



GODFREY PHILLIPS  
—INDIA LIMITED—



ANNUAL REPORT

2010 - 2011





## COMMITTED

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## TO A BETTER WORLD

Our continuous endeavour to create a selfless, compassionate world accompanied by a strong desire to constantly improve, innovate and look ahead, is forever driving us forward. The Godfrey Phillips Bravery Awards reaching the momentous 20th year milestone is yet another example of our deep rooted commitment to help create a better world.

We believe that when the future is envisioned with focus, passion and abiding commitment towards whatever we do, nothing can stop it from becoming a reality.

It is this vision that encompasses every aspect of our business, shapes every decision that we take, encourages us to constantly innovate new products for our consumers and has helped us become one of India's largest tobacco companies.

# STRIVING TO BUILD SUPER BRANDS

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## KEY BRANDS

*Our product portfolio extends across industries, from tobacco, confectionery, pan masala to tea. The year has seen the consolidation and growth of most of our brands and new brand launches in several categories. Introduction of brand variants and strong marketing and distribution efforts have also paid rich dividends. Many new territories have been added to our areas of operation and significant growth has been achieved in all markets.*



### FS1

Two years of meticulous research and development bore fruits with the successful entry of Godfrey Phillips India into the Kings Size and Premium Regular Size segment with the launch of FS1. This brand of premium cigarettes from Four Square was launched in key markets. Its success was the result of good consumer understanding and pack-design effort.



### FOUR SQUARE

The year saw substantial strengthening of the franchise across markets through focused brand building initiatives. Leveraging the powerful brand symbol, Four Square launched a new retail identity across markets drawing consumer attention and appreciation.

Keeping true to the brand values of innovations, Four Square introduced tactile packaging with micro-embossing technology. A series of innovative Limited Editions were launched to infuse new energy into the brand.



### STELLAR

India's first slim cigarette brand Stellar "Exquisite Taste" saw the addition of two new variants, "Supreme Taste"—the full flavour variant and "Smooth Taste"—the light variant. The Stellar smooth and stylish cigarette variants were successfully launched in Kolkata in October 2010.



### RED & WHITE

A brand that has continued its impressive growth, Red & White is one of the most popular offerings in its segment. Red & White is available in different variants such as - R&W Flake, R&W Deluxe and R&W Flake Special, each having its own signature taste. The brand is also known for innovative packaging and product design.



## MARLBORO

The iconic Marlboro brand saw a spurt of growth with sales growing by more than 60% over last year's figures. The coverage of the brand has grown to a massive 70,000 retailers and these exclusive cigarettes have been very well received in the market. The launch of Marlboro Compact in the Premium Regular Size segment has further strengthened the brand in India.



## CAVANDERS

The year 2010-11 marked the rejuvenation of the Cavander franchise which presented a contemporary face of the brand through newly launched variants. Cavander Gold launched in March 2010, has now become a significant brand in the existing markets and is growing at a healthy pace.

# COMMITMENT TO INNOVATION

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## SONNA BIDI

To fulfill its commitment to constantly seek out new opportunities, Godfrey Phillips India has forayed into the bidi market, which is estimated at Rs. 12000 to 15000 Crores, with a production of 700 billion sticks per annum.

The Sonna brand, targeted at the discerning quality seeker is known for good quality tendu leaves and consistently filled tobacco. The brand has also taken the market by a storm with its various innovations. Sonna Bidi launched a first in the bidi industry—a filter bidi under the umbrella brand and presently has both filter and non-filter variant. The filter bidi, especially, has created a buzz in the market.

## PAN VILAS

Godfrey Phillips India's foray in pan masala segment with the premium brand Pan Vilas, has seen success and received accolades. With its exceptional taste and very high quality ingredients, the brand garnered an enviable market share in the first year of the launch itself.

Pan Vilas is manufactured at Baramati, a state-of-the-art plant that employs some of the world's most advanced food processing technologies in providing a high quality, hygienic and impurity free experience. The brand does not contain Magnesium Carbonate, is tobacco free, and thus, goes a step further to ensure quality and establish trust.

Brand and product acceptance was driven through extensive above-the-line advertising and innovative means of trial generation. Consumer response has been encouraging and the regular user base has been growing consistently over the year.

# LEVERAGING THE MOST PROMISING TRENDS

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## TEA

Godfrey Phillips India's Tea City has been ranked as the 8th largest player overall in the Indian retail market, and the 6th largest in modern trade. This in itself speaks volumes about the commitment to strengthen and grow the portfolio of tea business.

The tea brand portfolio has witnessed renewed and extensive marketing, product development and new launch activities to boost growth. Symphony saw its entrance into the institutional channel with the 100 tea bags pack; Super Cup was highly active in the festival season with special festive packs; Samovar's sales grew and special pack saw wide acceptance; Rangoli and Utsav were introduced in a new look for the contemporary times.



Tea City also created inroads into the international market with the launch of Symphony in Kyrgyzstan, Super Cup and Ustav in Singapore. Export grew to an all time high and new markets were added for bulk tea.

## MODERN TRADE

Modern Trade represents a very new focus area, which is growing at an exponential rate. Godfrey Phillips India's Modern Trade division in its third year of operation, clocked a robust growth and is opening up new opportunities for every category of products.

Whether it is tea, cigarettes, cigars or confectionery, the Modern Trade business is becoming a high growth area for the entire organisation. It was rated at the 6th slot in Modern Trade Tea Category by A.C. Nielson in 2010. There has been a huge response from a wide range of Modern Trade outlets, especially Big Bazaar, WalMart, Carrefour and Booker's.

## RETAIL

Twenty Four Seven plans to grow to 10 company owned stores this year, after proving to be a successful standalone operative model.

Twenty Four Seven has also successfully tied up with Indian Oil Company, for 100 stores across Northern India. The first test pilot retail outlet was launched in February 2010 at the prime location, Delhi Golf Club.

Around 21 sites have been further identified and sent to IOC for them to take approval from the required authority. The next site is scheduled to open in November 2011. As discussed with IOC, we plan to roll out 7 more of the outlets this year. The Twenty Four Seven division has also renewed its "Bites" food packaging which has helped the category grow.



# A VISION THAT IS EVER EXPANDING

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## DOMESTIC BUSINESS

Godfrey Phillips India has consistently expanded into new territories, and made a mark in markets. This growth saga has continued in the Eastern and Southern regions i.e. West Bengal and Tamil Nadu, and is heading for a successful entry in Andhra Pradesh. The success of our growth and expansion into new markets lies in our commitment to focus on consumer initiatives and continuous product improvements. Innovation in merchandising and the constant desire to bring delight to the consumers has also played an important role. The expansion and portfolio development in the last year has resulted in business value growth of 37% and business volume growth of 20%. This year has also witnessed the launch of Cavander Gold in West Bengal and Cavander Special in Tamil Nadu.

## INTERNATIONAL BUSINESS

With focus on expanding the product portfolio and entering new markets, Godfrey Phillips India entered six new markets during the year, namely Belize, Eritrea, Gambia, Guatemala, Lebanon, Togo, Trinidad and Tobago and Super Slims were added to the product range. To keep abreast of the dynamic market scenarios, additional managers were recruited for the high potential markets of Latin America and Africa.

# BUILDING A FOUNDATION OF TRUST

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## LEAF DIVISION

Leaf Division is committed to improving quality and productivity of different types of tobaccos and making tobacco cultivation a remunerative proposition for farmers and value for money to the customers. In pursuit of this, Leaf Division focuses on imparting the latest technical know-how to farmers and persuades them to take up good agricultural practices. Several projects were initiated and steps taken to fulfill this objective, including adopting farmers in Karnataka Light Soil, Northern Light Soil and Southern Light Soil regions. Converting the adopted farmers' fields into Model farms has also helped farmers from adjacent villages to emulate and adopt best agricultural practices. NTRM (Non Tobacco Related Material) awareness programmes were also conducted along with programmes on CPA (Crop Protection Agent). Our efforts bore fruit with several awards being conferred on the adopted farmers of Godfrey Phillips India, including Best Grower Award and Recognition Award. A large number of development activities and initiatives were also undertaken in conjunction with Government Agencies like the Tobacco Board and CTRI. We identified potential areas in Andhra Pradesh and carried out L.S. Burley, HDBRG and KFC (varieties of tobacco) development. We also identified growers for Cigar Wrapper in West Bengal in consultation with CTRI (Central Tobacco Research Institute), Dinhata and quality improvement initiatives were taken up along with technical guidance from Agronomist of Universal Leaf Tobacco Company Inc. (ULTCI), Indonesia.



The Leaf Division also made significant contributions to the Social Responsibility Programmes for 2010-11 by conducting training programmes for farmers at PTP/Karedu for the Tobacco Board Field Staff and farmers at CTRI Kandukur and has also done an extensive campaign to discourage child labour, which is a prevalent problem.

# A COMMITMENT TO HIGHEST STANDARDS OF QUALITY

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## ANDHERI FACTORY

At the Andheri manufacturing unit, the focus has always been on achieving constant improvement in quality, environment health and safety, productivity, work-life and eco-sustainability. Numerous initiatives and activities are conducted throughout the year to achieve this.

In the year gone by, the unit saw the upgradation and recertification of ISO 9001:2008, 14001 and OHSAS 18001:2007.

In terms of productivity, the Andheri unit achieved the highest ever production of 8302.09 million for the year 2010 -11, and the highest ever production per month of 852 million in October 2010 and highest productivity of 18732 cigarettes per man hour.

There were a series of awards and recognitions for all of these sustained efforts including the prestigious Greentech Safety Management Gold Award 2011 for 'Outstanding Achievement in Safety Management', Greentech Environment Excellence Silver Award 2010 for 'Outstanding Achievement in Environment Management' and the INSSAN Award for Excellence in Performance of the Suggestion Scheme -2010.

## GULDHAR FACTORY

The Guldhar manufacturing unit won a slew of awards and showed real commitment towards improving every aspect of quality, productivity, technology, safety, work-life and eco-sustainability. On the technology front, high speed Make Pack machines were installed and commissioned, the 100 mm super slim cigarettes were manufactured and for the first time in India, a unique two stick Marlboro RSFT pack was successfully manufactured at the Ghaziabad plant and the FS1 RSFT cigarette was launched in the round corner pack segment.

Along with many other achievements, the Guldhar factory saw the installation of the second GD X-6 High Speed cigarette packing machine with square pack manufacturing capability for Marlboro, Decoufle Nano maker, TOFFI ripping machine, Precision Air Conditioners in quality lab for maintaining the precise RH Temp, QTM on shop floor for ensuring complete checking of cigarette quality, pressure reducing valve on cleaning air pipeline to reduce air pressure and a closed loop VFD (Variable Frequency Drive) based control on the low air pressure blower.

The unit also saw the integration of inner frame print registration in X-300 for on-pack marketing, advertising and promotions, upgradation of bundler and wrapper for improvement in efficiency, capacity enhancement and statistical process control implementation.

The Guldhar factory won recognition with a number of national awards, including the Green Tech Environment Gold Award 2010, the Green Tech Safety Gold Award 2010, and the second prize for Excellence in Performance of the Suggestion Scheme 2010 and a merit certificate in the Slogan Contest.



## RESEARCH AND DEVELOPMENT

Research and Development has played a vital role in powering Godfrey Phillips India's business growth. There has been a huge thrust on developing and launching new premium brands and research and product development has been the key to their success.

R&D has been instrumental in the development of new premium brands like FS1 in Regular and King Size and Stellar Kings in Full Flavour & Lights variants. Blend enhancement has also been an important component, and we have implemented new improved blends for all the three Regular Size Filter brands.



As a result of our efforts in R&D, we now have premium brands for the domestic market. We have also developed differentiated products for domestic as well as export markets, and have the capability to analyse samples on commercial basis from overseas customers due to our excellent Analytical Testing Infrastructure along with NABL certification.

Likewise, the Foods R&D has also played a key role in the development and launch of various products for the domestic market.

With a commitment to create greater opportunities for the organisation, the R&D efforts of Godfrey Phillips India will be given even greater impetus in the coming year.

## COMMITMENT TO PEOPLE, TO EXCELLENCE

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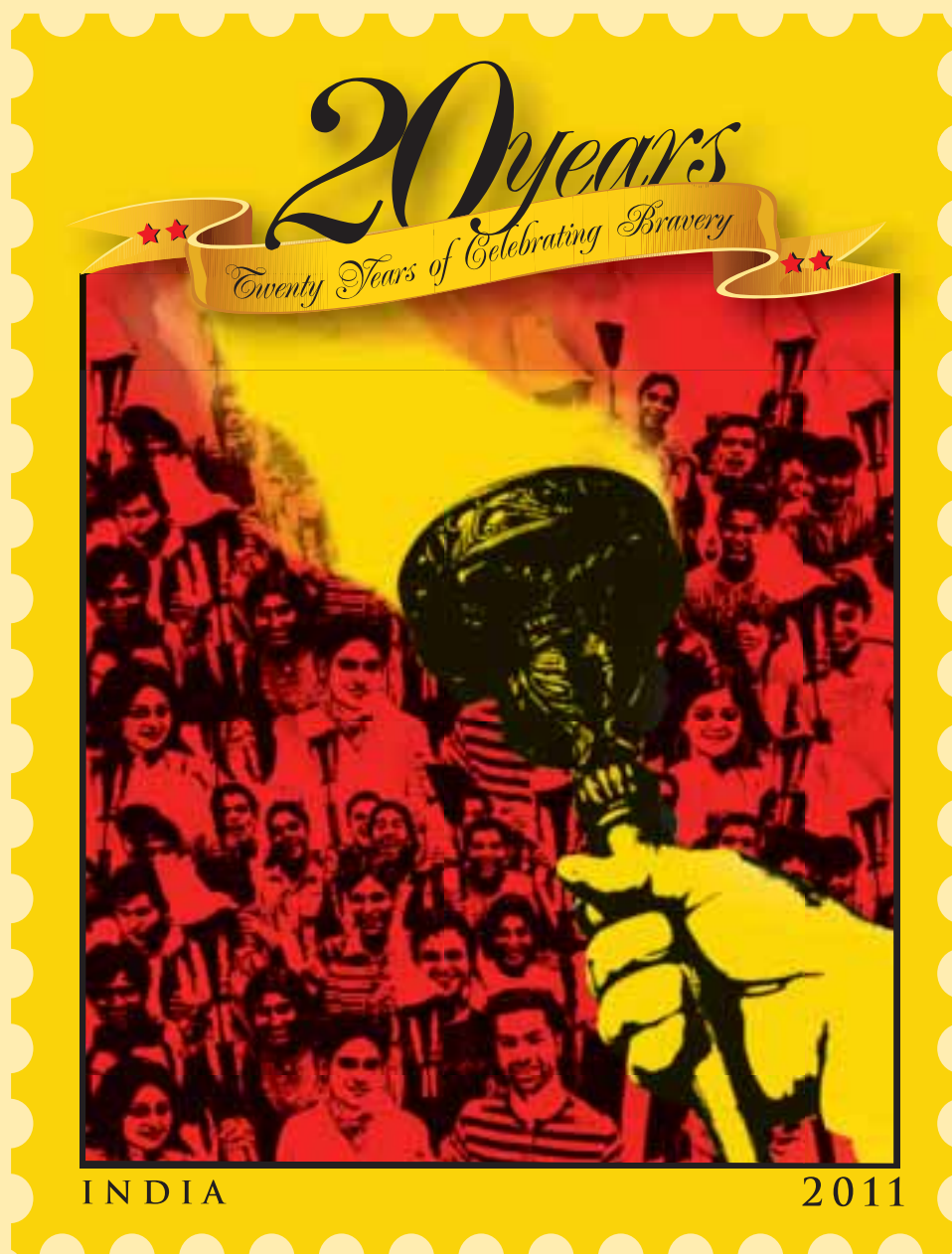
### HUMAN RESOURCES

Godfrey Phillips India is committed to empowering employees by aligning them with overall organisational goals and infusing them with the determination to be the best. To give shape to this commitment and to create a cohesive and determined workforce, we have initiated various organisation-wide projects. Targeted People Development initiative, which entailed scientific assessment of the developmental areas and series of Leadership Development Programs, has ensured that potential employees are scientifically assessed and prepared for fast growth.

The company has also inducted young talent from reputed B-schools and is grooming them for managing the current and upcoming business needs. We also conducted various interventions on multiple product handling for our sales force.

Our commitment to our people was recognised with the Greentech Silver Award for Excellence in the Best HR strategy category.





KEEPING THE FLAME OF BRAVERY  

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ALIVE FOR 20 YEARS