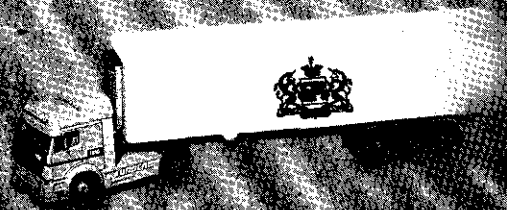


R e a c h i n g O u t . G e t t i n g C l o s e r .

A N N U A L R E P O R T 1 9 9 9 - 2 0 0 0

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Getting closer to the consumer

Godfrey Phillips India Ltd. occupies the pinnacle

of an enormous pyramid whose foundation is made

of the millions of consumers and retailers who are

loyal to our business and to our brands.

Report

Junction

The cement that holds this foundation in place is our

legion of direct customers; the countless dealers and

retailers across the length and breadth of the country

who make our products reach our consumers.



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The whole edifice of our business rests on

this foundation. We are continually finding new

ways to strengthen it.

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Building customer sensitivity

Market feedback is critical to decision making. We are taking advantage of the information technology now available to network ourselves as closely as possible to



every corner of the business space we occupy. Now information flow from all corners will help make us more

Report Junction.com

efficient through the chain of procurement, production and distribution. The entire process shall help us react to customer needs with immediacy and in turn will benefit both our consumers as well as the Company. In pursuit of greater customer satisfaction, we have also restructured our service process by decentralizing and empowering the people at the ground level to spontaneously respond to market demands. This not only makes us more consumer-sensitive as a company, but fosters a greater sense of involvement and ownership.



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The consumer shall be able to get the

freshest product delivered to him in a more

efficient manner and at a lower cost.

The bottom line

Delivering quality and value to the customer is

in the enlightened self-interest of any business

organization. Eventually, that is what will produce

consistent growth and build shareholder wealth.



Using the tools of technology and restructuring

ourselves from within to have a greater focus on the

customer will ready us for the emerging globally

competitive environment and growing expectations of

shareholders.

report  junction.com

Your Company is an organisation that never

stands still. And we are moving fast to be

ready for the future.



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President's



Dear Shareholder,

We completed the year 1999-2000 with a fair degree of satisfaction. Various pre-emptive actions and continued improvement in productivity have helped the Company improve its financial performance. Our export earnings are substantially higher over the previous year. We have, therefore, rewarded our shareholders this year with a higher dividend at the rate of Rs. 14.50 per share as against Rs. 12.00 in the previous year.

The Industry is faced with challenges thrown by the environment and market conditions greater than ever before. The management has initiated a number of corrective actions to minimise our volume losses. The indifferent attitude and short-sighted policies of the Government continue to impede the natural growth of the Industry which remains stagnant almost at the same level it was some 15 years ago. As a matter of fact, in the year 1999-2000, the Industry lost a volume of 4 - 5 % over the previous year. In spite of the declining trend and against the plea the Industry made, the government again raised the rates of excise duty this year by nearly 5%. A number of state governments continued to increase the levy of local taxes on cigarettes. You are already aware that cigarettes account for less than 20% of the total tobacco consumption in the country but contribute nearly 90% of the revenue to the government from tobacco sector.

Your Company is focussing its efforts on providing maximum value to its customers. This is with a view to respond faster to changing consumer expectations in the emerging dynamic environment. We are taking advantage of the technology now available to help the consumer get freshest stock at lower cost. All our major customers are being electronically linked to the Company for spontaneous feedback and response to the market needs. Looking at the positive trend in the economic indicators at the macro level, I am confident that the consumer goods sector should get an impetus to grow and, therefore, barring some temporary setbacks, we should continue to do better in the years to come.

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

K.K. MODI

President

H i g h l i g h t s

(RUPEES IN LACS)

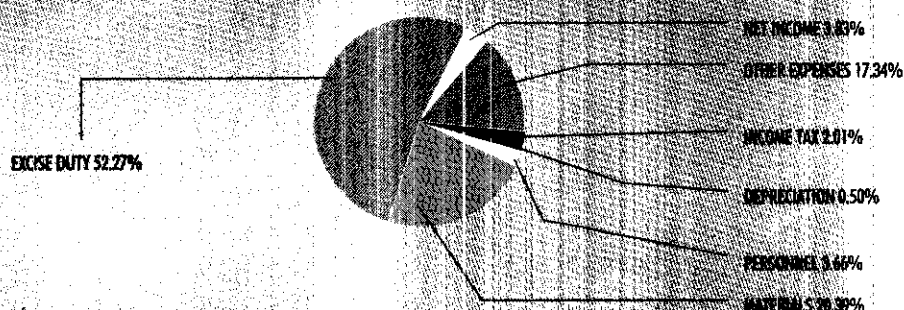
	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
CAPITAL EMPLOYED										
Net Fixed Assets	6384	5155	2695	2342	2021	1659	1611	1923	1920	1684
Investments	7722	3968	3647	2781	2628	3341	1496	808	958	146
Working Capital	8619	13069	10449	8985	9202	5598	5561	7068	3832	1762
Total	22725	22192	16791	14108	13851	10598	8668	9799	6710	3592
FINANCED BY										
Shareholders' Funds	18775	16239	13021	10280	8805	7416	5350	4515	3133	1912
Borrowings	3950	5953	3770	3828	5046	3182	3318	5284	3577	1680
Total	22725	22192	16791	14108	13851	10598	8668	9799	6710	3592
OPERATING PERFORMANCE										
Gross Revenue	109408	106249	102355	88568	79768	75988	67680	69982	70429	53592
Excise Duty	57193	55639	55996	47951	45633	44532	40808	44894	44953	35718
Depreciation	551	447	211	204	190	174	194	185	193	186
Profit Before Taxation	6386	6808	5935	4500	3601	4845	2445	2221	3475	2118
Profit After Taxation	4210	4603	3885	2276	2012	2947	1255	1101	1483	1175
Dividend	#1674	#1385	#1144	#801	524	520	390	315	263	196
Retained Earnings	2536	3218	2741	1475	1388	2427	865	786	1220	979
INVESTORS' DATA										
Earning per Equity Share (Rs.)*	40.48	44.27	37.36	21.89	19.36	28.34	12.06	10.56	14.23	11.28
Dividend per Equity Share (Rs.)*	14.50	12.00	10.00	7.00	6.00	5.00	3.75	3.00	2.50	1.87
@Book Value per Equity Share (Rs.)*	178.27	153.89	122.94	96.58	82.39	68.05	45.71	37.40	29.83	18.10
No. of Shareholders	14004	15557	16994	17977	18427	17705	16276	15562	14874	14371

* 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 (%)



Chairman's



Dear Shareholder,

The thrust and focus of the Government in opening up the economy and intensifying efforts towards rapid implementation of fiscal as well as monetary reforms has begun to yield results. Our foreign exchange reserves are burgeoning and rate of both internal and external investments is growing. Government is also accelerating the process of privatisation of a number of sick public sector undertakings. This should help in containing budgetary deficits. If planned investments in infrastructure can be stepped up, we will emerge as a force to reckon with.

The agricultural sector, however, is not receiving the kind of impetus that it deserves. We require rapid and large scale reforms in that sector. Agri-based industrial products that add value to the farmers' produce are the only answer in alleviating poverty of our teeming millions in rural India.

The tobacco sector also continues to languish as a result of indifferent attitude and erratic policies of the Government. Multiple and discriminatory taxes on cigarettes discourage our number of tobacco users from upgrading to a modern and better quality product. It also inhibits us from tapping our full potential for exports. We, along with other members of the industry, are in continuous dialogue with both Central and State Governments stressing the imperative need for pragmatism, especially when conditions in India vary so greatly from those in the West. India has already established its supremacy in Infotech sector and there is no reason why this cannot be extended to other sectors as well. We are engaged in two large agri-based products viz. tobacco and tea, wherein India enjoys a position of primacy both in terms of production as well as consumption. I believe both our businesses offer us attractive opportunity and you may look forward to continuing growth and profitability.

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

R.A. SHAH

Chairman