

ANNUAL REPORT **1999 - 2000**

The logo for GTIL Industries Limited features the letters 'GTIL' in a large, bold, sans-serif font. The 'G' and 'L' are stylized with thick strokes. Below the letters, the words 'INDUSTRIES LIMITED' are written in a smaller, bold, sans-serif font. The entire logo is set against a background of a repeating pattern of the letters 'GTIL' in a light, textured font.

GTIL
INDUSTRIES LIMITED



GTC INDUSTRIES LIMITED

44TH ANNUAL GENERAL MEETING

Date	: 21st September, 2000
Day	: Thursday
Time	: 3.00 p.m.
Venue	: Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai-400 056.
Book Closure Dates	: 15th September to 21st September, 2000 (both days inclusive)

CONTENTS

	Page
Notice	1-5
Directors' Report	6-7
Annexure to the Directors' Report	8-9
Auditors' Report	10-12
Balance Sheet	13
Profit & Loss Account	14
Schedules to the Accounts	15-22
Notes to the Accounts	23-30
Balance Sheet Abstract & Company's General Business Profile	31
Cash Flow Statement	32
Statement Pursuant to Section 212 of the Companies Act, 1956	33
Accounts of Subsidiaries:	
GTC Investment & Finance Ltd.	34-36
Panama Investment & Finance Ltd.	37-39
Olive Investment & Finance Ltd.	40-42
Rajnigandha Investment & Finance Ltd.	43-45
Golden Investment (Sikkim) Private Ltd.	46-47
GTC Global Ltd.	48-54

Stock Exchanges where Company's shares are listed

National Stock Exchange of India Ltd.
The Stock Exchange, Mumbai.
The Stock Exchange, Ahmedabad
The Calcutta Stock Exchange Association Ltd.
Madras Stock Exchange Ltd.
The Delhi Stock Exchange Association Ltd.
The Hyderabad Stock Exchange Ltd.
The Uttar Pradesh Stock Exchange Association Ltd.
The Gauhati Stock Exchange Ltd.
Vadodara Stock Exchange Ltd.

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

Viney Mehra – Whole Time Director

Managing Director

J. P. Khetan

Vice-President (Corporate Affairs) & 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

Bank of Tokyo Ltd.

United Bank of India

Punjab & Sind Bank

Registered & Share Transfer Office

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

Phone : 671 3951

Fax : 671 5481



NOTICE

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the Members of GTC Industries Limited will be held on Thursday, the 21st day of September, 2000 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 year ended on 31st March, 2000, 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 R. R. Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Viney Mehra, 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 modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, 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 do hereby approves the re-appointment of Shri J. P. Khetan as the Managing Director of the Company for a period of five years with effect from 1st August, 2000, i.e. up to 31st July, 2005, on such terms and conditions, including the terms of his remuneration, perquisites / benefits as the Managing Director of the Company; as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy whereof initialed by the Chairman for the purpose of identification is placed before this Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the said remuneration, perquisites / benefits payable to the Managing Director subject to the applicable statutory provisions and approval of the Central Government, if required.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the tenure of Shri J.P. Khetan as the Managing Director, the remuneration, perquisites / benefits set out in the said Explanatory Statement be paid or granted to Shri J. P. Khetan as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as in force and amended from time to time, and necessary approval of the Central Government will be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to section 31 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and are hereby altered in the manner and to the extent as follows :-

(I) Insert the following Heading and Article alongwith marginal notes as Article 27A after Article 27:

DEMATERIALISATION OF SECURITIES

Article 27A

- (i) For the purpose of the Article:

'Act' means the Companies Act, 1956.

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository.

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992 or any other appropriate Authority.

'Depositories Act' - means the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment thereof for the time being in force.

'SEBI' means the Securities and Exchange Board of India.

'Security' means such security as may be specified by SEBI from time to time.

- (ii) Dematerialisation of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form; and also to rematerialise the securities which are in dematerialised form, pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.

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- (iii) **Option for Investors:**
Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
- (iv) **Securities in Depositories to be in fungible form:**
All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- (v) **Rights of Depositories and Beneficial Owners:**
a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
c) Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
- (vi) **Service of Documents:**
Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (vii) **Transfer of Securities:**
Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
- (viii) **Allotment of Securities dealt with by a Depository:**
Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- (ix) **Distinctive numbers and securities held in a Depository:**
Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.
- (x) **Register and Index of Beneficial Owners:**
The Register and Index of Beneficial Owners, maintained by the depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles.

(II) Insert the following Heading and Article alongwith marginal notes as Article 75A after Article 75:

(i) NOMINATION FACILITY TO A SECURITY HOLDER

Article 75A

- (a) Every holder of a security in the Company, may at any time, nominate a person to whom his security shall vest in the event of his death in such manner, as may be prescribed under the Act.
- (b) Where the security of the Company is held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the security, as the case may be, shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.
- (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nominator made in the manner aforesaid purports to confer on any person the right to vest the security, the nominee shall on the death of the security holder or, as the case may be on the death of the joint holders become entitled to all the rights in such security or, as the case may be, all the joint holders, in relation to such security, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- (d) Where the nominee is a minor, the holder of the security of the Company, can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the security of the Company, in the event of his death, during the minority.

(ii) TRANSMISSION OF SECURITIES IN CASE OF NOMINATION

- (a) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :

(d) To register himself as holder of the security in the name of the deceased security holder, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased security holder, as the case may be.

- (b) If the nominee elects to be registered as holder of the security himself, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased security holder, as the case may be.
- (c) A nominee shall be entitled to the same consent of the Company in relation to the security in relation to meeting of the Company of such security holders, as if he was the registered holder of the security. Provided that he shall not, before registered as a holder of the said security, be entitled to exercise any right conferred by his holding of the security in relation to meeting of the Company of such security holders.

Provided further that the Board may, at any time, give notice regarding any such person to elect either to be registered himself or to transfer the security and if the notice is not complied with within ninety days, the Board may thereafter without payment of all returns, bonuses or other monies payable in respect of the security, until the requirements of the notice have been complied with.

RESOLVED FURTHER THAT the Board may, at any time, give notice regarding any such person to elect either to be registered himself or to transfer the security and if the notice is not complied with within ninety days, the Board may thereafter without payment of all returns, bonuses or other monies payable in respect of the security, until the requirements of the notice have been complied with.

RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded to the Board of Directors / its Committee to register the Company with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) or with any other Depository registered as Depository, for the purpose of availing the facility of Dematerialisation / Rematerialisation of the securities of the Company and the Board of Directors / its Committee be and is hereby empowered to do all such acts, deeds, matters and things, including the appointment and remuneration of a Depository, Transfer Agent, delegation of any of its powers to the executives of the Company and such other matters as may be required to implement this resolution from time to time."

By Order of the Board

Place : MUMBAI
Dated : 29TH JULY, 2000.

KAMAL K. GUPTA
Vice President (Corporate Affairs) &
Secretary

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

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY INSTEAD OF HIMSELF. A PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A PROXY NEED NOT BE A 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 Friday, the 15th September, 2000, to Thursday, the 21st September, 2000 (both days inclusive).
3. Pursuant to the provisions of Section 205A of the Companies Act, 1956, read with the provisions of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978, Members are hereby informed that all unpaid dividend up to 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 Report as no separate copies shall be given at the time of the 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 the Meeting.
7. Members / Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting. In case of joint holders, all of them should be present to attend the Meeting. They may obtain the additional admission slip on

request from the Registered Office of the Company on or before 16th September, 2000 to avoid inconvenience.

8. Shareholders who are holding shares in identical order or name 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.
10. Pursuant to the Nomination facility provided under the provisions of the Companies Act, 1956 and alteration of the Articles of Association being proposed for approval of the Shareholders at this meeting, the Shareholders of the Company can now make nomination in respect of the Shares held by them in the Company. A Nomination Form is attached herewith for the convenience of the Shareholders. Shareholders are requested to read the instructions carefully before filling the Nomination Form. Shareholders may send the enclosed nomination form duly completed to the Registered Office of the Company.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO.5

Shri J. P. Khetan was appointed as the Managing Director of the Company for a period of 5 years with effect from 1st August, 1995 up to 31st July, 2000 with the approval of the Members granted vide resolution passed at the 40th Annual General Meeting of the Company held on 28th December, 1995.

As the tenure of office of Shri J.P.Khetan as the Managing Director of the Company was expiring on 31st July, 2000, the Board of Directors of the Company at its Meeting held on 29th July, 2000, re-appointed Shri J. P. Khetan as the Managing Director of the Company for a period of five years effective from 1st August, 2000, i.e. up to 31st July, 2005 on the following remuneration:

- A. Salary : Rs. 76,000 per month in the Grade of Rs. 76,000 - 10,000 - 86,000 - 12,000 - 1,10,000 - 15,000 - 1,40,000.
- B. Perquisites : The Managing Director shall be entitled to the perquisites such as Accommodation, Medical Benefits, Group Hospitalisation Benefits, Leave Travel Allowance / Expenses Reimbursement for self and family (for inland/foreign travel), Club Fees, Medical Benefits, Personal Accident Insurance, Privileged Leave and Encashment of unutilised Privileged Leave upon end of the term, Reimbursement of Gas, Electricity and Water Expenses; and any other benefits, facilities, allowance and reimbursement of expenses as per the Rules of the Company prescribed in this regard. The perquisites shall be restricted to the Annual Salary of the Managing Director.
For aforesaid purpose, "Family" means the Spouse, dependent children and dependent parents of the Managing Director.
- C. Commission : @ 1% of the net profit of the Company, subject to a ceiling of Rs.10 Lacs per annum.
- D. Contribution to Provident Fund, Superannuation Fund and other retirement benefits in accordance with the rules of the Company. The Company's contribution to such funds is not to be included in the computation of the ceiling on perquisites stated above to the extent these either singly or put together are not taxable under the Income-tax Act.
- E. Gratuity as per the Scheme of the Company, provided the Gratuity payable shall not exceed half a month's salary for each completed year of service.
- F. Provision of the Company's maintained car and driver's salary for use of the Company's business and telephone at residence shall not be considered as perquisites. Personal long distance calls and use of car for private purpose, if any, shall be billed by the Company to the Managing Director. Encashment of Leave at the end of the term as per the rules of the Company shall not be considered for the valuation of the perquisites.
- G. Reimbursement of entertainment, travelling and all other actual expenses properly incurred for the purpose of the Company's business shall not be considered as remuneration.
- H. No sitting fees to be paid for attending Meetings of the Board of Directors or any of its Committee.

In the event of absence or inadequacy of profit in any financial year, it is proposed to pay the above remuneration as the minimum remuneration, subject to the statutory provisions of the Companies Act, 1956, Schedule XIII to the same and also subject to the approval of the Central Government, if required.

Copies of the resolutions of the re-appointment and remuneration of the Managing Director passed by the Board of Directors at its Meeting held on 29th July, 2000 and other relevant documents/information including the proposed draft agreement to be entered into between the Company and the Managing Director will be available for inspection by the Members at the Registered Office of the Company during 11:00 A.M. to 1:00 P.M. on all working days of the Company and also during the time of the Annual General Meeting.

Your Directors feel that Shri J. P. Khetan's knowledge and experience will be very helpful to the Company and the remuneration and perquisites payable to him are fair and reasonable and commensurate with his responsibilities.

Your Directors recommend the said resolution for your approval.



Except Shri J. P. Khetan, none of the other Directors of the Company is in 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 NO.6

With the enactment of the Depositories Act, 1996 and amendments made to the Companies Act, 1956 vide Companies (Amendment) Act, 1999, alterations to the Articles of Association of the Company has become necessary to bring them in line with the statutory provisions. Further, recently, the Securities and Exchange Board of India vide its circular dated 29th May, 2000 has made trading in the Company's securities compulsory in the dematerialisation form with effect from 25th September, 2000. It is therefore, proposed to alter the relevant provisions of the Articles of Association of the Company to enable it to facilitate operation of the Depository System/ Dematerialisation / Rematerialisation of its securities and Nomination Facility to security holders.

Further, with introduction of nomination facility to the investors under the newly incorporated Sections 109A and 109B of the Companies Act, 1956, provisions of the Articles of the Company are being altered to extend benefit of the same to the shareholders of the Company by inserting new Articles.

The Special Resolution at item no.6 is therefore proposed pursuant to Section 31 of the Companies Act, 1956 for approval by the Members. Your Directors recommend the said resolution for acceptance by the Members. An amended copy of the Articles of Association of the Company incorporating the above alterations will be available for inspection by the Members at the Registered Office of the Company between 11:00 A.M. to 1:00P.M. on any working day; and during the Annual General Meeting of the Company.

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

By Order of the Board

Place : MUMBAI
Dated : 29TH JULY, 2000.

KAMAL K. GUPTA
Vice President (Corporate Affairs) &
Secretary

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

DIRECTORS' REPORT

Your Directors hereby submit their forty fourth Annual Report with the Audited Accounts for the year ended 31st. March, 2000.

OPERATING RESULTS:

	For the year Ended 31.03.2000	For the year Ended 31.03.1999
	(Rs. in lacs.)	
Profit/(Loss) for the year (including Extra Ordinary Items) before Interest & Depreciation	3163.65	1122.87
Interest	3456.14	2866.10
Profit/(Loss) before Depreciation	(292.49)	(1743.23)
Depreciation	60.37	124.45
Profit/(Loss) before Tax	(352.86)	(1867.68)
Provision for Taxation (Wealth Tax)	3.00	2.50
Profit/(Loss) for the year	(355.86)	(1870.18)
Balance brought forward from last year	(10912.53)	(9042.35)
Balance carried to Balance Sheet	(11268.39)	(10912.53)

DIVIDEND:

In view of the loss/accumulated losses, your Directors are unable to recommend any dividend

EVALUATION OF PERFORMANCE:

In the year under review the cigarette industry registered a downfall of 9%, whereas your Company declined by less than 1% thereby registering a gain in overall market share. This is the third year in succession that your Company has outperformed the industry, not just on an overall basis, but within its segment also. It will be heartening to note that your Company has registered a gain of 23% in the regular filter segment while the industry regular filter segment has been more or less static.

FUTURE OUTLOOK:

With continuous thrust in maintaining quality and offering greater value for money to customers, your Company expects improved performance in the current year.

BIFR REFERENCE:

The State Bank of India (Operating Agency) has submitted the draft rehabilitation scheme to the Board for Industrial and Financial Reconstruction after making necessary modifications required by them and the decision of BIFR is expected shortly.

FIXED DEPOSIT:

The total deposits as on 31st March, 2000 with the Company were Rs. 450.32 lacs, including deposits of Rs.5.32 lacs not claimed by the depositors on due dates. Your Directors have to report that since then, deposits of Rs.0.49 lac 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 year ended 31st March, 2000 has been given as annexure to this report.

DIRECTORS:

Shri R.R.Kumar and Shri Viney Mehra retire by rotation as Directors of the Company and being eligible offer themselves for re-appointment. Shri Ved Berry has resigned as whole-time Director of the Company. Your Directors admire his priceless guidance given during his tenure of office, as Whole-time Director to the Company.

AUDITORS' REPORT:

The Auditors have pursuant to recently amended mandatory auditing statement namely - 'Statement on Qualification in Auditor's Report' issued by the Institute of Chartered Accountants of India, qualified their report stating that accounts do not disclose true and fair view in respect of matters explained in note numbers 2 (c), 11, 13 (a), 16 (b), 18 (a) and 18 (b) of Schedule Q of Notes to the Accounts. Since the notes are self explanatory, no further explanation is required to be given.

AUDITORS:

M/s Lodha & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

YEAR 2000 COMPLIANCE:

Your Company's operations have rolled over to the new millennium in a smooth manner without any Y2K problem.

LISTING OF EQUITY SHARES:

The Company has paid Listing fee for the year 2000-2001 to all the Stock Exchanges where the Company's shares are listed.

ACKNOWLEDGEMENT:

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

For and on behalf of the Board

SANJAY DALMIA
CHAIRMAN



Place : MUMBAI
Dated : 29TH JULY, 2000.

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 year ended 31st March, 2000.

A. CONSERVATION OF ENERGY

1. Energy Conservation measures taken:
 - i) Installed Energy Efficient "Inverter Drives" for better tobacco lamina feed control from cutter to lamina drier.
 - ii) Installed high luminous energy efficient T.L. in Blending and Cutting / Drying Department.
 - iii) Installed energy efficient "Inverter Drives" on additional 6 Nos. of making machines and 4 Nos. of wrapping machines.
2. Benefits resulted from above for reduction of energy consumption and impact on the cost of production of goods.
 - i) Reduction in consumption of specific fuel per unit of production.
 - ii) Reduction in specific consumption of electrical energy.
 - iii) Enhanced operational efficiency.

B. TECHNOLOGY ABSORPTION

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

1.
 - (a) Improving smoking characteristics of blends by use of specific tobacco additives formulated as per the tobacco used in the blend.
 - (b) Developing and designing customized blends and cigarettes for Domestic and International market (specially American Blend).
 - (c) Improving and modifying the process parameters for optimum yield in tobacco processing and consistent product quality.
 - (d) Improving packaging aspects for enhanced shelf life, product quality.
2. Improving Printing Technology for better presentation of the product to customer, substitution of imported materials with indigenous materials without affecting or compromising the quality of the end product.

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

1.
 - (a) Consistent product quality and enhanced smoking pleasure resulted from improved blend characteristics.
 - (b) Appreciable increase in volume of export brands. Various types of cigarettes such as American blended type, low tar and also ultra low tar cigarettes have been developed for smokers of International Market.
 - (c) Increase in product yield and reduction in chemistry fluctuation of the various blends.
 - (d) Resulting in increased shelf life of the product and protection from weather changes
2. Providing the customer a product with attractive packet getup of International quality along with required protection from weathering.

III. FURTHER PLAN FOR ACTION

Research will be carried out on the above mentioned areas.

IV. EXPENDITURE ON R & D

- (a) Recurring : Rs. 39.57 Lakhs
- (b) Total R & D expenditure
As percentage of Gross Turnover : 0.09%
(Technology absorption, adaptation and Innovation)
- (c) Efforts in brief, made towards technology absorption, adaptation and innovation.
 - i) Using customized additives for enhancing the product quality with respect to chemistry of the blend.
 - ii) Enhancing quality checks in each stage of production to ensure the final product with highest degree of quality.
 - iii) Close monitoring of each stage of production to ensure that cost parameters are under control.
 - iv) Offering the customer the right product for his preference at a comparative price by continuous development work and monitoring cost parameters at each stage of production.

2. Benefits derived as a result of above efforts are quality products at optimized production cost.

3. Technology Imported : NIL

C. ACTIVITIES RELATED TO EXPORTS

1. The Company has exported during the period various brands of cigarettes aggregating to Rs. 553.39 lakhs
2. During the year under review, 221.75 millions of sticks were exported to U.S.A, West Africa and Middle East; the bulk of which was exported to U.S.A.
The Company is continuing in its efforts to further enhance its exports to U.S.A. and explore new markets.
3. Total Foreign Exchange used:

Travel	: Rs. 7.84 lakhs
Other Expenses	: Rs. 0.89 lakhs
Total Foreign Exchange earned :	
Cigarettes	: Rs. 543.41 lakhs
Tobacco	: Rs. 9.98 lakhs