</b>		
- Travel Agent Services	36.03	48.75
<b>c) Contribution to trusts</b>		
- International Tobacco Company Limited Management Staff Superannuation Fund	17.60	18.75
- International Tobacco Company Limited Gratuity Fund no.1	82.83	5.40
- International Tobacco Company Limited Gratuity Fund no.2	58.77	48.34

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



**INTERNATIONAL TOBACCO COMPANY LIMITED****Notes to the financial statements for the year ended March 31, 2020**

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

**34. Related party transactions (continued)****34.2 Compensation of key management personnel**

<b>Year ended 31.03.2020</b>	<b>Year ended 31.03.2019</b>
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**Short-term employee benefits**

Ashrant Bhartia

<b>33.17</b>	101.69
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**34.3 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 31.03.2020</b>	<b>As at 31.03.2019</b>
-----------------------------	-----------------------------

**Amounts receivable**

Godfrey Phillips India Limited

<b>410.63</b>	967.43
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**Amount payable**

Beacon Travels Private Limited

<b>3.53</b>	1.03
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**Investment made in**

Unique Space Developers Limited

<b>173.85</b>	205.71
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**Other payable/(recoverable)**International Tobacco Company Limited Employees  
Gratuity Fund No.1

<b>(39.55)</b>	(122.38)
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International Tobacco Company Limited Employees  
Gratuity Fund No.2

<b>44.16</b>	(14.61)
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**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, 2020, 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, 2020

(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 the 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. Previous year figures

The Company has re-classified and re-grouped previous year figures to confirm to this year's classification.

