# ANNUAL REPORTS

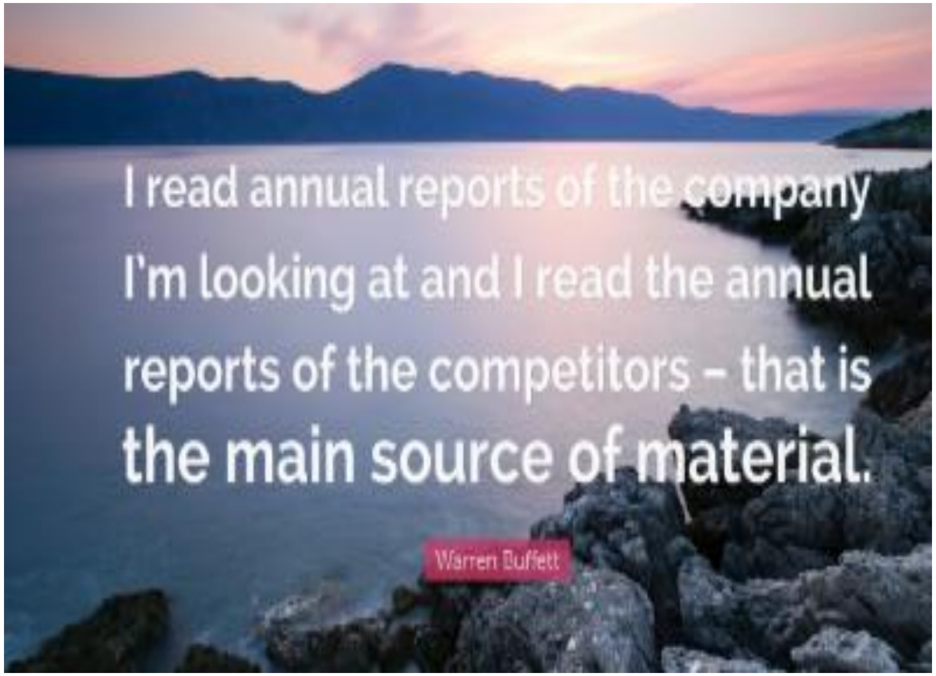
**HYDERABAD**
**MAY 17, 2020**

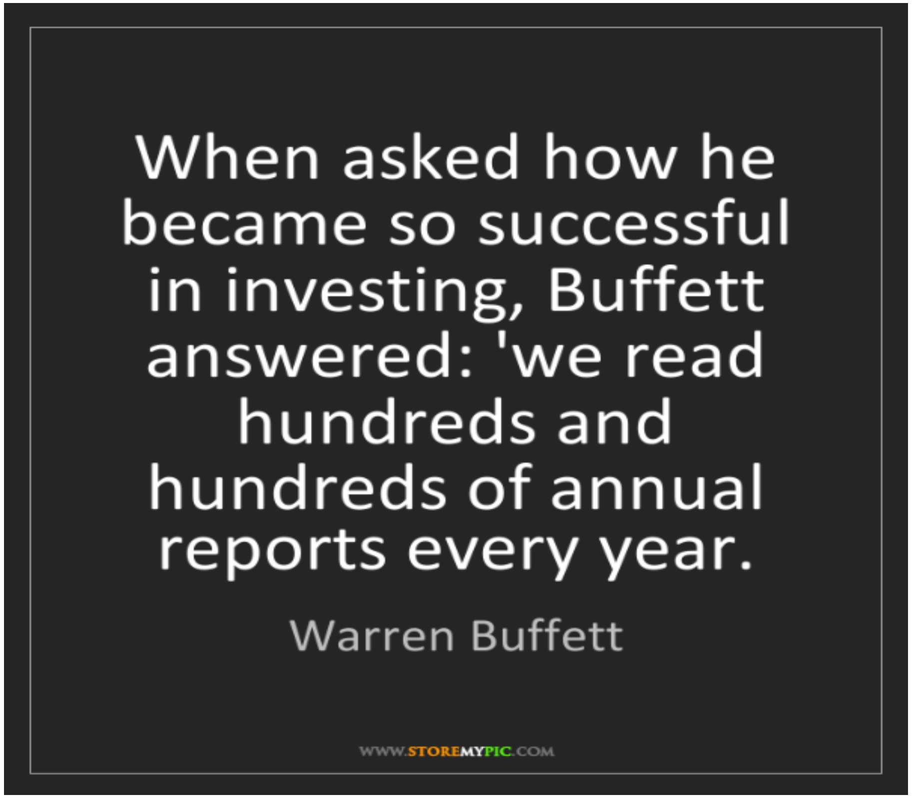
**ABHINAV KUMAR K P**

# Agenda

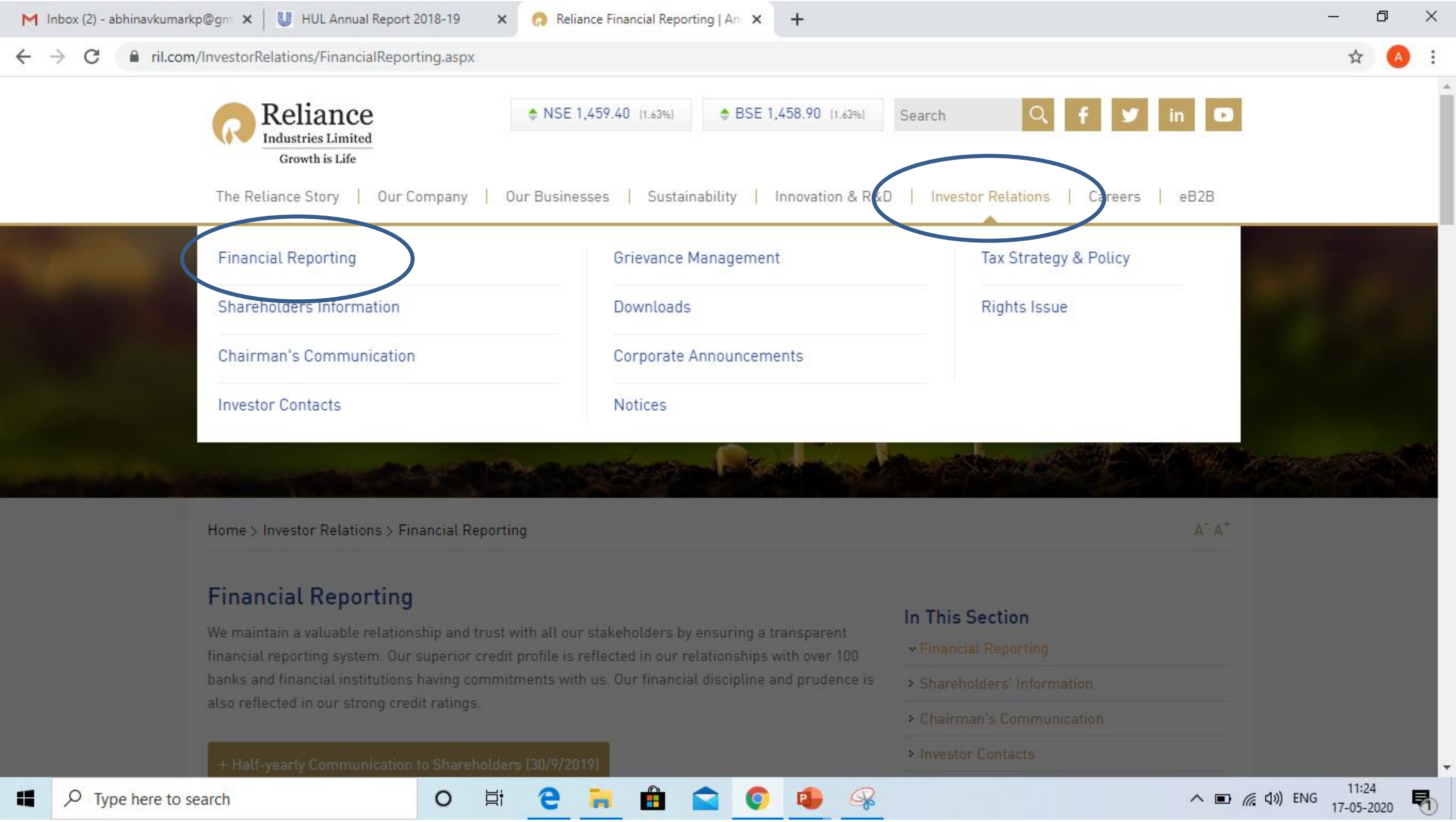
- Annual report
- Objectives
- Stakeholder expectations
- Statutory requirements
- Contents

# Annual report



# Annual Report – Where will find it



# Objectives

# Objectives of Annual Report

- To inform shareholders (potential as well as current). This would include all matters of relevance to shareholders in their position as ultimate owners.
- To impart unbiased knowledge about the organization in an informative, structured and cost-effective manner.
- To report on the stewardship of the company by the directors and management over the previous year
- To document the effectiveness of the accountability
- To report on performance during the period under review
- To explain the objectives of the company and to Outline strategy and future direction
- To fulfill legal and regulatory responsibilities

# Key aspects

- The financial and operating results of the company
- Company objectives
- Major share ownership and voting rights
- Remuneration policy for members of the Board and key executives
- Information about Board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the Board
- Related party transactions
- Foreseeable risk factors
- Issues regarding employees and other stakeholders
- Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented

# Stakeholder Expectations

# Stakeholder expectations

- Financial Performance
- Customer Service
- Image and Reputation Quality of Management,
- Quality of Products
- Social and Environmental responsibility
- Corporate Strategy
- Market Share
- Accessibility/openness to Enquiries
- Honesty/Integrity of the Management
- Cash flow
- Sector/Industry in which they operate

# Statutory Requirements

# Statutory requirements

- Annual Reports
  - Listed Companies
    - Sec.134 & other applicable provisions of CA 2013 read with Rules thereunder
    - Reg. 32 & 34 of SEBI (LODR)
  - Unlisted Public Companies & Private Companies
    - Sec.134 & other applicable provisions of CA 2013 read with Rules thereunder

# ANNUAL REPORTS - CONTENTS

# Annual Reports - Contents

- Chairman’s Address
- Directors Report
- Business Responsibility Statement
- Statement of Directors' Responsibilities
- Management Discussion and Analysis
- Corporate Governance Report and Statement of Compliance
- Financial Statements and Auditor’s Report

# Chairman’s address

- Generally a Annual Report contains the CEO’s Report. It is a voluntary address by the Chairman/ CEO and is not mandatory.
- The CEO / Chairman addresses the shareholders.
- The document mainly contains:
    - financial performance of the Company for the fiscal and also the
    - aims and aspirations of the Management of the Company.
    - various beliefs of the Management with regard to performance
    - diversification of business etc.

# A robust foundation for the golden decade

Dear Fellow Shareowners,
It gives me great pleasure to share with you the exceptional performance of our Company in FY 2018-19. Our revenue and profit numbers have touched new heights, strengthening our position as India's largest private sector company by market capitalisation and profitability.

**Mukesh D. Ambani**
**Chairman and Managing Director**

We now rank in the top 100 profitable companies in the Fortune Global 500 list of 'World's Largest Corporations'. We delivered a solid performance in our hydrocarbons businesses despite the volatile oil price environment and incremental capacities in some of our product categories. Consumer businesses witnessed phenomenal growth in terms of revenues and profitability, with Reliance Retail and Jio now collectively contributing nearly 25% of consolidated segment EBITDA.

Global economic growth remained healthy at 3.6% in CY 2018, as against 3.8% in CY 2017, impacted by weaker performance in the European Union and China.

In a volatile hydrocarbon chain environment, Reliance recorded its highest-ever consolidated net profit of ₹39,588 crore (US$5.7 billion) during the year, registering a growth of 13.1% y-o-y. The petrochemical business contributed record earnings, as the benefits of our investments in capacities and technologies offset weak margins in the polymer chain. Our refining business also delivered resilient performance in a challenging global environment where gasoline margins have plummeted to a nine-year low.

The strong financial performance also reflected the increasing contribution

subscribers at a rate unprecedented in the telecom world. With over 306.7 million mobile data subscribers, Reliance Jio has propelled India to become the largest mobile data consuming market in the world. The whole-hearted acceptance of Jio's digital services is evident from the sheer volume of data carried on its wireless network – an astounding 3 exabytes per month. Jio is now ranked #1 among mobile telecom operators in the country, in terms of Adjusted Gross Revenue (AGR). With the demerger of fiber and tower assets, Jio has emerged as an asset-light digital services company. The demerger has also significantly reduced our leverage and strengthened our Balance Sheet.

## Infrastructure

### REFINING AND MARKETING

Jamnagar site has complexity index of **21.1**

**68.3 MMT** crude throughput

Crude Processing Capacity **1.24 mbpd**

### PETROCHEMICALS

Created the world's first and only virtual pipeline for Ethane from USA to RIL plants in India with **6 VLEC's** and pipelines on the ground

World's first ever Refinery Off-Gas Cracker (ROGC) complex of **1.5 MMTA** capacity

**37.7 MMT** petrochemicals production

### OIL & GAS

Portfolio includes operations in conventional deep water acreages and unconventional Coal Bed Methane (CBM) block

**100%** Field uptime in KG D6 operations

## Reach

# STANDALONE

# FINANCIAL HIGHLIGHTS

₹ In Crore

| Particulars | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|
| Revenue from operations | 1,475.16 | 1,480.60 | 1,732.05 | 1,787.79 | 1,994.00 |
| Less: Excise Duty | 181.03 | 178.68 | 205.42 | 57.38 | - |
| Net Sales | 1,294.14 | 1,301.92 | 1,526.63 | 1,730.41 | 1,994.00 |
| Other Income | 7.40 | 3.78 | 1.42 | 3.61 | 2.97 |
| Total Income | 1,482.56 | 1,484.38 | 1,733.47 | 1,791.40 | 1,996.97 |
| EBIDTA | 112.78 | 120.87 | 134.52 | 159.26 | 177.50 |
| Financial Charges | 21.33 | 22.14 | 18.30 | 20.12 | 34.33 |
| Depreciation - Property, Plant and Equipment and Intangible Assets | 38.20 | 39.02 | 41.43 | 49.10 | 61.49 |
| Profit Before Tax | 53.25 | 59.71 | 74.79 | 90.04 | 81.68 |
| Tax | 13.27 | 19.90 | 21.02 | 31.15 | 29.51 |
| Profit After Tax | 39.98 | 39.81 | 53.77 | 58.89 | 52.17 |
| Share Capital | 10.83 | 10.83 | 10.83 | 10.83 | 10.83 |
| Other Equity | 196.26 | 241.90 | 293.63 | 349.42 | 393.23 |
| Net Worth | 207.09 | 252.72 | 304.46 | 360.25 | 404.06 |
| Net Turnover/Inventory (Times) | 10.33 | 9.72 | 13.34 | 13.55 | 14.54 |

| **Key Indicators** | | | | | |
|---|---|---|---|---|---|
| EBIDTA/Net Sales (%) | 8.71 | 9.28 | 8.81 | 9.20 | 8.90 |
| PBT/Net Sales (%) | 4.11 | 4.59 | 4.90 | 5.20 | 4.10 |
| PAT/Net Sales (%) | 3.09 | 3.06 | 3.52 | 3.40 | 2.62 |
| RONW (PAT/Average Net Worth) (%) | 21.08 | 17.32 | 19.30 | 17.72 | 13.65 |
| Earning Per Share (₹) | 18.47 | 18.39 | 24.84 | 27.20 | 24.10 |
| Cash Earning Per Share (₹) | 36.11 | 36.41 | 43.97 | 49.88 | 52.50 |

# Management Discussion & Analysis

- Industry structure and developments.
- Opportunities and Threats.
- Segment–wise or product-wise performance.
- Outlook
- Risks and concerns.
- Internal control systems and their adequacy.
- Discussion on financial performance with respect to operational performance.
- Material developments in Human Resources / Industrial Relations front, including number of people employed.
- Disclosure of accounting treatment

# Management Discussion and Analysis

## Industry Overview

Organizations across the globe are undergoing an unprecedented change and transformation in their businesses led by forces such as digital, increasing consumerization of IT, emergence of new platforms such as cloud services and increasing disruptions and competition from new-age companies. Technology access and usage has been largely democratized and mainstreamed. There has been a profound change in how technology is developed, delivered and consumed.

2019) and now contributes $33 billion to the overall IT industry in India. Technologies such as industrial automation, robotics, cloud, Internet of things ("IoT"), augmented reality ("AR")/virtual reality ("VR") and blockchain continue to fuel growth. In 2018, there was a 45% increase in as-a-service deals, according to the NASSCOM Report. Cloud platforms are driving growth in managed services for security and data platforms. Digital and automation has moved from point deployments to enterprise-wide adoption.

## Business Overview

We are a global technology services firm, with employees across 50 countries and serving enterprise clients across 27 industry verticals. We provide our clients with competitive advantages by applying various emerging technologies and ensuring cyber resilience and cyber assurance. We work with our clients not only to enable their digital future, but also to drive hyper efficiencies across their technology infrastructure, applications and core operations, enabling them to achieve cost leadership in their businesses.

We are recognized by our clients for our ability to bring in "an integrated perspective", i.e., our ability to bring together broad and deep technology and domain expertise, our ability to draw learnings and apply insights from one company or sector to another and our ability to provide end-to-end services. Our clients value our consistent excellence in execution and our ability to proactively incorporate relevant innovation.

Going forward, digital enterprises will increasingly require partners, such as Wipro, who are able to bring capabilities that span across consultancy, design, engineering, systems integration and operations to enable them to achieve digital transformation. This transformation can only be effective if

## Our Business Strategy

Our strategy is about driving a "Digital first" approach through four foundational pillars i.e. Business Transformation, Modernization, Connected Intelligence and Trust. As part of these, we are prioritizing and disproportionately investing to drive growth in key strategic fields such as digital, cloud, cybersecurity and industrial and engineering services through our "Big Bet" program. For example, our "Big Bet" in each of Digital and Cloud are at the heart of our Business Transformation and Modernization pillars, while our "Big Bet" in Industrial and Engineering services is central to our Connected Intelligence pillar and our "Big Bet" in cybersecurity is central to our Trust pillar. Talent, IPs/Platforms & Open Innovation are underlying strategies that support the four pillars.

### Business Transformation

Business Transformation is about transforming the customer experience at scale and generating new revenue models through a consulting-led approach combining deep domain and technology expertise and strategic design capabilities, which we have scaled through our acquisitions, such as of Designit, Cooper and Syfte.

# Business Responsibility Report

- Tool to help businesses and companies understand the principles and core elements of responsible business.
- Business responsibility policy mainly consists of :
  - Core values
  - Business responsibility strategies
  - Guiding principles
- Suggestive format of the report is provided by SEBI

# Annexure to the Report of Board of Directors

## Business Responsibility Report

### SECTION A – GENERAL INFORMATION ABOUT THE COMPANY

| | |
|---|---|
| 1. Corporate Identity Number (CIN) of the Company | L15140MH1933PLC002030 |
| 2. Name of the Company | Hindustan Unilever Limited |
| 3. Registered address | Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400099 |
| 4. Website | www.hul.co.in |
| 5. E-mail id | levercare.shareholder@unilever.com |
| 6. Financial Year reported | 1st April, 2018 to 31st March, 2019 |
| 7. Sector(s) that the Company is engaged in (industrial activity code-wise) | • 20231 Soaps<br>• 20233 Detergents<br>• 20236 Shampoos<br>• 20235 Toothpastes<br>• 20234 Deodorants<br>• 20237 Cosmetics<br>• 10791 Tea<br>• 10792 Coffee<br>• 10750 Packaged Foods (Including Frozen Desserts)<br>• 27501 Water Purifiers<br>• 28195 Air Purifiers |
| 8. List three key products/services that the Company manufactures/provides (as in balance sheet) | • Home Care (Fabric Wash, Household Care and Water Business)<br>• Beauty & Personal Care (Personal Wash, Skin Care, Hair Care, Oral Care, Colour Cosmetics and Deodorants)<br>• Foods & Refreshment (Culinary products, foods, Tea, Coffee, Ice cream and Frozen Desserts) |
| 9. Total number of locations where business activity is undertaken by the Company | |

# BOARD’S REPORT

# Board's Report

- The Board's Report *inter-alia* is one of the critical documents of a company, which discloses the details of its performance and other aspects.
- It is mandatory for every company to provide to its members, a copy of Board's Report along with annual financial statements.
- The Board's report and the annexures thereto shall be signed by the Chairperson if authorised by the Board, or by atleast two directors one of whom shall be the Managing Director.
- The Board's Report shall be prepared based on the Standalone financial statements
- The requirements for disclosure in the Board's Report have increased manifold in the Companies Act, 2013.

# Board’s Report - Contents

- The state of the company's affairs
- The amounts proposed to be carried to reserves, if any
- Dividend, if any
- Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report.
- The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed.

**Sec.134**

# Board's Report – Contents…

- Extracts of annual return
- Number of Board Meetings
- Directors' Responsibility Statement
- Statement on declaration given by independent directors under Sec.149(6).
- In case of a company which is required to constitute Nomination and Remuneration Committee, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director.
- Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made:
  - by the auditor in his report and
  - by the company secretary in practice in his secretarial audit report
- Particulars of loans, guarantees or investments under sec. 186
- Particulars of contracts or arrangements with related parties

**Sec.134**

# Board's Report – Contents…

- Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the FY of the company to which the financial statements relate and the date of the report.
- A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company
- The details about the policy developed and implemented by the company on CSR initiatives taken during the year
- Report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the CFS is presented.

***Sec. 134 and Companies (Accounts) Rules, 2014***

# Board's Report – Contents…

- The financial summary or highlights
- The change in the nature of business, if any
- The details of directors or KMP who were appointed or have resigned during the year
- The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year
- The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future
- The details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- Listed Company and other public companies having a paid up share capital of INR 25 crores or more calculated at the end of the preceding financial year shall include, in the Board's Report, a statement indicating the manner in which formal evaluation has been made by the Board of its own performance and that of its committees and individual directors.

***Companies (Accounts) Rules, 2014***

# Board's Report – Contents…

- The details relating to deposits, covered under Chapter V of the Act,-
  - accepted during the year
  - remained unpaid or unclaimed as at the end of the year
  - whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
    - at the beginning of the year
    - maximum during the year
    - at the end of the year
- The details of deposits which are not in compliance with the requirements of Chapter V of the Act

***Companies (Accounts) Rules, 2014***

# Board's Report – Contents…

## Other Matters to be reported in the Board's Report

- Details of sweat equity shares – Sec.54
- Resignation of directors – Sec.168(1)
- Composition of Audit Committee – Sec.177(8)
- Vigil Mechanism – Sec.177(10)
- In case of listed companies, ratio of Directors remuneration to median employee's remuneration – Sec.197(12)
- Commission received by Managing Director or whole-time Director from the Company's holding or subsidiary Company – Sec.197(14)
- Secretarial audit report – Sec.204(1)
- Issue of Employee Stock Options – Sec.62(1)(6)

# Board's Report – Contents…

## Directors Responsibility Statement:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures
- The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period
- The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- The directors had prepared the annual accounts on a going concern basis.
- The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively

**Sec.134 (5)**

# Board's Report – Contents…

## Directors Responsibility Statement…

*Explanation.*—For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

- The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Sec.134 (5)**

Dear members,

The Board of Directors hereby submits the report of the business and operations of your Company ("the Company" or "Infosys"), along with the audited financial statements, for the financial year ended March 31, 2019. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

## 1. Results of our operations and state of affairs

in ₹ crore, except per equity share data

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | For the year ended March 31, | | For the year ended March 31, | |
| | 2019 | 2018 | 2019 | 2018 |
| Revenue from operations | 73,107 | 61,941 | 82,675 | 70,522 |
| Cost of sales | 47,412 | 39,138 | 53,867 | 45,130 |
| Gross profit | 25,695 | 22,803 | 28,808 | 25,392 |
| Operating expenses | | | | |
| Selling and marketing expenses | 3,661 | 2,763 | 4,473 | 3,560 |
| General and administration expenses | 4,225 | 3,562 | 5,455 | 4,684 |
| Total operating expenses | 7,886 | 6,325 | 9,928 | 8,244 |
| Operating profit | 17,809 | 16,478 | 18,880 | 17,148 |
| Reduction in fair value of assets held for sale / disposal group held for sale[2] | (265) | (589) | (270) | (118) |
| Adjustment in respect of excess of carrying amount over recoverable amount on reclassification from 'Held for Sale'[2] | (469) | – | (451) | – |
| Other income, net[3][4] | 2,852 | 4,019 | 2,882 | 3,311 |
| Profit before non-controlling interests / share in net loss of associate | 19,927 | 19,908 | 21,041 | 20,341 |
| Share in net loss of associate, including impairment of associate[4] | – | – | – | (71) |
| Profit before tax | 19,927 | 19,908 | 21,041 | 20,270 |
| Tax expense[1] | 5,225 | 3,753 | 5,631 | 4,241 |
| Profit after tax | 14,702 | 16,155 | 15,410 | 16,029 |
| Profit attributable to owners of the Company | 14,702 | 16,155 | 15,404 | 16,029 |
| Non-controlling interests | – | – | 6 | – |
| Other comprehensive income | | | | |
| Items that will not be reclassified subsequently to profit or loss | 57 | 59 | 48 | 62 |
| Items that will be reclassified subsequently to profit or loss | 22 | (38) | 86 | 281 |
| Total other comprehensive income, net of tax | 79 | 21 | 134 | 343 |
| Total comprehensive income for the year attributable to owners of the Company | 14,781 | 16,176 | 15,538 | 16,372 |
| Non-controlling interest | – | – | 6 | – |
| Earnings per share (EPS)[5] | | | | |
| Basic | 33.66 | 35.64 | 35.44 | 35.53 |
| Diluted | 33.64 | 35.62 | 35.38 | 35.50 |

1 crore = 10 million

Notes : The above figures are extracted from the audited standalone and consolidated financial statements as per Indian Accounting Standards (Ind AS).

(1) During the quarter ended December 31, 2017, on account of the conclusion of an Advance Pricing Agreement (APA) with the US Internal Revenue Service (IRS), the Company had reversed income tax expense provision of US$ 225 million (₹1,432 crore), which pertained to previous periods.

(2) During the year ended March 2018, Kallidus and Skava (together referred to as "Skava") and Panaya were classified under 'Held for Sale', resulting in a reduction in fair value in respect of Panaya amounting to ₹118 crore. In the year ended March 31, 2019, a further reduction of ₹270 crore was recorded in respect of Panaya and on reclassification of Panaya and Skava from 'Held for Sale', the Company recognized an adjustment in respect of excess of carrying amount over recoverable amount of ₹451 crore in respect of Skava.

In the *Standalone financial statements* of the Company, during the year ended March 31, 2018, investments in respect of these subsidiaries were reclassified under 'Held for Sale'. On reclassification, these investments were measured at the lower of carrying amount and fair value less cost to sell and consequently, a reduction in the fair value of assets held for sale of ₹589 crore in respect of Panaya has been recognized in the Standalone Statement of Profit and Loss. During the year ended March 31, 2019, a further reduction of ₹265 crore was recorded in respect of Panaya and on reclassification of these investments from 'Held for Sale', the Company recognized an adjustment in respect of excess of carrying amount over recoverable amount of ₹469 crore in respect of Skava.

# Annexure to the Report of Board of Directors

## Business Responsibility Report

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| 3. Registered address | Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400099 |
| 4. Website | www.hul.co.in |
| 5. E-mail id | levercare.shareholder@unilever.com |
| 6. Financial Year reported | 1st April, 2018 to 31st March, 2019 |
| 7. Sector(s) that the Company is engaged in (industrial activity code-wise) | • 20231 Soaps<br>• 20233 Detergents<br>• 20236 Shampoos<br>• 20235 Toothpastes<br>• 20234 Deodorants<br>• 20237 Cosmetics<br>• 10791 Tea<br>• 10792 Coffee<br>• 10750 Packaged Foods (Including Frozen Desserts)<br>• 27501 Water Purifiers<br>• 28195 Air Purifiers |
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| 9. Total number of locations where business activity is undertaken by the Company | |
| i. Number of International Locations | None |
| ii. Number of National Locations | • Registered Office:<br>Unilever House, B. D. Sawant Marg, Chakala, Andheri (East), Mumbai - 400 099<br>• Research Centre:<br>64, Main Road, Whitefield P O, Bangalore - 560 066<br>• 9th Floor, Prestige Shantiniketan, The Business Precinct, Tower - A, |

Hindustan Unilever Limited

# Enhanced Disclosures - Impact

- To articulate their policy on directors' appointment and remuneration
- To explain if there are any qualifications in the secretarial audit report
- To lay down its policies for regulatory compliance and risk management and ensure these are operating effectively
- To devise proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively
- To make annual assessment of the internal financial controls and may consider getting an independent expert assurance on such systems
- Lay down the manner of formal evaluation of performance of the board, its committees and individual directors for listed and public companies.

# Enhanced Disclosures – Impact…

**Internal financial controls, risk management, regulatory compliance**

- The Act lays emphasis on the internal financial controls of companies, risk management and regulatory compliance as the Directors' Responsibility Statement now requires disclosures and positive affirmations by the board in regard to the adequacy and effective working of the systems.
- The boards will have to institute appropriate processes which will enable them to assess the working and adequacy of the internal financial controls, risk management and regulatory compliance systems before such affirmations can be made in the Directors' Responsibility Statement.

# Corporate Governance Report

- Brief statement on company’s philosophy on code of governance
- Category, composition, attendance of all the Directors of the Company including number of shares held and disclosure of their relationship
- Details of various committees –
    - Audit Committee ,
    - Remuneration Committee
    - Shareholders Committee
- Details of independent directors
- General Body Meetings
- Means of communication
- General shareholder information

# Corporate Governance Report…

- Compensation philosophy and statement of entitled
- Compensation in respect of non-executive directors
- Details of shares held by non-executive directors
- Remuneration to directors
- Stock option details
- Disclosures on materially significant related party transactions

# Annexure 'B' to the Board Report



## A. CORPORATE GOVERNANCE

Corporate Governance is a set of principles, processes and systems which govern a company. The elements of Corporate Governance are independence, transparency, accountability, responsibility, compliance, ethics, values and trust. Corporate Governance enables an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders.

The Company believes that sound Corporate Governance is critical for enhancing and retaining investor trust and your Company always seeks to ensure that its performance goals are met accordingly. The Company has established systems and procedures to ensure that its Board of Directors is well informed and well equipped to fulfill its overall responsibilities and to provide management with the strategic direction needed to create long term shareholders value. The Company has adopted many ethical and transparent governance practices even before they were mandated by law. The Company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance.

## B. COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

The Company's essential character revolves around values based on transparency, integrity, professionalism and accountability. At the highest level, the Company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

## C. THE GOVERNANCE STRUCTURE

The Company has four tiers of Corporate Governance structure, viz.:

(i) **Strategic Supervision –** by the Board of Directors comprising the Executive, Non-Executive Directors and Independent Directors.

(ii) **Executive Management –** by the Corporate Management comprising of the, Chief Executive Officer and Managing Director, 5 Executive Directors and 1 Non-Executive Director.

(iii) **Strategy & Operational Management –** by the Independent Company Boards of each Independent Company (IC) (not legal entities) comprising of representatives from the Company Board, Senior Executives from the IC and independent members.

(iv) **Operational Management –** by the Business Unit (BU) Heads.

The four-tier governance structure, besides ensuring greater management accountability and credibility, facilitates increased autonomy to the businesses, performance discipline and development of business leaders, leading to increased public confidence.

## D. ROLES OF VARIOUS CONSTITUENTS OF CORPORATE GOVERNANCE IN THE COMPANY

### a. Board of Directors (the Board):

The Directors of the Company are in a fiduciary position, empowered to oversee the management functions with a view to ensuring its effectiveness and enhancement of shareholder value. The Board also reviews and approves management's strategic plan & business objectives and monitors the Company's strategic direction.

### b. The Group Chairman (GC):

The GC is the Chairman of the Board. His primary role is to provide leadership to the Board and guidance and mentorship to the CEO & MD and Executive Directors for realizing the approved strategic plan and business objectives. He presides over the Board and the Shareholders' meetings.

### c. Executive Committee (ECom):

The ECom provides a companywide operations review and plays a key role in strengthening linkages between the ICs and the Company's Board, as well as in rapidly realizing inter-IC synergies. In addition, the ECom deliberates upon strategic issues that cut across ICs and Corporate. The agenda includes:

- Review of major order prospects (Standalone/ Group) / "Integrated offerings"

# CORPORATE SOCIAL RESPONSIBILITY

# Corporate Social Responsibility

## Who is Covered ?

Every Company meeting the criteria

## Criteria

| | | |
|---|---|---|
| Net worth > ₹ 500 crore | Turnover > ₹1000 Crore | Net Profit > ₹ 5 crore |

## Quantum of Contribution

At least 2% of the average net profit of the company in the immediately 3 preceding years

## Unspent Amount

To be transferred to separate account called ‘Unspent Corporate Social Responsibility Account’, which shall be

- spent within 3 years of such transfer
- failing which, the amount shall be transferred to a Fund - Schedule VIII

# Corporate Social Responsibility…

## Prescribed Activities

- Measures for benefit of armed forces veterans, war widows & dependents
- Contribution to PM relief fund other specified funds
- Rural Development Projects
- Eradicating extreme hunger and poverty
- Protecting natural heritage and art
- Promotion of Education
- Training to Promote sports
- Ensuring environmental sustainability
- Funds provided to tech incubators with academic institutions
- Promotion of gender equality / empowering women

## Exclusion

- Activities in the ‘normal course of business’ of a company
- Projects / Activities exclusively for the benefit of employees and their family members
- Any program undertaken outside India
- Contribution to political parties

# Annexure to the Report of the Board of Directors
## For the Financial Year Ended 31st March, 2019

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES OF THE COMPANY

1. **CSR Policy - Brief Outline and Overview**

   a. **Brief outline of CSR Policy:**

   To direct ITC's CSR Programmes, inter alia, towards achieving one or more of the following: enhancing environmental and natural capital; supporting rural development; promoting education and vocational skills; providing preventive healthcare; providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting traditional art and culture and promoting sports. The CSR Policy may be accessed on the Company's corporate website at **https://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx**.

   b. **Role of the CSR and Sustainability Committee:**

   The role of the CSR and Sustainability Committee is, inter alia, to formulate, monitor and provide strategic direction to the Company's CSR and sustainability practices towards fulfilling its triple bottom line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods. The Committee formulates, reviews and monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company. The Committee also reviews the Business Responsibility Report of the Company.

   c. **Programmes/Projects:**

   The two most important stakeholders for ITC's CSR programmes/projects are:

   - Rural communities primarily in the Company's Agri Business areas.
   - The communities residing in close proximity to our production units.

   The Company's stakeholder representation is varied, calling for an integrated approach to development comprising several layers of interventions which are summarised below:

   i. Promoting Preventive Healthcare, Sanitation & Poverty Alleviation (Schedule VII – i):

   - Sanitation: Promote a hygienic environment through prevention of open defecation and reduce incidence of water-borne diseases. Focus on interventions to enhance awareness and impact behaviour change on Water, Sanitation & Hygiene (WASH).
   - Health: Focus on maternal and child care (MCH) through a network of women Village Health Champions (VHC) and by generation of demand by at-risk women and children for institutional support in MCH.
   - Health Infrastructure: Undertake various social and civic infrastructure services to improve sanitation and hygiene in the neighbourhood of our factories, comprising potable drinking water, drainage systems, etc.
   - Solid Waste Management: Create a clean and green environment through source segregation and recycling of dry waste, and create sustainable livelihoods for rag pickers and waste collectors.
   - Poverty Alleviation: These programmes are targeted at the needy and poor who are provided with basic needs like

# FINANCIAL STATEMENTS

# Financial statements

- "**Financial statements**" in relation to a company, includes—
  - balance sheet
  - profit and loss account/income and expenditure account, in the case of a company carrying on any activity not for profit
  - cash flow statement
  - statement of changes in equity, if applicable and
  - any explanatory notes
- The Financial statements are prepared as per Schedule III of the Act.
- Presently, two set of Accounting Standards are in vogue:
  - Companies (Accounting Standards) Rules, 2006
  - Companies (Indian Accounting Standards) Rules, 2015 ("Ind AS")
- Ind AS is applicable to listed Companies and defined class of companies
- Ind AS standards are based on International Financial Reporting Standards (IFRS)

# Consolidated Financial statements

- A company having one or more subsidiaries shall, prepare a consolidated financial statement (CFS) of the company and of all the subsidiaries, associates
- CFS shall be laid before AGM of the company along with standalone financial statements of the Company
- A Company may opt, not to prepare CFS if:
  - It is a wholly/partly owned subsidiary of another Company and all members have consented for non-preparation of CFS,
  - Its securities are not listed and
  - Its ultimate or immediate holding companies files CFS with Registrar

Balance Sheet

₹ in million

| | Note | As at March 31, 2019 | As at March 31, 2018* | As at April 1, 2017* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 3 | 3,757 | 3,509 | 3,809 |
| Capital work in progress | | 297 | 92 | 192 |
| Goodwill | 4 | 4,730 | 4,537 | 4,468 |
| Other intangible assets | 4 | 1,180 | 1,520 | 1,941 |
| Financial assets | 5 | | | |
| Investments | 5.1 | 1,216 | 74 | 74 |
| Loans | 5.2 | 675 | 751 | 667 |
| Other financial assets | 5.3 | - | - | 209 |
| Deferred tax assets (Net) | 16 | 388 | 318 | 624 |
| Other non-current assets | 6 | 1,889 | 1,547 | 1,326 |
| | | **14,132** | **12,348** | **13,310** |
| **Current assets** | | | | |
| Financial assets | 7 | | | |
| Investments | 7.1 | 6,836 | 7,206 | 5,869 |
| Trade receivables | 7.2 | 13,356 | 10,155 | 8,962 |
| Cash and cash equivalents | 7.3 | 2,547 | 3,276 | 2,497 |
| Loans | 7.4 | 123 | 17 | 12 |
| Other financial assets | 7.5 | 2,528 | 3,081 | 2,225 |
| Other current assets | 8 | 2,268 | 1,283 | 1,034 |
| | | **27,658** | **25,018** | **20,599** |
| **TOTAL ASSETS** | | **41,790** | **37,366** | **33,909** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Equity share capital | 9 | 1,642 | 1,639 | 1,680 |
| Other equity | 10 | 31,418 | 25,775 | 24,093 |
| | | **33,060** | **27,414** | **25,773** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Financial liabilities | 11 | | | |
| Borrowings | 11.1 | 5 | 9 | 13 |
| Other financial liabilities | 11.2 | 1 | - | 230 |
| Other non-current liabilities | 12 | 173 | 85 | 71 |
| | | **179** | **94** | **314** |
| **Current liabilities** | | | | |
| Financial liabilities | 13 | | | |
| Borrowings | 13.1 | - | 3,000 | 978 |
| Trade Payables | | | | |
| Total outstanding dues of micro enterprises and small enterprises | 39 | 3 | 8 | 10 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 2,128 | 1,703 | 1,642 |
| Other financial liabilities | 13.2 | 2,434 | 1,812 | 2,638 |
| Other current liabilities | 14 | 1,838 | 1,802 | 1,126 |
| Provisions | 15 | 1,399 | 1,218 | 1,105 |
| Current tax liabilities (Net) | | 749 | 315 | 323 |
| | | **8,551** | **9,858** | **7,822** |
| | | **8,730** | **9,952** | **8,136** |
| **TOTAL EQUITY AND LIABILITIES** | | **41,790** | **37,366** | **33,909** |

Mindtree

*Welcome to possible*

# AUDITOR'S REPORTING REQUIREMENTS

# Auditor's Report

- Auditor's Report includes:

| | |
|---|---|
| Main Audit Report | Various matters to be reported under section 143 of the Act |
| Report on Internal Financial Controls | whether the company has an adequate internal financial controls (IFC) system in place and the operating effectiveness of such controls |
| CARO Report | Various aspects to be reported as per Companies (Auditor's Report) Order 2016 |

- In addition to above, the auditor is required to report on frauds, if any, to Central Government

# Auditor's Report...

**New Reporting Requirements**

Observation, comments on financial transactions or matters which have an adverse effect on the functioning of the company

Delays in depositing money into IEPF

Qualification, reservation or adverse remark on maintenance of accounts

Provisions for foreseeable losses on long term/ derivative contracts

Adequacy of internal financial control system and operating effectiveness of such controls

Disclosure of effect of pending litigation on financial position

# Audit Opinion

| Type | Particulars |
|---|---|
| Unmodified opinion | • Free from any material misstatement |
| Emphasis of Matter | • Necessary to draw users' attention to a matter presented or disclosed in the financial statements<br>• Fundamental to users' understanding of the financial statements |
| Other Matter Paragraph | • Necessary to communicate a matter other than those that are presented or disclosed in the financial statements<br>• It is relevant to users' understanding of the audit |
| Qualified Opinion | • The auditor is able to draw evidence of misstatement which is material but not pervasive |
| Adverse Opinion | • The auditor is able to draw evidence of misstatement which is material as well as pervasive |
| Disclaimer of Opinion | • The auditor is able to draw evidence of misstatement which is both material and pervasive |

# Auditor’s Report…

**Key Audit Matters (KAM):**

- KAM are those matters, which in auditor’s professional judgement, were of most significance in audit of financial statements

- Purpose of KAM is:
  - Greater transparency of audit
  - Understanding significant matters
  - Understanding entity’s significant management judgement

- Matters requiring significant attention depends on:
  - Areas where high risk of material misstatements are identified
  - Areas involving complexity and management judgment
  - Significant related party transactions
  - Unusual transaction

# Independent Auditors' Report

To the Members of
**Balrampur Chini Mills Limited**

**Report on the Audit of the Standalone Financial Statements**

## Opinion

We have audited the accompanying standalone financial statements of **Balrampur Chini Mills Limited** ("the Company"), which comprise the balance sheet as at 31st March, 2019, and the statement of Profit and Loss (including other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes for the year ended on that date (hereinafter referred to as "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act 2013 (" 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 31st March, 2019, and profit, changes in equity and its cash flows for the year ended on that date.

## Basis for Opinion

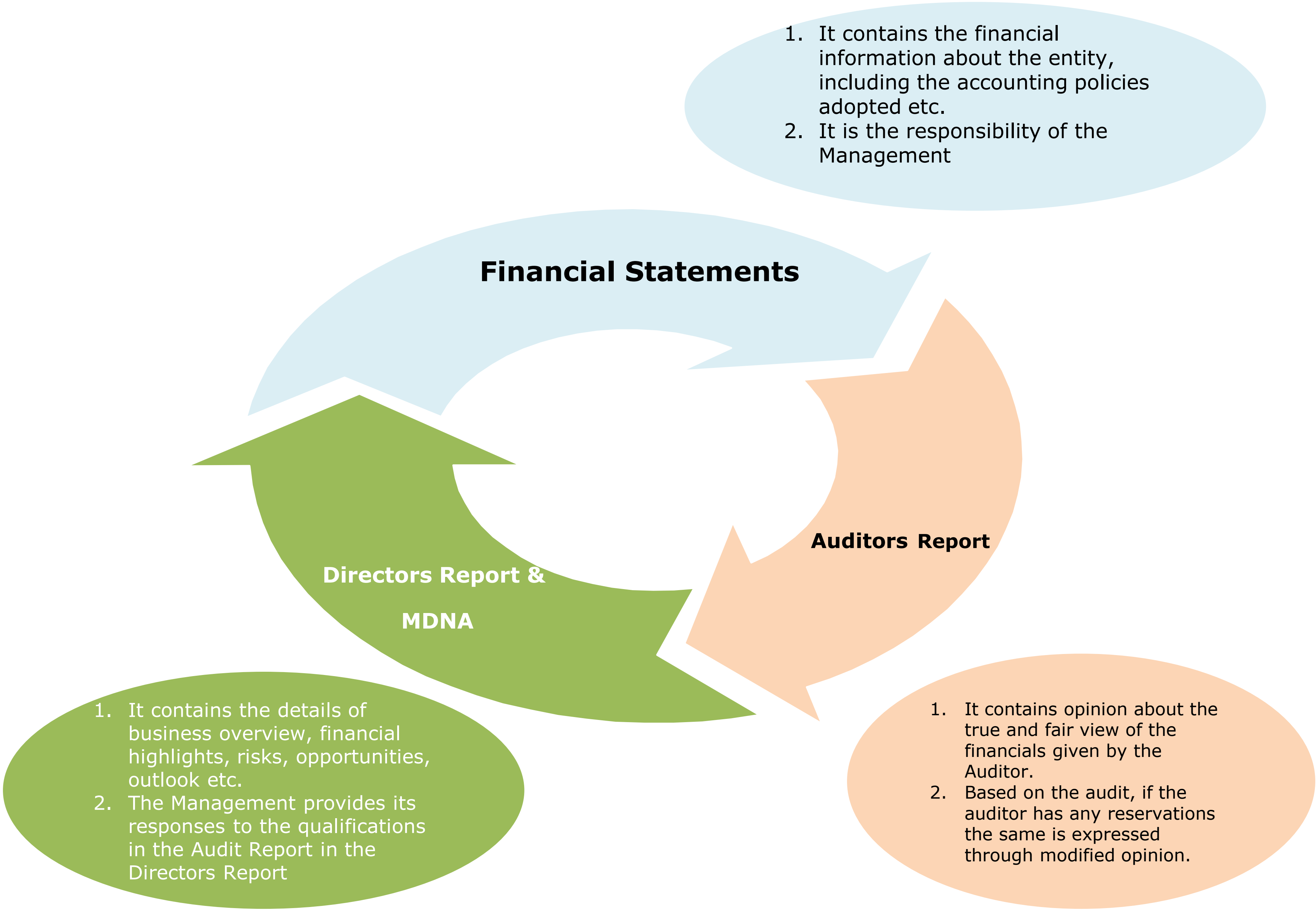
We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent 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 opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have considered the matters described below to be the key audit matters for incorporation in our report.

| Sl. No. | Key Audit Matters | Addressing the Key Audit Matters |
|---|---|---|
| 1. | **Valuation of Inventory of Sugar**<br>As on 31st March, 2019, the Company has inventory of sugar with the carrying value of ₹ 209204.53 Lacs which forms major part of the total assets of the Company. The inventory of sugar is valued at the lower of cost and net realizable value.<br><br>Determination of net realizable value involves judgements and assumptions with respect to regulatory directives and notifications dealing with quantity and price of sugar to be sold and also the stock to be maintained by the Company. | **Our audit procedures based on which we arrived at the conclusion regarding reasonableness of the valuation of inventory include the following**<br>• Evaluating the accounting policy followed for valuation of inventory of sugar and appropriateness thereof with respect to relevant accounting standards in this respect<br>• Understanding and testing the design and operating effectiveness of controls as established by the management in determination of net realizable value of inventory of sugar.<br>• Obtaining an understanding of the determination of the net realizable value and assessing, testing and evaluating the reasonableness keeping in view the significant judgements applied by the management for such valuation.<br>• The above includes evaluation of the selling price prevailing around and subsequent to the year end and regulatory directives issued and compliances thereof by the management and rationale for assumptions in the given situation and business environment. |

# DECIPHERING INFORMATION IN THE FINANCIAL STATEMENTS


1. It contains the financial information about the entity, including the accounting policies adopted etc.
2. It is the responsibility of the Management
Financial Statements
Auditors Report
Directors Report &
MDNA
1. It contains the details of business overview, financial highlights, risks, opportunities, outlook etc.
2. The Management provides its responses to the qualifications in the Audit Report in the Directors Report
1. It contains opinion about the true and fair view of the financials given by the Auditor.
2. Based on the audit, if the auditor has any reservations the same is expressed through modified opinion.

# THANK YOU