

cigarettes than it has actually produced in a given year, based on an input-output ratio allegedly submitted by your Company in the year 2047-48 (1990-91) and that your Company is liable to pay taxes on such theoretically produced cigarettes. The allegations made by the Department are despite the fact that your Company's cigarette factory has always been under 'physical control' procedures of the Revenue authorities and all the cigarettes that are produced are duly accounted for and certified by the said authorities. No fresh demand has been received during the year on this account and the cumulative pending demand on your Company on account of theoretical production stands at NRs. 68.97 (₹ 43.11) crore, as detailed below, and are under appeal before the Hon'ble Supreme Court.

- Demand of Excise Duty – NRs. 27.80 (₹ 17.38) crore.
- Demand of VAT – NRs. 17.49 (₹ 10.93) crore.
- Demand of Income Tax – NRs. 23.68 (₹ 14.80) crore.

Your Company is advised by eminent counsel that the allegations made by the Department have no legal or factual basis and that the Demand Notices served on your Company are not sustainable, particularly in the light of the favorable Order dated 29th October, 2009 of the Hon'ble Supreme Court. The subsequent decisions of the Hon'ble Supreme Court and the Inland Revenue Department have further reinforced this position. Accordingly, your Company does not recognise any liability in this behalf.

RISK MANAGEMENT

Your Company continues to follow a systems-based approach to risk management. The Corporate Governance Policy of your Company lays down the structure, roles and responsibilities of the key entities in the governance process and also mandates periodic review of key areas of operations. The Corporate Governance Policy is backed by a robust internal control system consisting of the following key elements:

- Organizational Policies for key areas of operations e.g. financial policies and procedures, IT Policy etc.
- Comprehensive standard operating procedures (SOPs) across areas of operations which ensure appropriate segregation of duties, tiered approval mechanisms and maintenance of supporting records.
- Maintenance of Books of Accounts through use of Organisation wide ERP (SAP) with appropriate transactional controls built in.
- An independent, periodic risk based internal audit across functions and businesses.

Your Company continues to focus on regular reviews and continuous improvement of the policies and processes across the areas of operations so as to ensure that various risks associated with your Company's Business and operations are adequately addressed and appropriate risk mitigation plans are put in place.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Your Company, as a responsible corporate citizen, places immense emphasis on contributing towards building the societal, environmental and economic capital of the nation. Towards this end, your Company pursues an integrated CSR strategy spanning areas such as environmental preservation, social empowerment, promoting and improving education in public schools.

As a part of the ongoing interventions in this area, your Company continues to:

- provide assistance to farmers in agro-forestry, agri-infrastructure and vermicomposting in villages situated in the economic vicinity of its operating locations.
- provide training and development to farmers towards improvement in productivity and other income generating activities.
- support the animal husbandry sector by providing extension services covering animal breeding, health and nutrition in order to drive yield improvement and higher returns for underprivileged farmers.

During the year under review, your Company also entered into an agreement with "Teach for Nepal (TFN)", an NGO for providing quality teachers in public schools through the TFN Teaching Fellowship program. More than 2000 students in rural part of Parsa District will benefit from this initiative.

Such initiatives, being consistent with the CSR guidelines enunciated by Nepal Rastra Bank for banks and financial institutions, will continue to be pursued, in the absence of any prescribed guidelines notified by the Government.

In accordance with the provisions of the Industrial Enterprises Act, 2073, your Company has allocated 1% of its annual profit towards discharging CSR activities. The allocated funds will be spent on the basis of annual plan and programs as mandated by law.

EMPLOYMENT GENERATION

Your Company is one of the largest employers in the private sector and plays a very significant role in providing livelihoods, directly and indirectly, to around 4 lakh people involved in this sector comprising farmers, farm workers and others involved in manufacturing, distribution and sales. Further, your Company's Agarbatti and Matches businesses provide employment opportunities to economically disadvantaged sections of society, especially women. Your Company's strategy of diversifying its business portfolio also complements its role of a responsible corporate citizen by creating enablers for generating employment opportunities as well as sustainable economic surplus for the nation.

EMPLOYEES

Employee relations continued to be cordial and the terms and conditions of employment offered by your Company remains one of the best in the country. Post the year under review, Long Term Agreements were concluded successfully with the unionized workforce at both Simara and Seratar factories.

Your Directors place on record their sincere appreciation of the contribution made by the employees during the year under review.

DIRECTORS

The Holding Company, ITC Limited, nominated Mr. R K Singhi (in place of Mr. B B Chatterjee) and Mr. Supratim Dutta (in place of Mr. A K Mukerji) as Company's Non-executive directors with effect from 4th February, 2018 and 18th July, 2018 respectively, consequent to their retirement from the services of that company.

Your Directors would like to place on record their sincere appreciation for the services rendered by Mr. B B Chatterjee and Mr. A K Mukerji as Directors of the Company.

There was no other change in the composition of the Board of Directors.

The details of shares held in your Company by your Directors as on 32nd Asadh, 2075 are annexed to this Report (**Annexure I**). Your Directors have confirmed that none of them or their close relatives has any direct involvement or any personal interest in any transaction of sale or purchase or any kind of contract or arrangement connected with the business of your Company. No amounts are due to your Company from any of the Directors, the Managing Director or their close relatives.

The details of payments made during the year to your Directors, the Managing Director and other officials are also annexed to this Report (**Annexure II**).

Further, details of Management expenses for the year 2074-75 are annexed to this Report (**Annexure III**).

AUDITORS

M/s. N Amatya & Company, Chartered Accountants, Kathmandu, Nepal and M/s. T R Upadhyaya & Co, Chartered Accountants, Kathmandu, Nepal, auditors of your Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

FUTURE OUTLOOK

Your Company continues to explore and pursue opportunities for profitable and sustainable growth and looks forward to the future with optimism and confidence and stands committed to creating a brighter future for all stakeholders.

On behalf of the Board

Date: 24th September, 2018 Sanjiv Puri B Sumant A K Poddar
(8th Ashwin, 2075) Chairman Director Managing Director

Annexure I

Sl. No.	Name of Director	Number of Ordinary Shares of NRs. 100 (₹ 62.50) each held singly and / or jointly as on 32 nd Asadh 2075 (16 th July 2018)
1.	S Puri	Nil
2.	A K Mukerji (ceased w.e.f. 18 th July, 2018)	Nil
3.	R K Singhi	Nil
4.	B Sumant	Nil
5.	S R Pandey	67,212
6.	S SJB Rana	600
7.	A K Poddar	Nil

Annexure II**THE AMOUNT OF REMUNERATION, ALLOWANCE AND FACILITIES PAID TO DIRECTOR, MANAGING DIRECTOR, CHIEF EXECUTIVE AND COMPANY OFFICIALS**

During the financial year 2074/75, the following amounts have been paid to the Directors:

- Board Meeting Fee - NRs. 70,588 (₹ 44,118)
- Incidental expenses - NRs. 11,765 (₹ 7,353)

Payment to / on behalf of the Managing Director for the financial year 2074/75:

- Salary – NRs. 14,901,286 (₹ 9,313,304)
- Allowances – NRs. 3,821,735 (₹ 2,388,584)

In addition to the above, the Managing Director has been provided the following as per his terms of appointment:

- Furnished accommodation with necessary security at residence.
- Entrance fees and annual subscription charges for two clubs.
- Personal accident insurance.
- Company car with driver and telephone at residence.
- Fuel for generator and reimbursement of water tanker charges for residence.

Payment to / on behalf of Company officials for the financial year 2074/75:

- Salary – NRs. 25,909,329 (₹ 16,193,331)
- Allowances – NRs. 10,950,260 (₹ 6,843,913)

In addition to the above, some of the Company officials, as applicable, have been provided the following as per their terms of appointment:

- Furnished accommodation with necessary security at residence.
- Entrance fees and annual subscription charges for clubs as applicable.
- Personal accident insurance.
- Company car with driver and telephone at residence.
- Fuel for generator and reimbursement of water tanker charges for residence.

The Managing Director and some other employees of the company have been granted stock options under the Employee Stock Option Scheme of the Holding Company (ITC Limited). Such options are granted at 'market price' [within the meaning of Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014]. Since such options are not tradeable, no benefit is conferred upon the employee at the time of grant of options. The Company, however, has recorded employee benefits expense by way of share based payments to employees, in accordance with NFRS 2 out of which NRs. 23,177,936 (₹ 14,486,210) is attributable to Managing Director and NRs. 22,690,055 (₹ 14,181,284) is attributable to other officials.

Annexure III**MANAGEMENT EXPENSES**

The expenses incurred by your Company for its management and administration for the financial year 2074/75 comprising rent, electricity, fuel & water, rates & taxes, insurance premium, repairs & improvements, safety & pollution control cost, maintenance, travel & conveyance, postage, telephone, fax, bank charges, legal fees, printing & stationery, consultancy charges, professional service charges & other fees, information technology services, business entertainment expenses, board meeting fees, donations, books & periodicals and miscellaneous expenses amounted to NRs. 1,311,918,326 (₹ 819,948,954).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 32ND ASADH 2075 (16TH JULY 2018)

	Figures in NRs. For the year ended 32nd Asadh 2075 (16th July 2018)	Figures in ₹ For the year ended 32nd Asadh 2075 (16th July 2018)	Figures in NRs. For the year ended 31st Asadh 2074 (15th July 2017)	Figures in ₹ For the year ended 31st Asadh 2074 (15th July 2017)
A Cash Flow From Operating Activities				
Profit Before Tax	13,531,535,332	8,457,209,577	11,296,185,850	7,060,116,157
Adjustments for :				
Depreciation and amortization expenses	742,297,943	463,936,215	851,642,098	532,276,312
Finance Cost	22,939,999	14,337,499	8,045,311	5,028,319
Interest from Investments	(1,470,625)	(919,141)	(1,470,625)	(919,141)
Interest on Short Term/Call Deposits	(379,436,878)	(237,148,049)	(125,249,219)	(78,280,762)
Foreign currency translations and transactions - Net	(1,178,423)	(736,514)	96,969	60,606
Loss/(Gain) on sale of property, plant and equipment - Net	(19,632,108)	(12,270,068)	1,144,703	715,439
Liability no longer required written back	(11,100,615)	(6,937,884)	-	-
Doubtful and bad advances	(11,010)	(6,881)	(9,416)	(5,885)
Operating Profit Before Working Capital Changes	13,883,943,615	8,677,464,754	12,030,385,671	7,518,991,045
Adjustments for :				
Trade Receivables, Loans, Advances and Other Assets	257,978,538	161,236,586	(595,991,548)	(372,494,718)
Inventories	(1,444,200,443)	(902,625,277)	(574,585,128)	(359,115,705)
Trade Payables, Other Liabilities and Provisions	(82,943,094)	(51,839,434)	(18,549,147)	(11,593,217)
Cash Generated From Operation	12,614,778,616	7,884,236,629	10,841,259,848	6,775,787,405
Income Tax Paid	(3,945,415,796)	(2,465,884,867)	(3,406,809,515)	(2,129,255,947)
Corporate Social Responsibility Paid	(9,615,486)	(6,009,679)	(5,280,982)	(3,300,614)
Net Cash From Operating Activities (A)	8,659,747,334	5,412,342,083	7,429,169,351	4,643,230,844
B Cash Flow From Investing Activities				
Purchase of property, plant and equipment	(178,872,335)	(111,795,209)	(101,373,936)	(63,358,710)
Disposal of property, plant and equipment	22,901,273	14,313,296	3,753,384	2,345,865
Investment in Bank Deposits				
(Original Maturity more than 3 months)	(6,090,000,000)	(3,806,250,000)	(2,900,000,000)	(1,812,500,000)
Redemption/ Maturity of Bank Deposits				
(Original Maturity more than 3 months)	2,900,000,000	1,812,500,000	-	-
Interest Received	377,167,708	235,729,818	102,473,275	64,045,797
Net Cash Used in Investing Activities (B)	(2,968,803,354)	(1,855,502,095)	(2,895,147,277)	(1,809,467,048)
C Cash Flow From Financing Activities				
Interest Paid	(21,252,465)	(13,282,791)	(8,045,311)	(5,028,319)
Dividends Paid	(7,086,240,000)	(4,428,900,000)	(6,007,680,000)	(3,754,800,000)
Net Cash Used in Financing Activities (C)	(7,107,492,465)	(4,442,182,791)	(6,015,725,311)	(3,759,828,319)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(1,416,548,485)	(885,342,803)	(1,481,703,237)	(926,064,523)
Opening Cash and Cash Equivalents	335,083,264	209,427,040	1,816,786,501	1,135,491,563
Closing Cash and Cash Equivalents	(1,081,465,221)	(675,915,763)	335,083,264	209,427,040

Notes:

1 The above Statement of Cash Flows has been prepared under the "Indirect Method" as set out in NAS - 7 "Statement of Cash Flows".

2 Cash and Cash Equivalents:

Cash and Cash Equivalents as above	(1,081,465,221)	(675,915,763)	335,083,264	209,427,040
Unrealised gain/(Loss) on foreign currency cash and cash equivalents	3,171,184	1,981,990	2,643,286	1,652,053
Current Borrowings (Note 15)	1,128,051,870	705,032,419	-	-
Cash and Cash Equivalents (Note 11)	49,757,833	31,098,646	337,726,550	211,079,093

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

This is the Statement of Cash Flows referred to in our Report of even date.

Vikas Bhutra
Head of FinanceAbhimanyu Kumar Poddar
Managing DirectorSaurya SJB Rana
Alternate DirectorB Sumant
DirectorS Puri
ChairmanS R Pandey
DirectorS Dutta
DirectorR K Singhi
DirectorNem Lal Amatya
Partner
N. Amatya & Co.
Chartered AccountantsShashi Satyal
Partner
T R Upadhyaya & Co.
Chartered Accountants

Date: 8th Ashwin 2075 (24th September 2018)

Q.N.1

Explain rigid body and deformable body with example.
State Newton's third law with example.

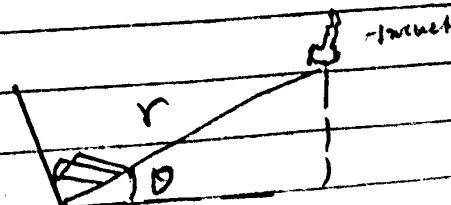
⇒ A rigid body may be defined as a body which does not deform or the distance between any two points at the body does not change under the action of an applied force. eg Stone.

→ A ~~bad~~ deformable body doesn't may be defined as a body which deform or the relative positions of any two particles change under the action of the forces. eg chalk.

eg:- A bridge doesn't deform under the weight of single person but deform under the load trucks.

⇒ Newton's third law states that ~~so~~ every action, there is an equal and opposite reactions.

Q.N.2 Explain Normal and tangential component of acceleration. A rocket is fired vertically and tracked by a radar station at O as shown in figure. When $\theta = 30^\circ$, it is found that $r = 9000\text{ m}$, $\dot{\theta} = 0.02\text{ rad/s}$ and $\ddot{\theta} = 0.002\text{ rad/s}^2$. Determine velocity and acceleration of the rocket at the instant under consideration.



ACKNOWLEDGEMENTS

We would like to thank all the designers and contributors who have been involved in the production of this book; their contributions have been indispensable to its creation. We would also like to express our gratitude to all the producers for their invaluable opinions and assistance throughout this project. And to the many others whose names are not credited but have made specific input in this book, we thank you for your continuous support.