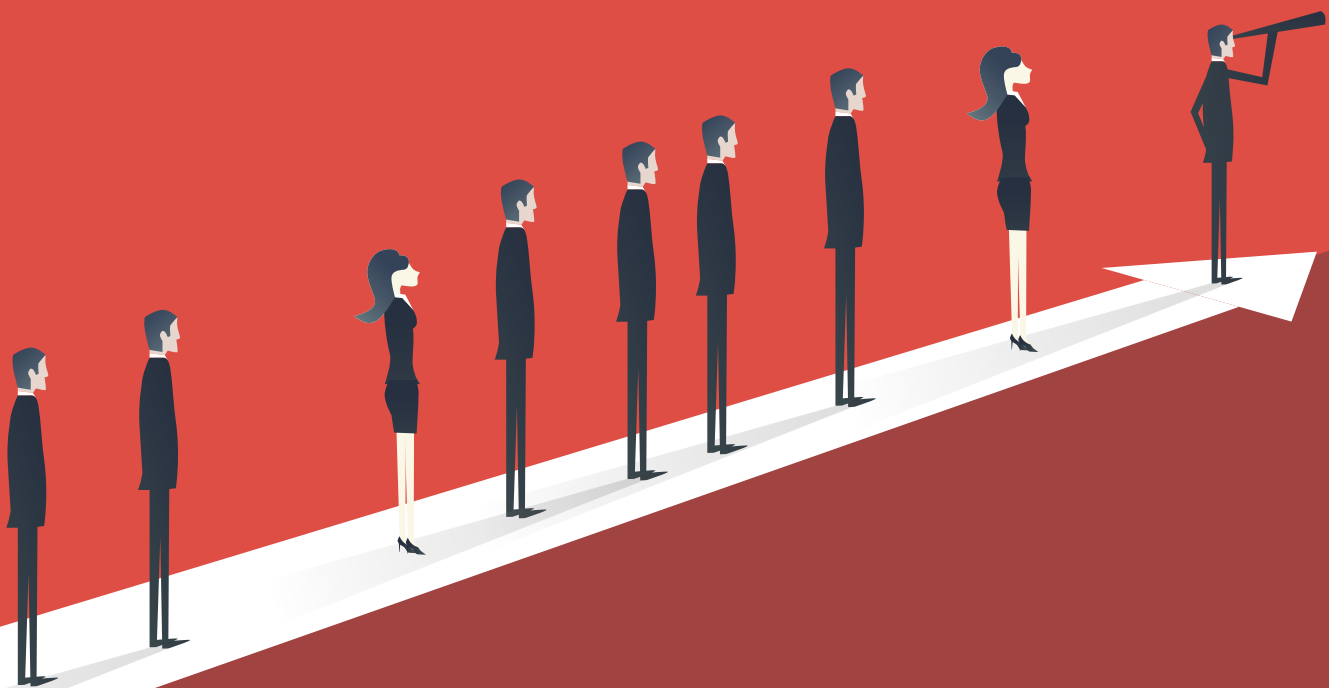


TOGETHER
WE RISE



ANNUAL REPORT 2020-21

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Corporate Information

Board of Directors

MR. R. A. SHAH - CHAIRMAN

(DIN 00009851)

DR. BINA MODI - PRESIDENT & MANAGING DIRECTOR

(DIN 00048606)

MR. SAMIR MODI - EXECUTIVE DIRECTOR

(DIN 00029554)

MR. SHARAD AGGARWAL - WHOLE-TIME DIRECTOR

(DIN 07438861)

MR. RUCHIR KUMAR MODI

(DIN 07174133)

DR. LALIT BHASIN

(DIN 00001607)

MR. ANUP N. KOTHARI

(DIN 00294737)

MR. ATUL KUMAR GUPTA

(DIN 01734070)

MRS. NIRMALA BAGRI

(DIN 01081867)

MR. SUMANT BHARADWAJ

(DIN 08970744)

CHIEF FINANCIAL OFFICER

Mr. Sunil Agrawal

COMPANY SECRETARY

Mr. Sanjay Gupta

REGISTERED OFFICE

'Macropolo Building', Ground Floor,
Dr. Babasaheb Ambedkar Road, Lalbaug,
Mumbai-400 033

CORPORATE OFFICE

Omaxe Square, Plot No 14, Jasola District
Centre, Jasola, New Delhi-110025

OTHER OFFICES

Ahmedabad, Chandigarh, Ghaziabad,
Hyderabad, Kolkata, Mumbai, Navi Mumbai,
New Delhi, Singapore

LEAF DIVISION

Guntur (Andhra Pradesh)

STATUTORY AUDITORS

S.R. Batliboi and Co. LLP, Chartered Accountants

INTERNAL AUDITORS

Lodha and Co., Chartered Accountants

REGISTRAR AND TRANSFER AGENT

Link Intime India Pvt. Ltd., C-101, 247 Park,
L.B.S. Marg, Vikhroli (West), Mumbai - 400083

SOLICITORS

Crawford Bayley and Co.

BANKERS

• State Bank of India • Bank of Baroda
• Bank of India • Citibank N.A. • The Hongkong
and Shanghai Banking Corporation • CTBC

CORPORATE IDENTITY NUMBER

L16004MH1936PLC008587

www.godfreyphillips.com



R. A. SHAH

Chairman's Message

Dear Shareholder,

As I write this letter, the world is still going through an unprecedented health crisis but showing signs of a sustainable recovery from the global pandemic. The environment of volatility and uncertainty continues to impact our day-to-day lives and the way we conduct business. Our top priority during these times was the safety of our workforce and to achieve that we have implemented various safety guidelines and protocols to ensure their well-being.

The fiscal year 2020-21 started on a subdued note with the outbreak of Covid-19 around the world and its subsequent impact on the global economy. Most nations had implemented strict lockdown measures and as a result, world economic output contracted by 3.3 % in 2020 as compared to growth of 2.8% in the previous year. However, governments and central banks of the major economies worked in tandem to ensure both stability and sustainability of their economies by introducing accommodating fiscal and monetary policies. The central banks started lowering interest rates to ease monetary policies ensuring liquidity in the markets. These policy measures had a positive impact on global economies, and along with the subsequent relaxation in lockdown restrictions, resulted in consumer demand and spending continuing to increase steadily.

India too was impacted by this health crisis and the first nationwide lockdown was announced in March 2020 in an attempt to curb its further outbreak. Business activities were completely halted and this once in a century like an event resulted in a sharp decline in demand for all types of goods and services, except for essential goods and services. In such economic conditions, overall GDP unsurprisingly contracted by 8.0 % in 2020 compared to growth of 4.0% in 2019. The swift actions on the part of the Government of India and the RBI ensured an appropriate economic response.

The tobacco industry too faced pressure as farmers were left with high stockpiles of tobacco leaf due to sudden cancellation of auctions and the unavailability of buyers. In addition, the shift in consumer demand towards essential products and the operating restrictions of pandemic together contributed to weaker demand for tobacco products. The recovery in consumer demand post easing of lockdowns provided the industry and farmers an opportunity to resume their business operations. We are cautiously optimistic of a gradual recovery in tobacco related products demand in the near term.

In these market conditions, I am satisfied with the Company's stable performance during the year. The financial performance was most impacted in first half of the year, as factories were temporarily closed and demand also declined with the restriction on public movement. With the gradual reopening of the economy in the second half of the year, the Company was able to recover its sales and post resilient results in the subsequent quarters. Domestic cigarette volume declined by 19.8% during the year. While our international business remained flat as compared to last year, although exports of unmanufactured tobacco and cut tobacco picked up from Q2 onwards. Our 24Seven convenience stores declined 13.5% in gross sales due to closure of stores and lower footfall in the first half of the year, contributing 9.6% to total net sales. As a part of our core strategy, we remained focused and committed to enhancing operational efficiency at the store level to deliver strong growth and an increasing financial contribution to the Company. The total number of stores was 93 at the end of March 2021. In summary, 24Seven closed the year on a stronger note and on a promising growth trajectory. As an organization, we continue to remain fully committed in complying with the regulatory requirements, ensuring quality products, best processes and practices, and undertaking various CSR initiatives to ensure the welfare of tobacco farmers and their communities.

We are a people-oriented Company and therefore, I am proud of the recognition that Godfrey Phillips has been accorded as one of "India's Best Companies to Work For", third year in a row. In conclusion, I would like to thank all our employees for their dedication and commitment in maintaining business continuity during the most challenging of times, the senior management for their strategic vision and unwavering leadership during a challenging year, and to all our customers, channel partners, the tobacco farming community, distributors and shareholders for their continuous support and confidence in our company.

With best wishes and warm regards,

R. A. Shah



BINA MODI

President's Message

Dear Shareholders,

The financial year 2020-21 was one of the most challenging years with the outbreak of the Covid-19 pandemic, resulting in the widespread shutdown of economic and community activities around the world and the subsequent waves of the coronavirus continue to have a devastating impact on the society. However, on a positive note, the ongoing vaccination drive and stricter adherence to Covid-19 protocols have enabled a steady economic recovery in several countries including India.

For the Company through the year, the top priority was to ensure the wellbeing of our employees. It is our belief that a high performing organisation is defined by empathetic management of people and talent. It is this unwavering commitment to the 'People First' philosophy and this value at the core of all our business strategy, which has helped Company to overcome the two waves of pandemic. The leadership remained committed to this employee centric vision even during pandemic; the validation of this humanistic way of managing business has come with the recognition of your Company as 'India's Best Companies to Work For', for third consecutive year.

This fundamental value has also inspired business resilience. Despite the challenging economic environment your Company delivered Gross Sales of Rs. 6,408 Crore in the fiscal year 2020-21, a decline of 10.3%. Of this the International Business Gross Sales were Rs 597 Crore, which remained flat as compared to last year. Several measures taken by the Company to optimize the cost with a view to offset the effect of decline in top-line, resulted in a Net Profit of Rs. 357 Crore, a decline of 8.0% over the last year. Overall, the business was clearly impacted by Covid-19 induced lockdowns and restrictions during the year, but we continue to remain fully committed to creating long term value for our shareholders. The Board of Directors was pleased to recommend the dividend of Rs. 24 per share for the financial year which is same as paid for the last financial year.

The tobacco industry was one of the most impacted industries given the complete and partial lockdown of factories, disruptions in supply chains, restrictions on public movement and the priority for essential products during the year. In line with the cigarette industry, Godfrey Phillips registered a decline of 19.8% in domestic cigarette volumes. However, the Company has been able to deliver year on year growth in its major operating segment of Regular Sized Filter Tipped (RSFT) cigarettes.

Our chewing and confectionary business Gross Sales also declined to Rs. 121 Crore largely due to supply chain disruptions caused by the restrictions put in place by State authorities. The strategy of Godfrey Phillips in this business area remains clear and consistent with a focus on the premium pan masala segment. In line with this, the Company also launched an innovative pan masala during the year marketed as "Pan Vilas Flavour Blast". We remain committed to enhance the profitability of this business segment.

Godfrey Phillips operates the 24Seven convenience store chain with 93 stores in northern part of India. During the year, Gross Sales declined by 13.5% to Rs. 355 Crore due to lower footfall, reduced operating days and hours amidst the Covid-19 pandemic. I am pleased that the stores serviced the consumers during the lockdown by providing all types of essential products and we ensured minimum personal contact at the point of sale to enhance consumer and employee confidence. Our store expansion plans are currently on hold and we continue to implement a cost rationalization program to further improve store level profitability in near term.

The Company has swiftly adapted to the new operating environment with limited disruptions and the business has continued its long-term growth trajectory, while supporting the local communities in which we operate. Our dedicated CSR team have provided aid with dry ration and distribution of safety kits in partnership with local bodies, in addition to the long-term comprehensive community development programs we have undertaken for marginalised tobacco farmers over the years.

Godfrey Phillips will continue to strengthen its core business of tobacco by launching products in accordance with changing consumer preferences and expanding its product portfolio. The Company further aims to penetrate deeper into key geographies and expanding its distribution footprint through increased digitalization. The Company's 24Seven retail business will continue to focus on meeting customer needs while delivering greater convenience, value and quality.

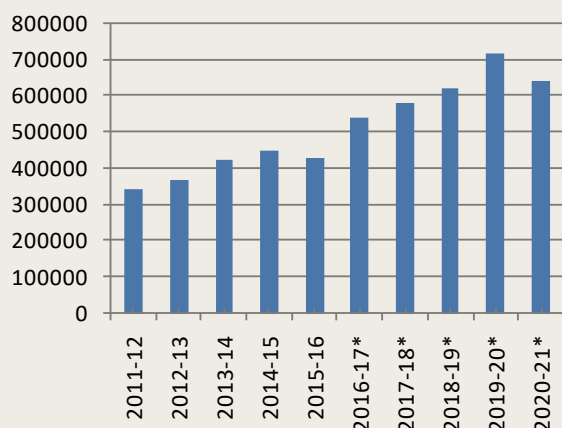
Finally, I am very proud of how the Godfrey Phillips leadership team has stayed focused on the business and together delivered a relatively stable financial and operational performance this year. I would like to again acknowledge the efforts of each and every one of our team members for their adaptability, resilience and contribution during an exceptionally difficult year. Lastly, I would like to thank all our consumers, business partners, distributors and shareholders for their continued support. With our clear strategic direction, Godfrey Phillips is well positioned to drive profitable growth in the coming years.

Warm regards,

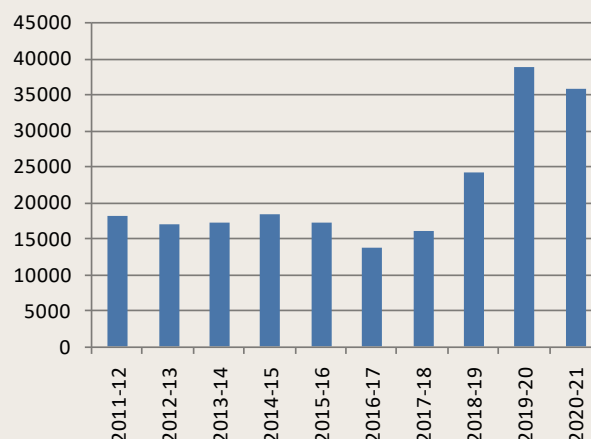
Bina Modi

Financial Highlights Trends

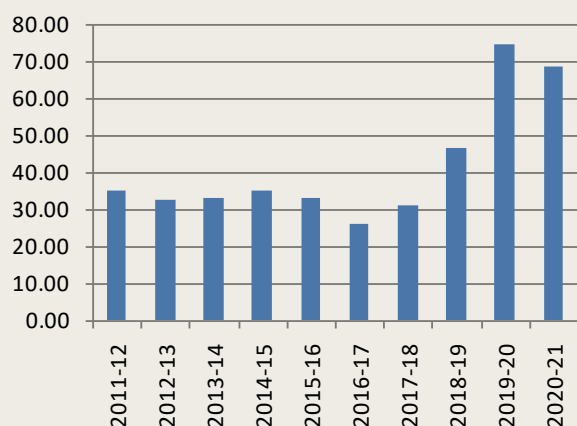
Gross Revenue* Amt (Rs. in lakhs)



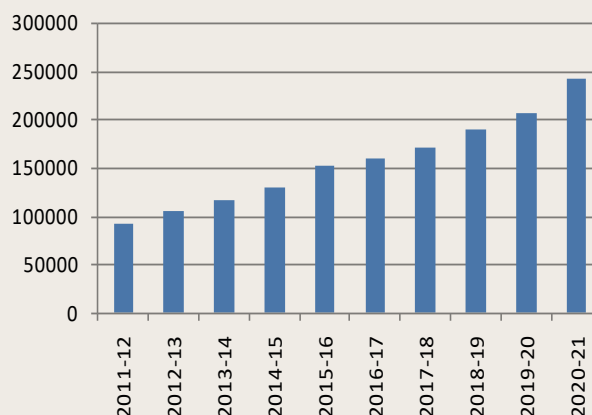
Profit After Tax (Rs. in lakhs)



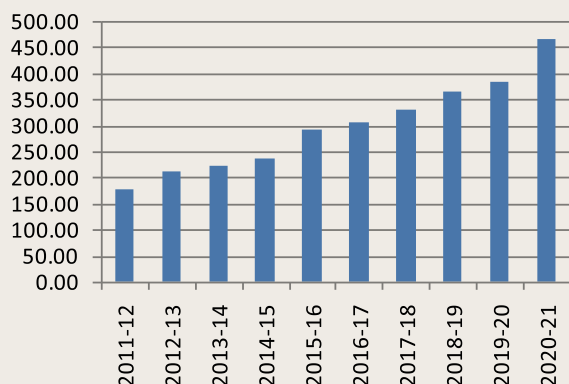
Earning per Share (in Rs.)



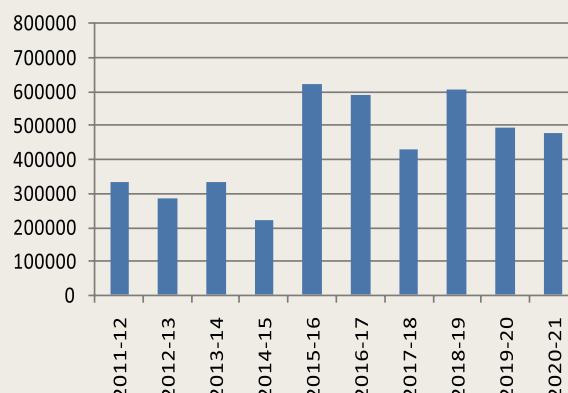
Shareholders' Fund (Rs. in lakhs)



Book value per Share (in Rs.)



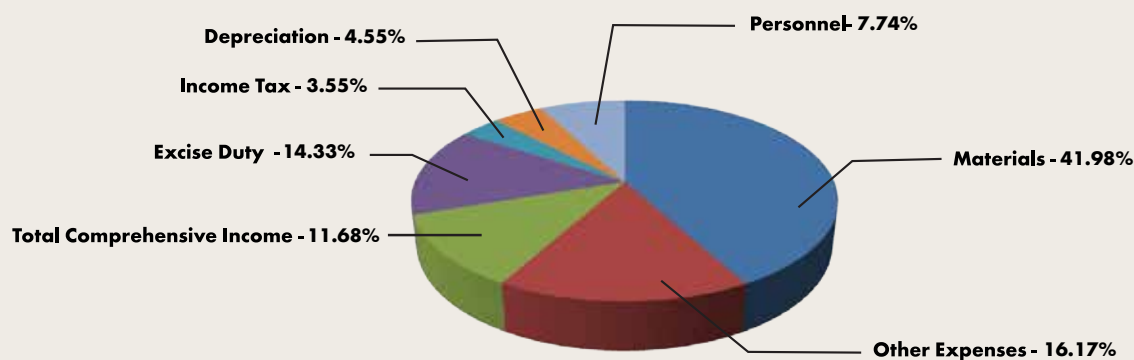
Market Capitalization (Rs. in lakhs)



*Gross Revenue figures for the financial years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 includes all applicable indirect taxes.

Financial Highlights

Revenue Distribution



(Rs. Lakhs)

PARTICULARS	2020-21*	2019-20*	2018-19*	2017-18*	2016-17*	2015-16*	2014-15	2013-14	2012-13	2011-12
CAPITAL EMPLOYED										
Property, Plant and Equipment (including Capital Work-in-Progress, Intangible Assets, Intangible Assets under development & Investment Property)	72667	68348	67983	65001	68709	72434	71393	71694	71887	67443
Right of use Assets ****	30380	34475	-	-	-	-	-	-	-	-
Investments	147584	118992	114267	89516	50006	39588	32238	35529	31853	35833
Other Assets (net)	31166	20085	11703	18955	47504	50719	51634	32052	31172	21016
Deferred Tax Assets (net)	-	-	-	-	180	1186	1653	973	-	752
Total	281797	241900	193953	173472	166399	163927	156918	140248	134912	125044
FINANCED BY										
Shareholders' Funds	241643	206085	189627	170728	159183	150964	129262	116370	104172	92091
Borrowings	7490	1114	4118	2672	7216	12963	27656	23878	30356	32953
Lease Liabilities ****	31969	34459	-	-	-	-	-	-	-	-
Deferred Tax Liabilities (net)	695	242	208	72	-	-	-	-	384	-
Total	281797	241900	193953	173472	166399	163927	156918	140248	134912	125044
OPERATING PERFORMANCE										
Gross Revenue	304344	315102	267103	293027	444281	429876	448589	422067	367282	341858
Excise Duty	43609	19144	11499	56509	200923	195922	196897	171653	157777	146058
Depreciation	13845	15238	9592	9565	9413	10220	10226	8655	8800	6263
Profit Before Taxation	46495	51590	36264	23429	19777	24562	27140	25468	23690	25723
Profit After Taxation	35694	38788	24097	16076	13635	17166	18308	17064	16948	18136
Total Comprehensive Income**	35558	37769	23914	16551	13226	16947	-	-	-	-
Proposed Dividend / Interim Dividend	12479	12479	5199	4159	4159	4159	4159	4159	4159	4159
Corporate Dividend Tax	-	2565	1069	855	847	847	847	707	707	675
INVESTORS' DATA										
Earning Per Equity Share (Rs)***	68.65	74.60	46.35	30.92	26.22	33.02	35.21	32.82	32.60	34.88
Dividend Per Equity Share (%)	1200	1200	500	400	400	400	400	400	400	400
Number of Shareholders	37921	22371	19079	21707	20000	16825	16169	11137	10839	11125

* The figures reported are Ind AS compliant.

** Total Comprehensive Income reported as per requirement under Ind-AS.

*** Restated for face value @ Rs.2/- per share post split.

**** Upon transition to IndAS-116, "Leases" w.e.f. 2019-20

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the 84th Annual Report on the business and operations along with the Audited Financial Statements of the Company for the financial year ended March 31, 2021.

ECONOMIC ENVIRONMENT

The global economy was impacted by Covid-19 pandemic from early 2020 and as a result of which World GDP contracted by 3.3% in 2020 from a growth of 2.8% in 2019. The unfortunate outbreak of Covid-19 pandemic played havoc with an unprecedented health and economic crisis around the world. The first half of 2020 saw the lockdowns and other curbs across the world to contain the spread of the virus. Businesses and manufacturing facilities were shut down completely and restrictions were put in place for movement of citizens, both internally as well as externally. There was a sharp fall in both consumer demand and industrial output in the first half of 2020. However, in the second half of 2020, the governments started easing lockdown restrictions to facilitate re-opening of the economy. Businesses were allowed to function under various policy parameters and guidelines set out by central/federal governments and local authorities.

During the year, the central banks also acted swiftly to prevent the economic fallout through preventive measures in their respective countries by providing excess liquidity in the markets by way of lowering interest rates. The governments unleashed relief packages by way of distribution of food and essential supplies as well as direct money transfer specially to the economically weaker sections of the society. With the governments easing lockdown measures gradually and central banks continually extending liquidity measures, the second half of 2020 saw an improvement in economic activities on the back of consumption demand pick up and the hope of vaccine development and availability in different geographies. Led by steady recovery in demand and consequential rise in output, the emerging economies saw a drop in GDP by 4.7% as against the projected decline of 6.1% as per the World Economic Outlook report of April 2021.

Indian economy contracted by 8.0% in 2020 as compared to a growth of 4.0% in 2019. India was the second worst hit country in the world due to Covid-19 pandemic. The economic crisis deepened in India due to Covid-19 induced business lockdown and restrictions across industries and sectors. The auto, manufacturing, construction and real estate sectors had come to a grinding halt for better part of 2020. The Indian government acted swiftly to avert this unprecedented crisis by providing relief packages to individuals and households by way of direct money transfers and free ration supplies and helped businesses stay afloat by introducing several policy changes to ease the timelines/deadlines for various compliances. The RBI too provided liquidity in the market by lowering the interest rates for borrowing and easing NPA norms for banks while maintaining an accommodative stance in the monetary policy. All these measures helped reviving the Indian economy in the latter half of 2020, when lockdown began to ease, and economic activities began to pick up. The automobile sector saw a rebound in sales due to pent-up demand as restrictions on movement were relaxed and consumer spending increased. The government also undertook various initiatives for the revival of Infrastructure and Real Estate sector and as a result, the sectors saw increased investments from both public and private players. In the wake of these measures, the Indian economy was able to put itself on the path of a strong recovery and IMF too revised its growth forecast for India for 2021 to a projected 12.5% growth from 7.4% in its earlier report of 2020. However, April and May 2021 brought back the era of uncertainty as economic activities took the downturn with the arrival of the second wave which turned out to be much more severe in impact on the mankind than the first one. But the manufacturing, logistics and industrial activities continued albeit at a slower pace under the state government guidelines and policies. With the easing of restrictions in June, the economic outlook looks buoyant aided by the mass vaccination drive conducted by the government.

TOBACCO INDUSTRY

Tobacco has always been an important commercial crop in India and the country is the second largest producer of tobacco in the world with an annual production of around 800 million kgs. The industry generates enormous benefits for the nation in terms of employment in the agricultural sector, income to farmers, revenue generation and foreign exchange earnings. The tobacco industry provides employment to over 45.7 million people in India, directly and indirectly with various varieties of tobacco are grown across 13 states in the country. India is also the largest exporter of tobacco and tobacco related products and generates foreign exchange earnings of around Rs. 6,000 crores annually.

In terms of consumption, tobacco consumption in India in the form of cigarettes is less than 2% of the global consumption even though the country accounts for 18% of the population in the world. India's per capita consumption of cigarettes is also the lowest in the world with just 89 cigarettes per annum. India also accounts for 84% of world's smokeless tobacco consumption. Only 9% of tobacco consumed in India constitute legal cigarettes, while 91% are from traditional products and illicit cigarettes. This 9% contributes to 80% of the taxes collected from the industry by the Government of India.

The tobacco industry faces enormous challenges in India despite contributing more than Rs 43,000 crores annually

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

to the government exchequer through taxes and levies. With 85% coverage, India has one of the largest pictorial warning size on the packs in the world when compared with global average of 40%. Also, the most alarming fact is the rise in illicit options that are cheaper, non-regulated as well as inferior in quality which undermine public health. Around 68% of tobacco consumption comes from the unorganised sector which are non-compliant and therefore, adversely impact government's tax receipts. Over the time the volumes of illicit cigarettes have seen a sharp spurt and currently it is estimated to be 1/3rd of the legal volumes sold in India. India is considered to be the 4th largest illicit cigarette market in the world with a volume of 28 billion sticks in 2019 which has increased from 26.5 billion in 2018 registering a growth of ~6% year on year.

The tobacco industry, like many others, also came to a grinding halt due to the nationwide lockdown and closure of manufacturing facilities. During the period, availability of Cigarettes was impacted, which further aided the illicit cigarettes in the domestic market. Also, the tobacco farmers too suffered by not being able to get remunerative prices, firstly due to somewhat lower quality of crop and then, inability to market the crop owing to disruption in auctions, restriction on participation of farmers in auctions, absence of international buyers, logistical challenges, etc. As the lockdown measures were eased in the second half of 2020, increased consumer spending helped the tobacco industry remain afloat, as the broader FMCG sector was also able to keep the growth momentum and saw double digit growth in the fourth quarter of 2020-21 particularly in urban markets. However, the ongoing second wave has slowed down the growth momentum and is posing a challenge for both the government and the legal tobacco industry.

The challenges faced by the tobacco industry in India can be addressed by balancing the tax policies, revisiting the existing regulations based on inputs from industry experts and implementing stricter measures on illicit trade.

CONSUMER AND RETAIL INDUSTRY

India's FMCG sector is the fourth largest contributor to the economy. It contributes 10% to the GDP and 8% to the employment in India. According to estimates, Indian retail sector was worth \$883 billion in 2020 and is projected to reach \$1.3 trillion by 2024. The grocery is the largest segment with contribution of \$608 billion. With the onset of pandemic at the beginning of 2020 and subsequent lockdown measures implemented by the government, India's consumer spending saw a decline as various restrictions were put in place. The effects of decrease in spending were felt by the retail industry, barring essential services such as food and grocery. The offline retailers saw their sales decline as shops were shut due to the containment measures put in place by local and central governments across states. The online retailers on the other hand saw their sales volume grow exponentially and as a result the investments in e-commerce grew significantly from both domestic and international players. The rise in online retailing is attributed to increase in digital adoption, smartphone penetration, technological advancements in payments system, increasing consumer awareness, young population and large consumer market. The Government of India's initiatives such as 'Digital India' programme has contributed significantly to the growth of e-commerce segment. In addition to this, the retail industry in India also has 100% FDI in single-brand retail and 51% FDI in multi-brand retail. With the gradual rise in consumer demand, both in urban and rural areas, the retail sector is expected to recover to pre-covid levels sooner than later.

The retail industry's high growth potential, low economic risk and moderate political risk has attracted international investors to capture this segment in India. The Indian retail industry, both offline and online, has witnessed a slew of investments and mergers and acquisitions in 2020 and 2021. The e-commerce industry is expected to reach \$111 billion by 2024. The online grocery market too witnessed strong investments from domestic and international players, in both B2B and B2C segments. India has also occupied a remarkable position in global retail rankings and currently ranks 15th in FDI Confidence Index and is expected to become 3rd largest consumer market in the world by 2025. The factors supporting the growth potential of the retail industry are improving distribution and logistics network, offline retail expansion through exclusive store networks, retailing through multiple channels, leveraging partnerships and joint ventures, offering value added services and focussing on strong supply chain network.

Currently, India is in the middle of ongoing second wave which has had much severe impact on human health and economy, however, the impact on consumer spending and demand has not been dented to the extent as it was during the same time in last year. The first quarter is expected to witness the impact of second wave, yet it is expected to post year-on-year growth on account of low base and minimal disruption in manufacturing and logistics sector. Furthermore, the vaccination drives conducted by government and continued investments in retail industry is expected to build consumer confidence, which in turn is expected to keep the demand and growth prospects robust for the industry in the near term.

SEGMENTWISE PERFORMANCE IN 2020-21

Cigarettes

The cigarettes industry has seen negative growth in FY 2021 largely due to the unprecedented headwinds of the