

# ANNUAL REPORT

96-98

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# GTL

INDUSTRIES LIMITED



# GTC Industries Limited

## 42ND ANNUAL GENERAL MEETING

|                    |   |
|--------------------|---|
| Date               | : 9th September, 1998   |
| Day                | : Wednesday   |
| Time               | : 3.00 p.m.   |
| Venue              | : Shri Bhaidas Maganlal Sabhagriha,<br>U-1, Juhu Development Scheme,<br>Vile Parle (West),<br>Mumbai - 400 056. |
| Book Closure Dates | : 1st September to 9th September, 1998<br>(both days inclusive)   |

## Board of Directors

### Chairman

Sanjay Dalmia

### Vice-Chairman

Anurag Dalmia

### Directors

|                    |                       |
|--------------------|-----------------------|
| R. R. Kumar        |                       |
| Dr. P. L. Malhotra | - B. I. F. R. Nominee |
| N. V. Joshi        | - Whole Time Director |
| Ved Berry          | - Whole Time Director |
| Viney Mehra        | - Whole Time Director |

### Managing Director

J. P. Khetan

### Vice-President Cum Secretary

Kamal K. Gupta

### Auditors

Lodha & Co.

### Solicitors

Khaitan & Partners

### Bankers

State Bank of India  
Canara Bank  
Syndicate Bank  
Vijaya Bank  
State Bank of Bikaner & Jaipur  
Allahabad Bank  
Standard Chartered Bank  
Deutsche Bank  
The Vysya Bank Ltd.  
Bank of Tokyo Ltd.  
United Bank of India  
Oman International Bank S.A.O.  
Punjab & Sind Bank

### Registered & Share Transfer Office

Tobacco House,  
Vile Parle (West),  
Mumbai - 400 056.

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## NOTICE

**NOTICE** is hereby given that the **Forty Second Annual General Meeting of the Members of GTC Industries Limited** will be held on **Wednesday, the 9th September, 1998 at 3.00 p.m. at Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai-400 056, to transact the following business:**

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the eighteen months' period ended on 31st March, 1998, the Audited Balance Sheet as at that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Anurag Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.R. Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT in partial modification of the resolution passed at the Fortieth Annual General Meeting of the Company held on 28th December, 1995 and pursuant to the provisions of Sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Company hereby approves the terms of revised remuneration of Shri J.P. Khetan as the Managing Director of the Company from 1st April, 1998 upto the expiry of his term, i.e. 31st July, 2000, as per the terms and conditions set out in the Explanatory Statement annexed to this notice."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration and perquisites as set out in the Explanatory Statement be paid as the minimum remuneration to Shri J.P. Khetan, the Managing Director, subject to the applicable provisions of the Companies Act, 1956 and approval of the Central Government, if required."

"RESOLVED FURTHER THAT the remuneration paid to Shri J.P. Khetan, the Managing Director, for the period of his office from 1st August, 1995 to 31st March, 1998, in accordance with the resolution passed at the Annual General Meeting held on 28th December, 1995, be and is hereby approved as the minimum remuneration to him, subject to the applicable provisions of the Companies Act, 1956 and approval of the Central Government, if required."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take necessary steps to implement this resolution."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.  

"RESOLVED THAT in partial modification of the resolution passed at the Forty First Annual General Meeting of the Company held on 12th March, 1997 and pursuant to the provisions of sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Company hereby approves the terms of revised remuneration of Shri N.V. Joshi as Whole Time Director of the Company from 1st April, 1998 upto the expiry of his term, i.e. 30th September, 2001; as per the terms and conditions set out in the Explanatory Statement annexed to this notice."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration and perquisites as set out in the Explanatory Statement be paid as the minimum remuneration of Shri N.V. Joshi, the Whole Time Director, subject to the applicable provisions of the Companies Act, 1956 and approval of the Central Government, if required."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take necessary steps to implement this resolution."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT in partial modification of the resolution passed at the Forty First Annual General Meeting of the Company held on 12th March, 1997 and pursuant to the provisions of sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Company hereby approves the terms of revised remuneration of Shri Viney Mehra as Whole Time Director of the Company from 1st April, 1998 upto the expiry of his term, i.e. 30th September, 2001; as per the terms and conditions set out in the Explanatory Statement annexed to this notice."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration and perquisites as set out in the Explanatory Statement be paid as the minimum remuneration to Shri Viney Mehra, the Whole Time Director, subject to the applicable provisions of the Companies Act, 1956 and approval of the Central Government, if required."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take necessary steps to implement this resolution."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED THAT in partial modification of the resolution passed at the Forty First Annual General Meeting held on 12th March, 1997 and pursuant to the provisions of sections 198, 269, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Company hereby approves the terms of revised remuneration of Shri Ved Berry as Whole Time Director of the Company from 1st April, 1998 upto the expiry of his term, i.e. 30th September, 2001; as per the terms and conditions set out in the Explanatory Statement annexed

to this notice."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the remuneration and perquisites as set out in the Explanatory Statement be paid as minimum remuneration to Shri Ved Berry, the Whole Time Director, subject to the applicable provisions of the Companies Act, 1956 and approval of the Central Government, if required."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take necessary steps to implement this resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 293 (1) (e) and other applicable provisions if any, of the Companies Act, 1956, consent of the Company be and is hereby given to the Board of Directors to donate, contribute, subscribe or otherwise to assist from time to time any national charitable, benevolent, relief, public or general and/or other funds, and to an association trust or institution, notwithstanding that such donations, contributions, subscriptions and expenditure do not directly relate to the business of the Company or the welfare of its employees, up to a total sum of Rs.2,00,000/- (Rupees Two Lacs Only) in any financial year, as may be considered proper by the Board, notwithstanding that such amounts in any financial year may exceed the limits prescribed under Section 293 (1) (e) of the Companies Act, 1956."

By Order of the Board

Place : MUMBAI  
Dated : 27th June, 1998

**KAMAL K. GUPTA**  
Vice President Cum Secretary

#### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT PROXY INSTEAD OF HIMSELF. A PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A PROXY NEED NOT BE MEMBER. AN INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, the 1st September, 1998 to Wednesday, the 9th September, 1998 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, read with Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rule 1978, members are hereby informed that all unpaid dividend upto 1993-94 declared by the Company have been transferred by the Company to General Revenue Account of the Central Government. Those members, who have not yet claimed dividend in respect of the years up to 1993-94, are requested to apply to the office of the Registrar of Companies Maharashtra in the prescribed manner.
4. Members are requested to kindly communicate immediately any change in their address, particularly mentioning their PIN CODE number.
5. Members attending this Annual General Meeting are requested to bring their copies of the Annual Reports as no separate copies shall be given at the time of Annual General Meeting.
6. Any query relating to Annual Accounts or otherwise must be sent to the Registered Office of the Company at least 10 days before the date of meeting.
7. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting. In case of joint holder(s), if more than one holder intends to attend the meeting, they may obtain the additional admission slip on request from the Registered Office of the Company on or before 5th September, 1998 to avoid inconvenience.
8. Shareholders who are holding share in identical order or names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
9. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business is annexed hereto and forms part of the notice.



**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956:****ITEM NO. 5**

At the Fortieth Annual General Meeting of the Company held on 28th December 1995, members of the Company had approved appointment and terms of remuneration of Shri J. P. Khetan as Managing Director, as detailed in the explanatory statement to the notice of the said Annual General Meeting at item No. 12.

The terms of remuneration of Shri J. P. Khetan included inter alia the monthly salary of Rs. 45,000/- from 1st August, 1995 to 31st March, 1996 and thereafter Rs. 50,000/- with effect from 1st April, 1996. However, consequent upon erosion in the net worth of the Company, it became a Sick Industrial Company. As a result, the effective capital of the Company as defined under Schedule XIII to the Companies Act, 1956 became negative and the remuneration payable to the Managing Director as per approval of the Members at the Annual General Meeting held on 28th December, 1995 exceeded the prescribed limit. In order to enable the Company to allow the Managing Director to retain the remuneration paid as per the approval taken at the Annual General Meeting held on 28th December, 1995, which otherwise is in the prescribed limit on account of erosion in the net worth of the Company, approval of the Members of the Company is sought vide this resolution.

Further, in view of increasing cost of living index and also considering the remuneration being paid by other companies in the industry for similar position, your Directors at their meeting held on 30th March, 1998 revised the monthly salary of the Managing Director as follows:

For the year beginning 1st April, 1998, Rs. 60,000/- per month, in the Grade of Rs. 60,000 - 10,000 - 70,000.

Rs.70,000/- to be paid from 1st April, 1999, till the end of his tenure.

All other terms and conditions of remuneration of the Managing Director as approved by the Members at the Annual General Meeting of the Company held on 28th December, 1995 will remain the same. In the event of absence or inadequacy of profit in any financial year, the revised monthly salary as stated above and the other perquisites as approved at the Annual General meeting held on 28th December, 1995 will be paid as the minimum remuneration to the Managing Director, subject to the approval of the Central Government, if required.

Copies of the resolution for the revision in remuneration of the Managing Director passed by the Board of Directors at their meeting held on 30th March, 1998 and all other relevant information/documents referred to in the resolution under this head of item and the explanatory statement are available for inspection of the Members at the registered office of the Company on all working days between 11.00 a.m. and 1.00 p.m. The same shall also be available for Members' inspection during the proceedings of the Annual General Meeting.

Your Directors recommends the said resolution for your approval.

Except Shri J. P. Khetan, none of the other Directors of the Company are any way concerned or interested in the above resolution.

The resolution given under the above head of item and this explanatory statement may be construed as an abstract and Memorandum of concern and interest under section 302 of the Companies Act, 1956.

**ITEM NOS. 6,7,8**

At the Forty First Annual General Meeting of the Company held on 12th March, 1997, Members of the Company had approved appointment and terms of remuneration of Shri N. V. Joshi, Shri Viney Mehra and Shri Ved Berry as the Whole Time Directors of the Company on the terms & conditions as detailed in the explanatory statement of the notice of the said Annual General Meeting at item Nos. 5, 6 & 7 respectively.

Their terms of remuneration included inter alia, the monthly salary of Rs. 33,000/- from 1st October, 1996 and thereafter the same was to be increased by such amounts, as the Board may determine from time to time, subject to a maximum of Rs. 50,000/- per month.

Consequent upon erosion in the net worth of the Company, it became a Sick Industrial Company. As a result, the effective capital of the Company as defined under Schedule XIII of the Companies Act, 1956 became negative and the remuneration payable to the said Whole Time Directors in accordance with the approval of the Members at the Annual General Meeting held on 12th March, 1997 exceeded the prescribed limit. The Company therefore approached the Central Government for seeking its approval to allow the Whole Time Directors to keep the said remuneration as minimum remuneration. Your Directors at their meeting held on 30th March, 1998 have also specified the monthly salary of these Whole Time Directors in the grade of Rs. 33,000 - Rs. 50,000 and with annual increments to be granted in the range of Rs. 3,500 - Rs. 4,500, which shall be decided by the Board of Directors at their discretion. As required by the Central Government, the Company is taking the approval of the members.

All other terms and conditions of the remuneration of these Whole Time Directors as approved by the Members at the Annual General Meeting of the Company held on 12th March, 1997 will remain the same.

It is also proposed that in the event of absence or inadequacy of profit in any financial year, the revised monthly salary as stated above and the other perquisites as approved at the Annual General meeting held on 12th March, 1997 will be paid as the minimum remuneration to these Whole Time Directors, subject to the approval of the Central Government, if required.

Copies of the resolution for revision in remuneration of these Whole Time Directors passed by the Board of Directors, at their meeting held on 30th March, 1998 and all other relevant information/documents referred to in the resolution under this head of item and the explanatory statement are available for inspection at the registered office of the Company on all working days between 11.00 a.m. and 1.00 p.m. up to the conclusion of this Annual General Meeting. The same shall also be available for Members' inspection during the proceedings of the Annual General Meeting.

Your Directors recommends the resolutions under these heads of items for your approval. Shri N. V. Joshi, Shri Viney Mehra and Shri Ved Berry are interested in the respective resolutions relating to their remuneration. Except this, no other Director of the Company is any way concerned or interested in the resolutions covered under this head of items.

The resolution given under the above heads of items and this explanatory statement may be construed as an abstract and Memorandum of concern and interest under section 302 of the Companies Act, 1956.

#### ITEM No. 9

As per the provisions of Section 293 (1)(e) of the Companies Act, 1956, the Directors of the Company might contribute to Charitable and other Institutions in excess of Rs. 50,000/- or 5% of the Company's average net profit as determined in accordance with Sections 349 and 350 of the Companies Act, 1956, only if authorised by the Company in General Meeting by a resolution which specifies the limit for such contribution.

As the Members are aware, the Company exists in a society where it is morally required to support social & national causes and natural disasters like flood, cyclone, etc. Your Company has been fulfilling its obligations in this regard by contributing from time to time for such purposes. However, in view of the fact that now the net worth of the Company has become negative, any donation/contribution for the above purposes will be in excess of the limits set out under Section 293 (1) (e) of the Companies Act, 1956. Consent of the Members of the Companies is therefore sought for donating/contributing etc. for such purposes upto a limit of Rs. 2,00,000/-, irrespective of the fact that this may exceed the prescribed limits, vide resolution as set out under item No. 9 of the notice.

Your Directors recommends the said resolution for your approval.

None of the Directors of the Company is any way concerned or interested in the aforesaid resolution.

By Order of the Board

Place : MUMBAI  
Dated : 27th June, 1998

**KAMAL K. GUPTA**  
Vice President Cum Secretary

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## HIGHLIGHTS

(Rupees in Lakhs)

|                                    | 1992-93  | 1993-94  | 1994-95  | 1995-96<br>(18 months) | 1996-98<br>(18 months) |
|------------------------------------|----------|----------|----------|------------------------|------------------------|
| <b>OPERATING RESULTS :</b>         |          |          |          |                        |                        |
| Income                             | 27133.01 | 30384.81 | 41480.92 | 64214.57               | 51361.77               |
| Gross Profit                       | 1252.45  | 1413.03  | 1725.03  | (9938.64)              | 2001.84                |
| Profit/(Loss) Before Taxes         | 1154.94  | 1320.24  | 1604.50  | (11405.18)             | (2264.91)              |
| Taxes                              | 180.00   | 118.00   | 2.50     | 2.50                   | 5.00                   |
| Profit After Taxes                 | 974.94   | 1202.24  | 1602.00  | (11407.68)             | (2269.91)              |
| Dividends                          | 330.00   | 387.81   | 720.40   | -                      | -                      |
| Earning per Equity Share (Rs.)     | 19.50    | 12.02    | 10.03    | -                      | -                      |
| Dividend per Equity Share (Rs.)    | 6.60     | 6.60**   | 4.50     | -                      | -                      |
| Book Value per Equity Share (Rs.)* | 245.08   | 168.07   | 114.50   | -                      | -                      |

**ASSETS EMPLOYED :**

|                     |                 |                 |                 |                 |                 |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Fixed Assets*   | 8993.43         | 8813.32         | 9353.87         | 8928.42         | 3732.86         |
| Investments         | 134.37          | 375.17          | 1301.73         | 1021.68         | 488.04          |
| Net Working Capital | 10403.65        | 16754.21        | 19439.8         | 8425.28         | 10874.19        |
|                     | <u>19531.45</u> | <u>25942.70</u> | <u>30095.40</u> | <u>18375.38</u> | <u>20095.09</u> |

**FINANCED BY :****(A) BORROWED FUNDS :**

|                |                |                |                 |                 |                 |
|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| (I) Secured    | 6994.81        | 5702.57        | 5608.54         | 8379.85         | 12423.12        |
| (ii) Unsecured | 282.88         | 3423.74        | 6193.81         | 3403.83         | 3693.80         |
|                | <u>7277.69</u> | <u>9126.31</u> | <u>11802.35</u> | <u>11783.68</u> | <u>16116.92</u> |

**(B) SHAREHOLDERS' FUNDS :**

|                          |                 |                 |                 |                |                |
|--------------------------|-----------------|-----------------|-----------------|----------------|----------------|
| (I) Share Capital Equity | 500.00          | 911.78          | 1594.88         | 1598.13        | 1593.15        |
| (ii) Reserves*           | 11753.76        | 15904.61        | 16698.17        | 4993.57        | 2380.02        |
|                          | <u>12253.76</u> | <u>16816.39</u> | <u>18293.05</u> | <u>6591.70</u> | <u>3973.17</u> |

\* Includes revaluation of Land &amp; Building and Plant &amp; Machinery

\*\* On Prorata basis

# After Bonus issue of 3 : 5

## DIRECTORS' REPORT

Your Directors hereby submit their forty second Annual Report with the Audited Accounts for the eighteen months period ended 31st March, 1998.

### OPERATING RESULTS :

|  | 18 months<br>ended<br>31. 03. 1998 | 18 months<br>ended<br>30. 09. 1996 |
|--|------------------------------------|------------------------------------|
|  | (Rs. in lacs.)                     |                                    |
| Profit / (Loss) for the period                   | ( 2186.61 )                        | ( 11311.04 )                       |
| Depreciation                                     | 78.30                              | 94.14                              |
| Profit / (Loss) before tax                       | ( 2264.91 )                        | (11405.18)                         |
| Provision for Taxation                           | 5.00                               | 2.50                               |
| Profit / (Loss) after tax                        | ( 2269.91 )                        | (11407.68)                         |
| Balance brought forward from last year           | ( 6773.28 )                        | 33.90                              |
| Excess Provision of Wealth Tax for earlier years | 0.83                               | -                                  |
|  | <u>( 9042.36 )</u>                 | <u>(11373.78)</u>                  |

### APPROPRIATIONS :

|   |             |             |
|---|-------------|-------------|
| Transfer to/Deducted from (-) General Reserve |             | 4600.50     |
| Balance carried to Balance Sheet              | ( 9042.36 ) | ( 6773.28 ) |

### FINANCIAL YEAR :

During the period under review, the financial year of the Company was extended upto 31st. March, 1998 and accordingly present accounts have been prepared for 18 months starting from 01st. October, 1996 to 31st. March, 1998.

### DIVIDEND :

In view of the loss/accumulated losses, your Directors are not recommending any dividend.

### EVALUATION OF PERFORMANCE :

Industrial growth in the country was slow due to political uncertainty, crisis in South Asian Countries, drop in the value of the Rupee against the Dollar and the changes in social scenario. The liquidity crisis continued to affect the Corporate in general and your Company is also no exception. However your Company's sales volume has increased by 23% from 9690 million in the previous period to 12924 million in the current period. With sustained efforts your, Company has made operating profit without taking into consideration interest on past liabilities.

### FUTURE OUTLOOK :

Your Company has seen growth in production and sales volume of cigarettes in the past year. This trend is still continuing with sustained efforts of all employees. We are hopeful of maintaining the growth in future as well.

### BIFR REFERENCE :

As you are aware the Company had made reference under Section 15 ( 1 ) of the Sick Industrial Companies ( Special Provision ) Act, 1985, to The Board for Industrial and Financial Reconstruction. BIFR declared the Company, a Sick Industrial Company, and appointed State Bank of India as the operating agency. The Company has submitted a rehabilitation proposal to the operating agency for preparing a rehabilitation scheme for revival of the Company.

### EXPORTS :

The cigarette exports during the period under review has increased over the last year. The Company is hopeful of improving upon the tempo of exports in the current year.

### FIXED DEPOSIT :

The total deposits as on 31st March, 1998 with the Company were Rs. 519.56 lacs, including deposits of Rs. 82.16 lacs. not claimed by the depositors on due dates. Your Directors have to report that since then, deposits of Rs.0.50 lacs. out of the said unclaimed deposits have been paid.





### CONSERVATION OF ENERGY ETC. :

A statement showing details of measures undertaken towards conservation of Energy, Technology Absorption, Exports and Foreign Exchange Earnings and Outgo in accordance with the Companies ( Disclosure of Particulars in the Report of the Board of Directors ) Rules, 1988 is annexed.

### SUBSIDIARIES :

The following companies continue to remain as subsidiaries of the Company and their Annual Accounts are attached herewith:

1. GTC Investment & Finance Limited.
2. Panama Investment & Finance Limited.
3. Olive Investment & Finance Limited.
4. Rajnigandha Investment & Finance Limited.
5. Golden Investment ( Sikkim ) Private Limited.
6. GTC Global Limited.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies is attached to the accounts.

### EMPLOYEES :

Information as per sub-section ( 2A ) of Section 217 of the Companies Act, 1956, read with the Companies ( Particulars of Employees ) Rules, 1975, as amended and forming part of the Directors' Report for the period ended 31st. March, 1998 has been given as an annexure to this report.

### DIRECTORS :

Board for Industrial and Financial Reconstruction has appointed Dr. P. L. Malhotra as its nominee on the Board of Directors of the Company during the year.

Shri Anurag Dalmia and Shri R. R. Kumar retire by rotation as Directors of the Company and are eligible for reappointment.

### AUDITORS' REPORT :

With reference to the observations made by the Auditors in their report, the Directors wish to state that the notes forming part of the Company's accounts are self explanatory, and hence do not require any further explanation.

### AUDITORS :

M/s. Lodha & Co. , Chartered Accountants retire at the conclusion of the ensuing Annual meeting and are eligible for reappointment.

### ACKNOWLEDGMENT :

Your Directors place on record their deep appreciation for the support and co-operation extended to the Company by Banks, Financial Institutions, Business Associates, Employees and above all its Shareholders.

By Order of the Board

Place : MUMBAI  
Dated : 27th June, 1998

**SANJAY DALMIA**  
CHAIRMAN

## ANNEXURE TO THE DIRECTORS' REPORT

Information in accordance with the Companies ( Disclosure of Particulars in the Report of Board of Directors ) Rules, 1988, and forming part of the Directors' Report for the eighteen months period ended 31st March, 1998.

### A. CONSERVATION OF ENERGY

1. Energy Conservation measures taken :
  - i) Installed "Automatic Power Saver" frequency converter drive for Central A. C. Plant Chiller pumpmotor.
  - ii) Installed high, luminous, energy effective T. L. fixtures in 'Primary Manufacturing Department'.
  - iii) Optimised speed of Air Handling Blower unit with suitable pulleys to reduce consumption of electric power.
  - iv) Installed energy efficient A. C. variable speed inverter drives on Wrapper Packing Machines.
2. Additional Investments & Proposals, if any being implemented for reduction of consumption of energy.
  - i) Installation of energy efficient ' Inverter ' drives on Cigarette Making Machines and Chambon 4 colour Gravure Machine.
  - ii) Carrying out suitable modifications in the existing hot air distribution system for the Printing Press Chambon Machine heating hoods to reduce considerable heat losses and consequently electric heater energy savings.
  - iii) Installation of high, luminous energy efficient T. L. fixtures in others areas.
3. Impact of measures at 1 & 2 above for reduction of energy consumption and subsequent impact on the cost of production of goods.
  - i) Reduction in specific fuel consumption per unit of production.
  - ii) Reduction in specific consumption of electrical energy.
  - iii) Improved operational efficiency.

### B. TECHNOLOGY ABSORPTION

#### I. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY:

1. a) Developing additives for treatment of tobacco to enhance smoking characteristics.
- b) Improving packaging in various stages of packing.
- c) Developing and designing of customised blends and cigarettes.
2. a) Improving Printing techniques for better packaging material and substitution of imported material with indigenous substitutes.
- b) Automation of punching operations in Printing Press.

#### II. BENEFITS DERIVED AS A RESULT OF R & D:

1. a) Upgradations of tobacco blends with improved smoke characteristics resulting in customer satisfaction.
- b) Resulting enhanced shelf-life of the product and ensuring the quality during transportation.
- c) Resulting in a sizable volume in exports and offering the smokers world-wide the brand of their choice, irrespective of low tar/ low nicotine or standard cigarette.
- d) Resulting reduction in wastage.
2. a) Providing high quality packaging of International standard and cost saving due to import substitutes.
- b) Resulting higher output with save in manpower.

#### III. FURTHER PLAN OF ACTION:

Research will be carried out on the above mentioned areas.

#### IV. EXPENDITURE ON R & D:

- a) Recurring : Rs. 35.38 lacs.
- b) Total R & D expenditure : 0.07%
- As percentage of Gross Turnover ( Technology absorption, adaption & Innovation )
- c) 1. Efforts, in brief, made towards technology absorption, adaption and innovation:
  - i) Use of tailor-made additives for upgrading tobacco quality, enhancing smoke property and controlling cost parameters.
  - ii) Enhancing quality checks in all stages of production for consistent product of highest quality.
  - iii) Offering each customer his own product at a comparative price through continuous development work and close monitoring of cost control parameters at every stage of production.
2. Benefits derived as a result of above efforts are quality products at optimised production cost.
3. Technology imported : Nil

### C. ACTIVITIES RELATED TO EXPORTS :

1. The company has, during the period exported cigarettes, tobacco and marine products aggregating to Rs.483.40 lacs. Discussions have been initiated with internationally well known manufacturers of cigarettes and distributors towards achieving a long term tie up for sale of company's cigarette products globally.
2. Activities are on for further increase of exports and for development of new export market for products and services and export plans. During the year under review, 147 million sticks of cigarettes were exported to South America, West Africa, West Asia and the CIS countries.
3. Total foreign exchange used:
 

|                                 |                  |
|---------------------------------|------------------|
| Travel                          | Rs. 4.67 lacs.   |
| Interest & Other expenses       | Rs. 1.21 lacs.   |
| Total Foreign Exchange earned : |                  |
| Tobacco (C I F)                 | Rs. 64.78 lacs.  |
| Others                          | Rs. 45.97 lacs.  |
| Other commodities               | Rs. 418.62 lacs. |