



Harnessing the winds of change

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Towards a brighter future

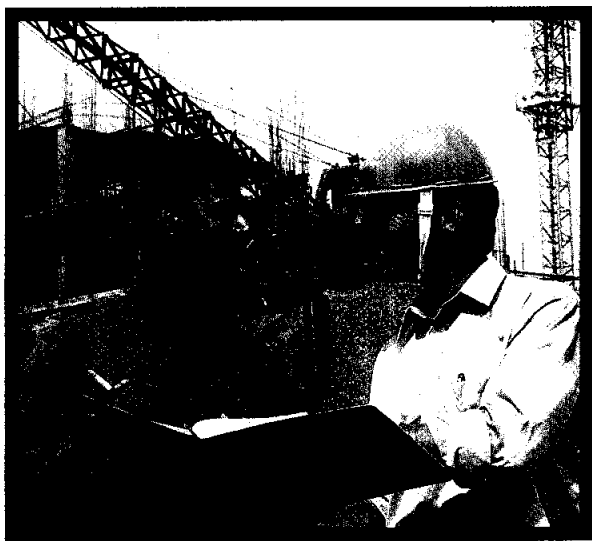
The winds of change are sweeping across the nation and sculpting a whole new economic and social environment. Today, the consumer isn't what he used to be. He has evolved. His needs and aspirations are changing. He demands products that suit his new lifestyle. And he expects quality of a higher order. Naturally, such an environment demands excellence and innovation.

The challenge is to be able to cater to the changing needs, perceptions, aspirations and expectations of our customers. A challenge GPI is gearing up to meet with better R&D, upgraded manufacturing facilities, new marketing strategies and a focus on customer services.

At GPI, we believe that the winds of change are bringing with them a host of opportunities for growth and expansion. Which is why the company has commenced the re-strengthening of infrastructure and gearing of skills to harness every opportunity to its advantage.

And we are confident that by delivering on our promise of excellence, we will not just meet the needs of the market but also achieve higher goals and realize new dreams.

Report



Harnessing change for a winning combination

Despite being the third largest consumer of tobacco in the world, cigarette consumption in India accounts for just 16% of the overall tobacco consumption in the country. A small number for some, for GPI that 16% is a promise of growth. Because we have seen that, as countries and their economies develop, consumers, in due course of time, graduate from other forms of tobacco to cigarettes. Currently in the rest of the world, cigarettes constitute, on an average, 90% of tobacco consumption.

As the purchasing power of a large section of India's population increases, there will be, in all probability, a shift from cheaper forms of tobacco to much more modern and hygienic products like cigarettes.

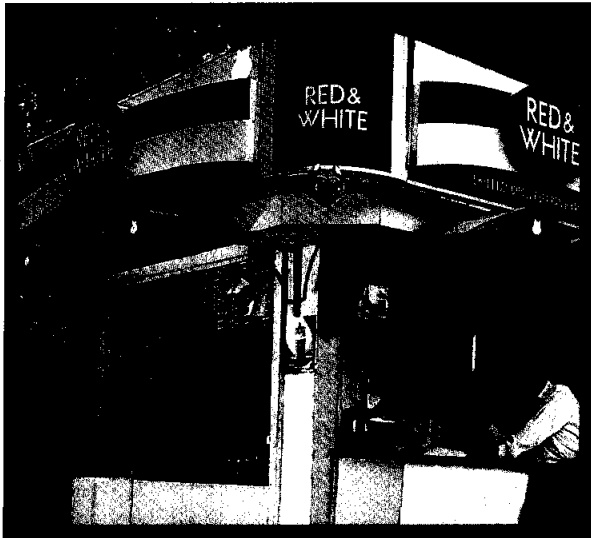
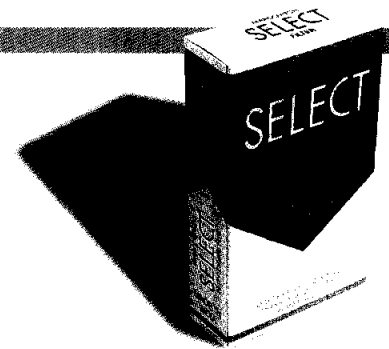
We at GPI, therefore, have decided to continue with our focus on our core competencies and thereby consolidate our position within the cigarette industry. By establishing our stronghold within the industry, we will be able to capitalize on the high growth potential cigarette market.

In order to cater to varying consumer needs and consolidate our market share, we intend to not only revitalize and retune our existing products, but also launch new products to cater to the mass market.





At GPI, reaching out to the customer, even in the interiors of rural India and catering to his needs is of utmost importance.



To make these products successful in the market, the company would be establishing a wider distribution network to ensure availability in all weather conditions. Of course, strong merchandising, increase in brand visibility and forging of stronger relationships with trade partners would be equally critical.

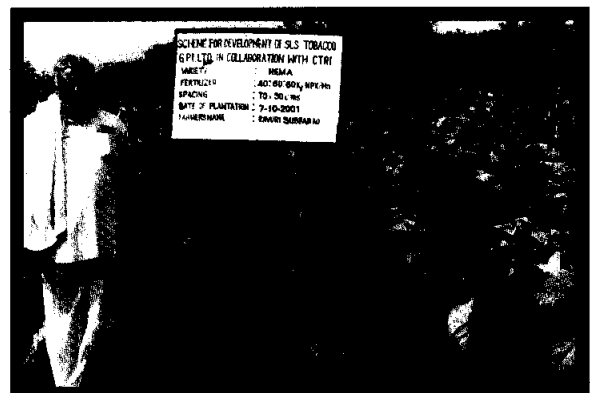
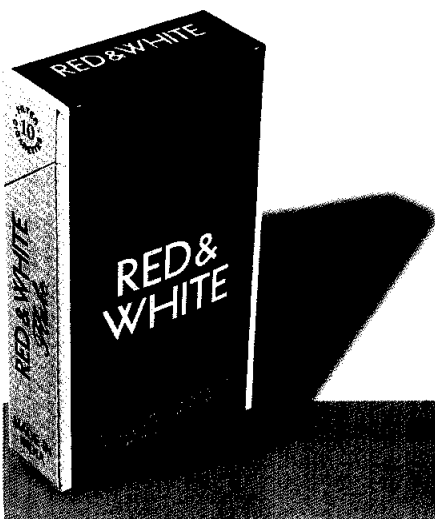
Meanwhile, we will aggressively continue with our efforts to entrench ourselves in the export markets. Today, a host of factors, such as low production costs, low ocean freight, low TSNA's and extremely competitive export prices have contributed to our growth in these markets. And our products continue to meet the most stringent parameters of quality and processing and are on par with international standards.

Spearheading change for improved productivity

India is the second largest producer of tobacco in the world. GPI realises the need to train and educate farmers and give them all the support required to produce higher yields and better quality of crop.

In the past few years, GPI has consciously taken steps to get closer to the farmers who cultivate tobacco, because we consider them to be our partners in growth. And providing them with the support they require is more than just financially beneficial, it is a duty one partner has towards another.

GPI has been helping tobacco farmers in the areas of improving their yields, quality and earnings per hectare. These development projects include not only providing healthy seedlings of high yielding varieties, but also imparting technical training and support in adopting right farming, curing, grading and packing practices. The results have been highly rewarding for the farmers, and their yields as well as earnings have gone up several times compared to other farmers in the region. Some of our farmers like R. Subbarao of Andhra Pradesh won a gold medal and six other farmers of different growing regions were given best grower awards for producing superior quality tobaccos. The work undertaken by GPI has been appreciated by both CTRI scientists and Tobacco Board.





The GPI family is a unique blend of experience and innovation working hand in hand to provide unbeatable solutions. Together they form a winning combination unlike any other.



Implementing change for a competitive advantage

This year, GPI has brought about various changes within the company. New departments have been set up and existing systems and processes have been restructured in order to meet new challenges and deliver the very best.

The year has witnessed the establishment of a corporate development department to continuously keep a tab on the changing domestic, as well as, global environment, consumer needs and attitudes. This will help the company to prepare itself in time to meet the emerging market opportunity in a most cost efficient manner.

On the other end of the spectrum, we also realised our dream of creating open channels of communication by launching 'Hello GPI', an internal IT initiative designed to ensure involvement of all the members of the GPI family. This endeavour enables even the humblest employee to gain direct access to all levels of management with his ideas and concepts for the betterment of the company.

We also turned our attention from mere employee satisfaction to active employee participation through our 'Superior Employee Engagement Programme'. Going beyond the age-old performance appraisal system, this process encourages every member of the GPI family to contribute their very best and be appropriately rewarded. By empowering our people, we in turn, add more power to our company.

By harnessing the winds of change to our advantage, we are confident of securing a competitive edge within the



industry. This shall continue unbridled in the future. In order to leverage our core competencies and expand the realms of our core business, we intend to expand our product range as well as introduce other forms of tobacco including cigars.



President's

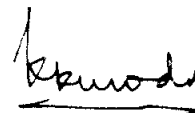
M e s s a g e

Dear Shareholder,

Your company has been able to post another year of record net profit in the year 2001-02. The Board of Directors were also pleased to recommend the highest ever dividend to its shareholders at Rs.18.50 per equity share. Your company continues to face formidable challenges not only from the daunting dominant rival ITC Ltd. but also from the invasion of a spate of cheap smuggled cigarettes entering the country from neighbouring countries. This has impacted volumes of not only the cigarette industry, as a whole, but also of the bidi industry which has been enjoying a hefty price advantage because of comparatively low excise duty.

We, therefore, embarked upon a programme to focus our strategy at regaining the confidence of our consumer by offering him a very high quality product at a competitive price. We are investing heavily in developing new products and improving the existing ones to match world class standards. I strongly believe that our growth and success on a sustainable basis lies in maintaining the loyalty of our valued customers. We have also refocused our attention towards motivating our entire work force, hiring and retaining the best talent through best possible Human Resource practices.

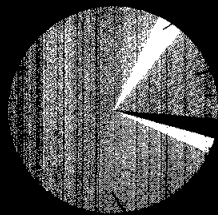
Changing our primary focus on to our customers and employees has started yielding results that we are noticing in the current year in the form of some improvement in our market share. However, we have yet to go a long way and meet greater challenges from domestic as well as global competitors in the years to come while continuing to dissuade the Government from following policies inimical to the interest and growth of the domestic cigarette industry. The investment we are making in bringing about a change in strategic direction will hopefully yield improved returns for the shareholders in the year to follow.



K. K. Modi
President

Financial Highlights

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M e s s a g e

Dear Shareholder,

The year 2001-02 started on an ominous note for the cigarette industry in India after the Finance Minister imposed a very sharp hike in excise duty of as much as 15%. Corresponding increase in the prices moved many brands out of the convenient price of Re. 1/- per stick. This encouraged an unprecedented influx of very cheap smuggled cigarettes from neighbouring countries. As a result, domestic companies (including ours) were badly mauled. While the Industry was still reeling from this setback there came the horrendous terrorist attacks of September 11 and December 13 in the USA and India respectively. The world was stunned by the September 11 disaster. The world economy was devastated and India was no exception. Investments and consumer spending plummeted and general economic sentiment was battered. Against an estimated GDP growth of 6.5%, India registered an increase of only 5.4%, though relatively better than many other developing countries.

Even though India is the second largest producer and third largest consumer of tobacco in the world, the share of cigarettes in the total consumption in India is abysmally low at 16% against an average of 90% in the rest of the world. Cigarette, no doubt, is the most preferred form of tobacco consumption globally, but the Indian consumer is denied the choice due to prohibitive tax on cigarettes and also discriminatory restrictions on its marketing and sales in many parts of India. Given the requisite focus, the cigarette industry can become a leading foreign exchange earner for the country through export of value added products. We would welcome a reasonable and practical regulatory mechanism. But indiscriminate and irrational marketing and selling restrictions may harm the industry further. The tobacco industry provides employment to nearly 26 million households and with its potential, both in terms of revenue and foreign exchange generation, it deserves a long term, perceptive and sagacious policy on the part of the Government. I am hopeful that inspite of some setbacks in the short term, the cigarette industry has good potential for growth alongside improvements in general economy and disposable income. From that exudes my cautious optimism for the future of the Company.

R. A. Shah
Chairman

Financial

H i g h l i g h t s

	(RUPEES IN LACS)									
	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
CAPITAL EMPLOYED										
Net Fixed Assets	7037	6987	6384	5155	2695	2342	2021	1659	1611	1923
Investments	12873	8080	7722	3968	3647	2781	2628	3341	1496	808
Working Capital	8510	12041	8619	13069	10449	8985	9202	5598	5561	7068
Total	28420	27108	22725	22192	16791	14108	13851	10598	8668	9799
FINANCED BY										
Shareholders' Funds	24170	21597	18775	16239	13021	10280	8805	7416	5350	4515
Borrowings	4029	5511	3950	5953	3770	3828	5046	3182	3318	5284
Deferred tax liabilities (net)	221	--	--	--	--	--	--	--	--	--
Total	28420	27108	22725	22192	16791	14108	13851	10598	8668	9799
OPERATING PERFORMANCE										
Gross Revenue	96002	100439	109408	106249	102355	88568	79768	75988	67680	69982
Excise Duty	47049	44375	57193	55639	55996	47951	45633	44592	40898	44894
Depreciation	811	769	551	447	211	204	190	174	194	185
Profit Before Taxation	7184	7237	6386	6808	5935	4500	3601	4845	2446	2221
Profit After Taxation	4780	4656	4210	4603	3885	2276	2012	2947	1255	1101
Dividend	1924	# 1834	# 1674	# 1385	# 1144	# 801	624	520	390	315
Retained Earnings	2856	2822	2536	3218	2741	1475	1388	2427	865	786
INVESTORS' DATA										
Earning Per Equity Share(Rs.)*	45.96	44.77	40.48	44.27	37.36	21.89	19.35	28.34	12.06	10.56
Dividend Per Equity Share(Rs.)*	18.50	16.00	14.50	12.00	10.00	7.00	6.00	5.00	3.75	3.00
@ Book Value Per Equity Share(Rs.)*	230.15	205.42	178.27	153.89	122.94	96.58	82.39	69.05	45.71	37.40
Number of Shareholders	13198	13797	14004	15557	16994	17977	18427	17705	16276	15562

* 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 (%)

