

STRATEGY AND CORPORATE EVOLUTION IN INDIAN CONTEXT

ITC

ITC was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Limited. As the Company's ownership progressively Indianised, the name of the Company was changed **from Imperial Tobacco Company of India Limited to India Tobacco Company Limited in 1970** and then to **I.T.C. Limited in 1974**. In recognition of the Company's multi-business portfolio encompassing a wide range of businesses - Cigarettes & Tobacco, Hotels, Information Technology, Packaging, Paperboards & Specialty Papers, Agri-business, Foods, Lifestyle Retailing, Education & Stationery and Personal Care - the full stops in the Company's name were removed effective September 18, 2001. **The Company now stands rechristened 'ITC Limited'**.

The Company's beginnings were humble. A leased office on Radha Bazar Lane, Kolkata, was the centre of its existence. The Company celebrated its 16th birthday on August 24, 1926, by purchasing the plot of land situated at 37, Chowringhee, (now renamed J.L. Nehru Road) Kolkata, for the sum of Rs 310,000. This decision of the Company was historic in more ways than one. It was to mark the beginning of a long and eventful journey into India's future. The Company's headquarter building, 'Virginia House', which came up on that plot of land two years later, would go on to become one of Kolkata's most venerated landmarks.

Though the first six decades of the Company's existence were primarily devoted to the growth and consolidation of the **Cigarettes and Leaf Tobacco businesses**, the Seventies witnessed the beginnings of a corporate transformation that would usher in momentous changes in the life of the Company.

ITC's **Packaging & Printing Business** was set up in 1925 as a strategic backward integration for ITC's Cigarettes business. It is today India's most sophisticated packaging house.

In 1975 the Company launched its **Hotels business** with the acquisition of a hotel in Chennai which was rechristened '**ITC-Welcomgroup Hotel Chola**'. Conglomerate Diversification. The objective of ITC's entry into the hotels business was rooted in the concept of creating value for the nation. ITC chose the hotels business for its potential to earn high levels of foreign exchange, create tourism infrastructure and generate large scale direct and indirect employment. Since then ITC's Hotels business has grown to occupy a position of leadership, with over 100 owned and managed properties spread across India under four brands namely, ITC Hotels - Luxury Collection, WelcomHotels, Fortune Hotels and WelcomHeritage. ITC Hotels took its first step toward international expansion in 2020 with an **upcoming super premium luxury hotel in Colombo, Sri Lanka**. In addition, ITC Hotels also recently tied up with RP Group Hotels & Resorts to manage **5 hotels in Dubai and India** under ITC Hotels' 5-star 'WelcomHotel' brand and the mid-market to upscale 'Fortune' brand.

In 1979, ITC entered the **Paperboards business** by promoting ITC Bhadrachalam Paperboards Limited, which today has become the market leader in India. Bhadrachalam Paperboards amalgamated with the Company effective March 13, 2002 and became a Division of the Company, Bhadrachalam Paperboards Division. In November 2002, this division merged with the Company's Tribeni Tissues Division to form the Paperboards & Specialty Papers Division. ITC's paperboards' technology, productivity, quality and manufacturing processes are comparable to the best in the world. It has also made an immense contribution to the development of Sarapaka, an economically backward area in the state of Andhra Pradesh. It is directly involved in education, environmental protection and community development. In 2004, ITC acquired the paperboard manufacturing facility of BILT Industrial Packaging Co. Ltd (BIPCO), near Coimbatore, Tamil Nadu. The Kovai Unit allows ITC to improve customer service with reduced lead time and a wider product range.

In 1985, ITC set up **Surya Tobacco Co. in Nepal** as an Indo-Nepal and British joint venture. Since inception, its shares have been held by ITC, British American Tobacco and various independent shareholders in Nepal. In August **2002, Surya Tobacco became a subsidiary of ITC Limited** and its name

was changed to **Surya Nepal Private Limited** (Surya Nepal). In 2004, the company diversified into manufacturing and exports of garments.

Consolidation and Expansion: In 1990, ITC acquired Tribeni Tissues Limited, a Specialty paper manufacturing company and a major supplier of tissue paper to the cigarette industry. The merged entity was named the Tribeni Tissues Division (TTD). **To harness strategic and operational synergies, TTD was merged with the Bhadrachalam Paperboards Division** to form the **Paperboards & Specialty Papers** Division in November 2002.

Also in 1990, leveraging its agri-sourcing competency, ITC set up the **Agri Business Division** for export of agri-commodities. The Division is today one of India's largest exporters. ITC's unique and now widely acknowledged e-Choupal initiative began in 2000 with soya farmers in Madhya Pradesh. Now it extends to 10 states covering over 4 million farmers. ITC's first rural mall, christened 'Choupal Saagar' was inaugurated in August 2004 at Sehore. Also, through the 'Choupal Pradarshan Khet' initiative, the agri services vertical has been focusing on improving productivity of crops while deepening the relationship with the farming community. On the rural retail front, 24 'Choupal Saagars' are now operational in the 3 states of Madhya Pradesh, Maharashtra and Uttar Pradesh.

Sustainability Strategy: In 2000, ITC forayed into the Greeting, Gifting and Stationery products business with the launch of Expressions range of greeting cards. A line of premium range of notebooks under brand **“Paperkraft”** was launched in 2002. To augment its offering and to reach a wider student population, popular range of notebooks was launched under brand **“Classmate”** in 2003. **“Classmate”** over the years has grown to become **India’s largest notebook brand** and has also increased its portfolio. Years 2007-2009 saw the launch of Children Books, Slam Books, Geometry Boxes, Pens and Pencils under the **“Classmate”** brand. In 2008, ITC repositioned the business as the Education and Stationery Products Business and launched **India's first environment friendly premium business paper** under the **“Paperkraft”** Brand. **“Paperkraft”** offers a diverse portfolio in the premium executive stationery and office consumables segment. Paperkraft entered new categories in the office consumable segment with the launch of Textliners, Permanent Ink Markers and White Board Markers in 2009.

ITC entered the **Lifestyle Retailing** business with **Wills Sport** range of international quality relaxed wear for men and women in 2000. Wills Lifestyle chain of exclusive stores later expanded its range to include **Wills Classic formal wear** (2002) and **Wills Clublife evening wear** (2003). ITC also initiated a foray into the popular segment with its men's wear brand, **John Players**, in 2002. In 2006, Wills Lifestyle became title partner of the country's most premier fashion event - **Wills Lifestyle India Fashion Week** - that has gained recognition from buyers and retailers as the single largest B-2-B platform for Fashion Design industry. To mark the occasion, ITC launched a special 'Celebration Series', taking the event to consumers.

In 2000, ITC spun off its information technology business into a wholly owned subsidiary, **ITC Infotech India Limited**, to more aggressively pursue emerging opportunities in this area. Today ITC Infotech is one of India’s fastest growing global IT and IT-enabled services companies and has established itself as a key player in offshore outsourcing, providing outsourced IT solutions and services to leading global customers across key focus verticals - Manufacturing, BFSI (Banking, Financial Services & Insurance), CPG&R (Consumer Packaged Goods & Retail), THT (Travel, Hospitality & Transportation), Media & Entertainment.

ITC's foray into the **Foods business** is an outstanding example of successfully blending multiple internal competencies to create a new driver of business growth. It began in August 2001 with the introduction of **'Kitchens of India'** ready-to-eat Indian gourmet dishes. In 2002, ITC entered the confectionery and staples segments with the launch of the brands **mint-o** and **Candyman** confectionery and **Aashirvaadatta** (wheat flour). 2003 witnessed the introduction of **Sunfeast** as the Company entered the biscuits segment. ITC's entered the fast growing branded snacks category with **Bingo!** in 2007. In 2010, ITC launched **Sunfeast Yippe!** to enter the Indian instant noodles market. In September 2014, ITC launched **GumOn** Chewing Gum marking the entry into the category of gums. The Company entered the Fruit-based juices and

beverages market with the launch of **B Natural** Fruit beverages in January 2015. ITC's forayed into the dairy segment with the launch of **Aashirvaad Svasti** Ghee in November 2015. Launched in April 2016, **Fabelle** chocolates are ITC's premier offering in the luxury chocolate space. ITC forayed into the branded coffee category in July 2016 with the launch of **Sunbean** Gourmet Coffee. In February 2017, ITC launched **ITC MasterChef super safe spices** - the first-of-its-kind spices launched in India, offering export quality super safe spices to the Indian homemaker. **ITC MasterChef Prawns** were launched in June 2017 as the Company entered the Frozen foods segment. ITC's first foray into fresh fruits and vegetables segment was marked with the launch of **Farmland** Potatoes in November 2017. **Concentration Strategy** In just over a decade and a half, the Foods business has grown to a significant size under numerous distinctive brands, with an enviable distribution reach, a rapidly growing market share and a solid market standing.

In 2002, ITC's philosophy of contributing to enhancing the competitiveness of the entire value chain found yet another expression in the **Safety Matches** initiative. ITC now markets popular **safety matches** brands like **iKno, Mangaldeep, Aim, Aim Mega** and **Aim Metro**. ITC's foray into the marketing of **Agarbattis (incense sticks)** in 2003 marked the manifestation of its partnership with the cottage sector. ITC's popular agarbattis brands include **Spriha** and **Mangaldeep** across a range of fragrances like Rose, Jasmine, Bouquet, Sandalwood, Madhur, Sambrani and Nagchampa.

2005: Personal Care Products - Expert Solutions for Discerning Consumers: ITC introduced **Essenza Di Wills**, an exclusive range of fine fragrances and bath & body care products for men and women in July 2005. **Inizio**, the signature range under **Essenza Di Wills** provides a comprehensive grooming regimen with distinct lines for men (**Inizio Homme**) and women (**Inizio Femme**). Continuing with its tradition of bringing world class products to Indian consumers the Company launched '**Fiama Di Wills**', a premium range of Shampoos, Shower Gels and Soaps in September, October and December 2007 respectively. The Company also launched the '**Superia**' range of Soaps and Shampoos in the mass-market segment at select markets in October 2007 and **Vivel De Wills & Vivel** range of soaps in February and **Vivel** range of shampoos in June 2008. In May 2013, the business expanded its product portfolio with the launch of **Engage** deodorants. ITC marked its foray into health space with acquisition of the brand Savlon and Shower to Shower in 2015. In 2017, it acquired the brand **Charmis** to enhance its skincare portfolio.

2010: Expanding the Tobacco Portfolio: In 2010, ITC launched its handrolled cigar, **Armenteros**, in the Indian market. Armenteros cigars are available exclusively at tobacco selling outlets in select hotels, fine dining restaurants and exclusive clubs.

ITC is a board-managed professional company, committed to creating enduring value for the shareholder and for the nation. It has a rich organisational culture rooted in its core values of respect for people and belief in empowerment. Its philosophy of all-round value creation is backed by strong corporate governance policies and systems. **ITC's corporate strategies are:**

- Create multiple drivers of growth by developing a portfolio of world class businesses that best matches organisational capability with opportunities in domestic and export markets.
- Continue to focus on the chosen portfolio of FMCG, Hotels, Paper, Paperboards & Packaging, Agri Business and Information Technology.
- Benchmark the health of each business comprehensively across the criteria of Market Standing, Profitability and Internal Vitality.
- Ensure that each of its businesses is world class and internationally competitive.
- Enhance the competitive power of the portfolio through synergies derived by blending the diverse skills and capabilities residing in ITC's various businesses.
- Create distributed leadership within the organisation by nurturing talented and focused top management teams for each of the businesses.
- Continuously strengthen and refine Corporate Governance processes and systems to catalyse the entrepreneurial energies of management by striking the golden balance between executive freedom and the need for effective control and accountability