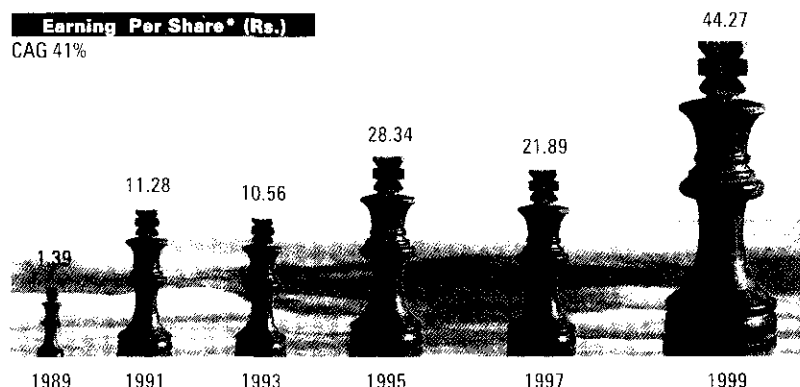




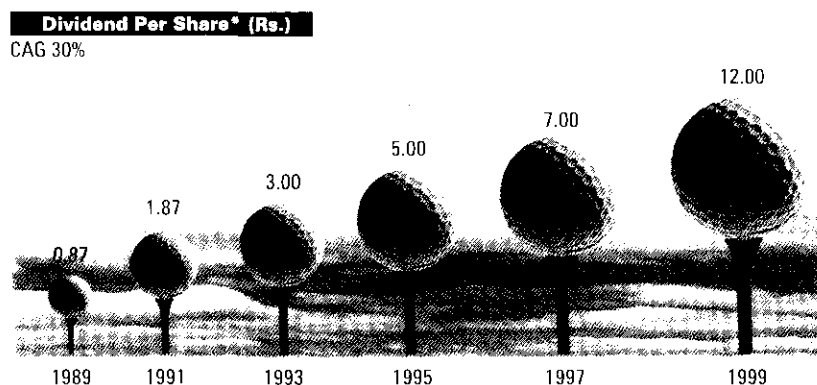
Report 1998-99

G R O W I N G I N C O M E



Every shareholder in Godfrey Phillips India Limited is a shareholder in a story of growth. Of a company that is dedicated to the interests of all those who have invested their faith in it. Whatever the challenge, we faced it unitedly. We always strive to maximise

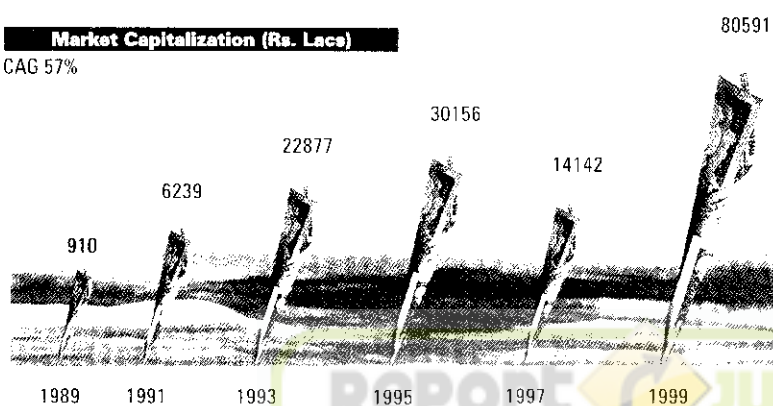
growth in revenue while equally managing the cost of doing business. Both together result in growth in earnings. We realise that most of our shareholders would rather invest in growth than pay out the cash in additional dividends. Sharing and distributing the fruits of the success of your company has not only been important but doing it at an increasing rate has been our goal. The figures are evidence of our unfailing resolve to fulfil your expectations.



*Adjusted for bonus issues

G R O W I N G W E A L T H

Market Capitalization (Rs. Lacs)
CAG 57%



The stock market acknowledges a company's success

like nothing else. It is a barometer of your company's

financial health, its growth, its prospects and its

performance. Increasing your wealth along with that of

nearly 16,000 other shareholders is the prime focus of

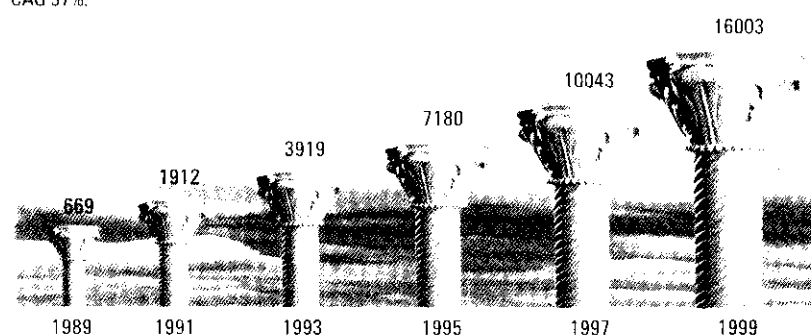
those charged with the responsibility of making day to day decisions. If a hundred shares, worth Rs.3,500 in 1989 are worth

Rs. 77,500 today, it bears testimony to our

unceasing efforts in making your investments

worth more and more year after year.

Net Worth* (Rs. Lacs)
CAG 37%.



* Excluding Revaluation Reserve



factory owner, says his GPI

shares will one day earn as much

as his business does.

www.reportjunction.com

GROWING BRAND VALUE



The strongest winning edge in the new millennium is going to be determined not by the size of capital or investment in plant and machinery, but the strength and value of the brands one owns and has built over the years. The single minded commitment of making investments in and enhancing values of these precious assets of the company will remain our key focus.

Most important for us is to ensure that the perceived value of our products which the customer buys, is higher than what he or she pays for it. Similarly, our shareholders perceive the value of their investments to be higher than what the stock market assesses. That is how we are winning the loyalty and confidence of our customers as well as investors who have chosen to stay with us for decades and enjoy the benefits they look for.





shares as a hedge investment
to put her hard-earned savings in CFI
to help her mother by choosing
adoption agency, has followed the

Tina Melton

Report  .com

Dear Shareholder,

You would be happy to note that we have ended this financial year by posting a record turnover and profit. We are entering the new millennium with greater confidence, skill and strength to continue to grow to further higher levels and add value to your investments.



Adding value not only to the products of your company, but also to the corporate brand that is traded everyday in the stock market is the key factor that we focus on in our day-to-day working. India is a huge country and is looking forward to becoming an economic power in the Asian region in the years to come. The revival of the economy is evidenced by various indicators of the economy during the current financial year. The various steps taken by the Government, along with the restructuring and refocussing being carried out by the industrial and business enterprises in the Country seem to be ultimately yielding results and helping the Indian companies to get ready to face the challenge of the globalised environment. I am confident that your company would continue to endeavour to gain from this economic growth. Our consumers are much better informed today and are demanding better quality and value for money. Their desire to improve their standard of living is much greater than what we saw in the past. The inability of having adequate purchasing power is the greatest impediment to growth. I am confident that the economic development in the decades to come should largely benefit the vast majority of our people which would in turn provide impetus to most consumer goods industries.

Continuous rising taxes and discriminatory as well as multi-point taxation is currently hurting the Cigarette Industry, which I believe needs to be corrected as early as possible. Despite all these constraints, and with the use of the best management practices and technology, your company is able to present continuous improvement in the working and set new records of both revenues and earnings. I re-endorse my optimism about the future and potential of growth of your company's businesses, especially in view of our association with the world leader Philip Morris.

A handwritten signature in dark ink, appearing to read 'K.K. Modi'.

K.K. Modi
President

Financial Highlights

(RUPEES IN LACS)

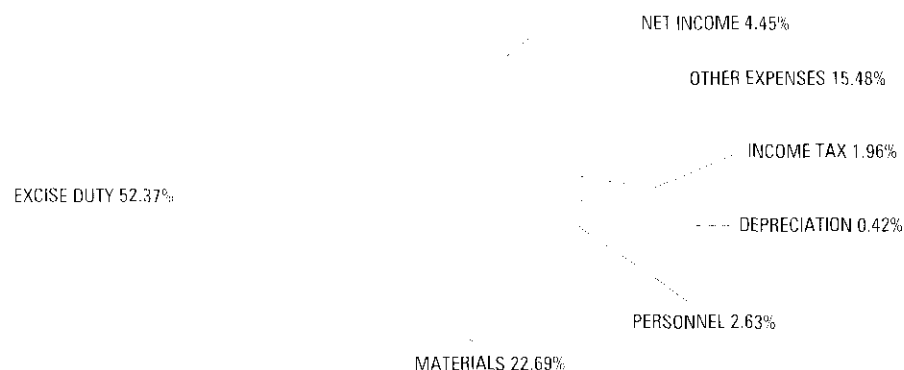
	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
CAPITAL EMPLOYED										
Net Fixed Assets	5155	2695	2342	2021	1659	1611	1923	1920	1684	1463
Investments	3968	3647	2781	2628	3341	1496	808	958	146	781
Working Capital	13069	10449	8985	9202	5598	5561	7068	3832	1762	586
Total	22192	16791	14108	13851	10598	8668	9799	6710	3592	2830
FINANCED BY										
Shareholders' Funds	16239	13021	10280	8805	7416	5350	4515	3133	1912	934
Borrowings	5953	3770	3828	5046	3182	3318	5284	3577	1680	1896
Total	22192	16791	14108	13851	10598	8668	9799	6710	3592	2830
OPERATING PERFORMANCE										
Gross Revenue	106249	102355	88568	79768	75988	67680	69982	70429	53592	46841
Excise Duty	55639	55996	47951	45633	44592	40898	44894	44953	35718	34304
Depreciation	447	211	204	190	174	194	185	193	186	164
Profit Before Taxation	6808	5935	4500	3601	4845	2446	2221	3475	2118	797
Profit After Taxation	4603	3885	2276	2012	2947	1255	1101	1483	1175	397
Dividend	#1385	#1144	#801	624	520	390	315	263	196	132
Retained Earnings	3218	2741	1475	1388	2427	865	786	1220	979	265
INVESTORS' DATA										
Earning Per Equity Share (Rs.)*	44.27	37.36	21.89	19.35	28.34	12.06	10.56	14.23	11.28	3.80
Dividend per Equity Share (Rs.)*	12.00	10.00	7.00	6.00	5.00	3.75	3.00	2.50	1.87	1.25
@Book Value per Equity Share (Rs.)*	153.89	122.94	96.58	82.39	69.05	45.71	37.40	29.83	18.10	8.69
No. of Shareholders	15557	16994	17977	18427	17705	16276	15562	14874	14371	14924

* Figures of Equity Data for previous years have been recast to make them comparable consequent to the bonus shares in 1991-92 & 1992-93

@ Excluding Revaluation Reserve

Including Corporate Dividend Tax

Revenue Distribution (%)



Dear Shareholder,



The basic agenda of all political parties is improvement in the standards of living of the common man through faster implementation of economic reforms and growth programmes. This is fully endorsed and supported by the business and industrial community. After an initial phase of hesitation and prevarication, we have entered into a phase of more stable and focussed economic growth. Any programme that can bring about changes has to be based on the needs and opportunities that exist in the country. 70% of our people live in rural areas and primarily depend on agriculture. Our thrust and focus has to be improving their earnings by offering them technology to add value to their produce, by training them to improve their farm practices and by educating them to help improve their understanding of the environment. Our priorities have to be based on our current and imminent needs which are different from those in the developed world. Tobacco is the most important cash crop of the Country. We are the third largest producer of tobacco in the world. There exists a US \$ 30 billion international trade in tobacco. However, our value addition to this agri-commodity is one of the lowest amongst other tobacco producing countries. It is primarily due to the indifferent attitude and lack of long term focus. Tobacco provides employment to nearly 26 million people. It is grown in areas where there is no equally remunerative crop possible. We have excellent opportunity in enhancing export earnings several fold from tobacco. For that we have to encourage production of those products which the customers in the international market demand. The per capita consumption of cigarettes in India is amongst the lowest in the world. There exists a good opportunity for growth of our business in India, despite increasingly hostile environment.

A handwritten signature in dark ink, appearing to read 'R. A. Shah'.

R. A. Shah
Chairman

Board of Directors

R.A. Shah - Chairman
 K.K. Modi - President
 Lalit Kumar Modi - Executive Director
 Samir Kumar Modi - Executive Director
 Lalit Bhasin
 P.R. Khanna
 Anup N. Kothari
 C.M. Maniar
 O.P. Vaish
 S.V. Shanbhag - Whole-time Director

Bankers

State Bank of India
 Bank of Baroda
 Bank of India
 Citibank N.A.
 State Bank of Hyderabad
 State Bank of Travancore
 The Hongkong and Shanghai
 Banking Corporation
 Union Bank of India

Company Secretary

R. Joshi

Registrars and Transfer Agent

MCS Software Solutions Ltd.
 Rajan House
 Opp. Century Bazar
 Prabhadevi
 Mumbai - 400 025

Auditors

A. F. Ferguson & Co.

Corporate Office

Four Square House,
 49, Community Centre,
 Friends Colony
 New Delhi - 110 065.

Internal Auditors

Lodha & Co.

Other Offices

Ahmedabad, Bangalore, Calcutta, Chandigarh,
 Ghaziabad, Hyderabad, Mumbai, New Delhi

Solicitors

Crawford Bayley & Co.

Leaf Division

Guntur (Andhra Pradesh).

Registered Office

Chakala, Andheri (E), Mumbai 400 099.