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ANNUAL REPORT 2001 – 2002



INDUSTRIES LIMITED

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46TH ANNUAL GENERAL MEETING

Date : 30th December, 2002

Day : Monday

Time : 3.00 p.m.

Venue : Shri Bhaidas Maganlal Sabhagriha,
U-1, Juhu Development Scheme,
Vile Parle (West), Mumbai-400056.

Book Closure : 24th December to 30th December, 2002
Dates (both days inclusive)

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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 (upto 10.12.2001)

Vice-Chairman

Anurag Dalmia (upto 10.12.2001)

Directors

R. R. Kumar (upto 11.12.2001)
Dr. P. L. Malhotra – B. I. F. R. Special Director
(upto 26.07.2002)
M. H. Patil (w.e.f. 26.07.2002)
Bharat B. Merchant (w.e.f. 26.07.2002)
R. A. Gupta (w.e.f. 26.07.2002)
Chandra Shankar – B. I. F. R. Special Director
(w.e.f. 06.09.2002)
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.

Registered & Share Transfer Office

Tobacco House,
Vile Parle (West),
Mumbai - 400056.
Phone : 26713951
Fax : 26287979

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NOTICE

NOTICE is hereby given that the **Forty Sixth Annual General Meeting of the Members of GTC Industries Limited** will be held on **Monday, the 30th day of December, 2002 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, 2002, 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 Viney Mehra, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 :

4. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

" Resolved that Shri M. H. Patil who was appointed as a Director of the Company with effect from 26th July, 2002 to fill the casual vacancy arising out of resignation of Shri Sanjay Dalmia pursuant to Section 262 of the Companies Act, 1956 and Article 146 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom the Company has received notice in writing from a shareholder proposing him as a candidate for the office of a director under the provisions of Section 257 of the said Act, and who is eligible for re-appointment, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution:

" Resolved that Shri R. A. Gupta who was appointed as a Director of the Company with effect from 26th July, 2002 to fill the casual vacancy arising out of resignation of Shri R. R. Kumar pursuant to Section 262 of the Companies Act, 1956 and Article 146 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom the Company has received notice in writing from a shareholder proposing him as a candidate for the office of a director under the provisions of Section 257 of the said Act, and who is eligible for re-appointment, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

Place : MUMBAI
Dated : 28th October, 2002.

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

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

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 TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, the 24th December, 2002 to Monday, the 30th December, 2002 (both days inclusive).
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under items 4 and 5 of the notice is annexed hereto and forms part of the Notice.
4. As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company has transferred the unclaimed deposits amounting to Rs. 2.49 lacs lying for a period of 7 years to the Investor Education and Protection Fund. It may be noted that no claims would lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed amount transferred to the fund.

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5. Members holding shares in the physical form are requested to notify/send the following to facilitate better service:-
 - a) any change in their address, particularly mentioning the PIN CODE number, the Folio Number, number of shares held, etc.
 - b) share certificates, held in multiple folios in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one folio.
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 attending this Annual General Meeting are requested to bring with them the following:
 - a) The copy of their Annual Report, as no separate copies shall be given at the time of the Annual General Meeting.
 - b) The attendance slip sent herewith duly filled in shall be lodged with the Company at the venue. The holders of shares in demat form are requested to fill in their DP Id and Client Id in the attendance slip/proxy for easy identification. In case of joint holder(s), if more than one holder intends to attend the Meeting, they may obtain the additional admission slip(s) request from the Registered Office of the Company on or before 27th December, 2002 to avoid inconvenience.
8. As required under Clause 49 VI A of the Listing Agreement, the necessary information in respect of Shri Viney Mehra, Shri M. H. Patil and Shri R. A. Gupta i.e. the Directors seeking re-appointment at this AGM are available at paragraph VI of the Corporate Governance Report which is forming part of the Annual Report.

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

ITEM NO. 4

Shri M. H. Patil was appointed as a Director of the Company with effect from 26th July, 2002 to fill the casual vacancy arising out of resignation of Shri Sanjay Dalmia from the Board of the Company under Article 146 of the Articles of Association of the Company. Under Section 262 of the Companies Act, 1956 and under the said Article, Shri M. H. Patil holds the office only upto the date of the forthcoming Annual General Meeting when the original Director, Shri Sanjay Dalmia in whose place he was appointed would have retired by rotation, and therefore, Shri M. H. Patil will cease to hold office on that date. Shri M. H. Patil is eligible for re-appointment as a Director of the Company. The Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for re-appointment. The Board of Directors recommend this resolution for your approval.

Except Shri M. H. Patil who is proposed for re-appointment, no other Director of the Company is in any way concerned or interested in the said resolution.

ITEM NO. 5

Shri R. A. Gupta was appointed as a Director of the Company with effect from 26th July, 2002 to fill the casual vacancy arising out of resignation of Shri R. R. Kumar from the Board of the Company under Article 146 of the Articles of Association of the Company. Under Section 262 of the Companies Act, 1956 and under the said Article, Shri R. A. Gupta holds the office only upto the date of the forthcoming Annual General Meeting when the original Director, Shri R. R. Kumar in whose place he was appointed would have retired by rotation, and therefore, Shri R. A. Gupta will cease to hold office on that date. Shri R. A. Gupta is eligible for re-appointment as a Director of the Company. The Company has received a notice in writing pursuant to Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for re-appointment. The Board of Directors recommend this resolution for your approval.

Except Shri R. A. Gupta who is proposed for re-appointment, no other Director of the Company is in any way concerned or interested in the said resolution.

By Order of the Board

Place : MUMBAI
Dated : 28th October, 2002.

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

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

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DIRECTORS' REPORT

Your Directors hereby submit their Forty Sixth Annual Report with the Audited Accounts for the year ended 31st March, 2002.

OPERATING RESULTS:

	For the year ended 31.03.2002	For the year ended 31.03.2001
	(Rs. in lacs.)	
Profit/(Loss) for the year before Interest, Depreciation and Exceptional Items	3499.93	2976.49
Interest	2964.66	2776.54
Profit/(Loss) before Depreciation and Exceptional Items	535.33	199.95
Depreciation	177.04	66.21
Profit/(Loss) before Tax and Exceptional Items	358.29	133.74
Provision for Taxation		
Current Tax (Wealth Tax)	4.17	6.72
Deferred Tax	132.45	—
Profit after Tax and before Exceptional Items	221.67	127.02
Depreciation of Earlier years	(52.11)	—
Exceptional Items	3.42	(2954.91)
Profit/(Loss) after Exceptional Items	172.98	(2827.89)
Balance brought forward from last year	(14096.28)	(11268.39)
Balance of loss carried over to Balance Sheet	(13923.30)	(14096.28)

OPERATIONS:

The Market continued to be under pressure and there was further decline in the sales volume of cigarettes during the current year. The Sales of the Company during the year was at Rs. 35,851 lacs as against Rs. 46,118 lacs in the previous year, showing a decrease of 22.26%. However, the Company has earned profit after tax (excluding exceptional items) for the year of Rs. 221.67 lacs as against Rs. 127.02 lacs in the previous year. This performance has been possible due to various cost saving measures taken by your Company in its operations, better sales realisation and substantial increase in exports.

However, in view of the accumulated losses, your Directors are unable to recommend dividend.

BIFR REFERENCE:

The revised draft rehabilitation scheme submitted to the Board for Industrial and Financial Reconstruction by the State Bank of India (Operating Agency) is under its active consideration and is awaiting the final order of the Board.

FIXED DEPOSIT:

The total deposits as on 31st March, 2002 with the Company were Rs. 339.59 lacs, including deposits of Rs. 3.60 lacs not claimed by the depositors on due dates. Your Directors have to report that since then Rs. 0.59 lac out of the said unclaimed deposits have been paid and the deposits remaining unclaimed for seven years amounting to Rs. 2.49 lacs have been transferred to Investor Education and Protection Fund.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed herewith and forms part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS:

In terms of Clause 49 of the Listing Agreement of the Stock Exchanges, Management Discussion and Analysis Report is annexed herewith and forms part of this Report.

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SUBSIDIARIES:

The following Companies continue to remain as subsidiaries of the Company and their Annual Accounts along with the Statement pursuant to Section 212 of the Companies Act, 1956 relating to the Subsidiary Companies are attached to the Accounts:

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.

CORPORATE GOVERNANCE:

As prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance along with Auditors' Certificate on its compliance by your Company, are included as part of this Report.

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, 2002 has been given as Annexure hereto.

DIRECTORS:

Shri Sanjay Dalmia and Shri Anurag Dalmia resigned from the Board with effect from 10th December, 2001 and Shri R. R. Kumar resigned with effect from 11th December, 2001. The Company has received a letter from the Board for Industrial and Financial Reconstruction intimating cessation of office of Dr. P. L. Malhotra as the Special Director on the Board of the Company effective from 26th July, 2002. The Directors wish to record their deep and sincere appreciation for the valuable guidance and services rendered by them during their tenure as Directors of the Company.

With a view to broadbase the Board of Directors in line with requirements of the Code of Corporate Governance, Shri M. H. Patil, Shri Bharat B. Merchant and Shri R. A. Gupta were appointed as non-executive directors on the Board at its Board Meeting held on 26th July, 2002 to fill the casual vacancies caused by resignation of Shri Sanjay Dalmia, Shri Anurag Dalmia and Shri R. R. Kumar respectively.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Viney Mehra will be liable to retire by rotation at the forthcoming Annual General Meeting. Further, Shri M. H. Patil and Shri R. A. Gupta who were appointed in the casual vacancy of Shri Sanjay Dalmia and Shri R. R. Kumar respectively would also retire by rotation at the ensuing Annual General Meeting, as Shri Sanjay Dalmia and Shri R. R. Kumar would have retired by rotation at the said meeting, if they had not resigned as such. The Company has received the necessary notices pursuant to Section 257 of the Companies Act, 1956 from the members proposing their candidature for the directorship. Being eligible, Shri Viney Mehra, Shri M. H. Patil and Shri R. A. Gupta have offered themselves for re-appointment, which your Directors recommend for your approval.

Further, the Company has received a letter from the Board for Industrial and Financial Reconstruction, informing that Shri Chandra Shankar has been nominated as a Special Director and accordingly he has been inducted on the Board of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors confirm that they have:

- (i) followed the applicable accounting standards in the preparation of the annual accounts for the year ended 31st March, 2002 along with proper explanation relating to material departures;
- (ii) selected such accounting policies and applied them consistently and made such judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended 31st March, 2002 and of the profit of the Company for that year;
- (iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) prepared the annual accounts on a going concern basis.

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ADDITIONAL DISCLOSURES:

In line with the requirements of the Listing Agreement and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in the form of Consolidated Financial Statements and Related Party transactions.

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 General Meeting and are eligible for re-appointment. The necessary certificate pursuant to Section 224(1B) of the Companies Act, 1956 has been received from them. Your Directors recommend their reappointment for your approval at the ensuing Annual General Meeting.

ACKNOWLEDGEMENT:

Your Directors express their deep gratitude and sincere appreciation for the whole-hearted assistance and co-operation extended to the Company by the Bankers, Financial Institutions, Business Associates, Employees and above all the Shareholders of the Company who continued to repose utmost faith in the Company.

For and on behalf of the Board

J. P. KHETAN
Managing Director

N. V. JOSHI
Director

Place : MUMBAI
Dated : 28th October, 2002.

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ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED 31ST MARCH, 2002.

NAME	DESIGNATION/ NATURE OF DUTIES	REMUNE- RATION (RUPEES)	QUALIFICATIONS	EXPE- RIENCE (YEARS)	DATE OF COMMENCE- MENT OF EMPLOY- MENT	AGE (YEARS)	THE LAST EMPLOYMENT HELD BEFORE JOINING THIS COMPANY AND ALSO THE DESIGNATION & NUMBER OF YEARS PUT IN THERE
KHETAN J P	MANAGING DIRECTOR	15,64,108	INTER (ARTS)	38	10.02.79	59	DALMIA INDUSTRIES LTD., COMMERCIAL MANAGER-7 YEARS

NOTES:

- 1) Remuneration includes Salary, Company's Contribution to Provident Fund and Superannuation Scheme, Medical, Leave Travel Assistance, Education Allowance, House Rent/Allowance paid for residential accommodation and where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of such perquisite is calculated in accordance with the Income Tax Act, 1961 and the Rules made thereunder.
- 2) The employee is not related to any Director of the Company.
- 3) The appointment is contractual.
- 4) There are no employees in the service of the company within the categories covered by sub-clause (ii) & (iii) of clause (a) of sub-section (2A) of Section 217 of the Companies Act, 1956.

STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Information in accordance with Section 217 (1)(e) read 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, 2002.

A. CONSERVATION OF ENERGY

1. Energy conservation measures taken:
 - i) Installation of 'SUPERMAX POWER SAVER' drive for optimum utilization of chilled water pump of centralized AC plant.
 - ii) Installation of energy efficient variable frequency drives on cigarette making machines, packing machines and tobacco cutting machines.
 - iii) Installation of energy efficient Sodium Vapour Lamp fixtures in place of conventional high wattage focus lamps for compound lightings.
 - iv) Installation of state of the art low wattage high luminous slim type tube lights in the production hall.
2. Benefits resulted from above for reduction of energy consumption and impact on the cost of production of goods
 - i) Reduction in specific consumption of electrical energy.
 - ii) Enhanced operational efficiency.

B. TECHNOLOGY ABSORPTION

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

1.
 - (a) Improving smoke characteristics by use of specific tobacco additives in respective blends, which enhance the overall tobacco chemistry to deliver a quality smoke.
 - (b) Developing blends and using in specially designed cigarettes to suit the requirement of International and Domestic market.
 - (c) On dot monitoring of process parameters to achieve consistent quality product and optimum yield, carrying out of required modifications as per requirement.
 - (d) Enhancing appearance of final product by improved packaging and simultaneously improving the shelf life of the product.
2. Improving Printing Technology to achieve a more attractive product for offering to the consumer in Domestic as well as International market.

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

1.
 - (a) Enhanced smoking pleasure resulting in from tailor made blends.
 - (b) An appreciable increase in export volume. American blends made in various categories of full flavor, lights, ultra lights, menthol, menthol lights and extra menthol, have been very well accepted in International Market.
 - (c) Increase in product yield and control on chemistry fluctuations of tobacco, being an agricultural commodity.
 - (d) Protection of the product from weather changes and increased shelf life.
2. Offering the customers a product with attractive packet appearance in line with International standard.

III. FURTHER PLAN FOR ACTION

Research will be carried out on the above mentioned areas.

IV. EXPENDITURE ON R&D

1.

(a) Recurring	Rs. 46.71 lacs
(b) Total R&D expenditure	
As percentage of Gross Turnover	0.13%
(Technology absorption, adaptation and innovation)	
(c) Efforts in brief, made towards technology absorption, adaptation and innovation:	
i) Monitoring each stage of production to ensure a final-product with best and highest possible standard of quality.	
ii) Close monitoring at each stage for control on cost parameters.	
iii) Offering customer a product of his liking and preference at a comparative price by continuous development work and close monitoring of each stage ensuring cost parameters are within control.	
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 year various brands of cigarettes aggregating to Rs. 3730.03 lacs.
2. During the year under review 1292.092 million sticks were exported.
3. Total foreign exchange used :

Travel	Rs. 9.53 lacs
Other Expenses	Rs. 17.41 lacs
Total foreign Exchange Earned .	
Cigarettes	Rs. 3730.03 lacs
Tobacco

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT:

Your Company is singularly focused - manufacturing and selling Branded cigarettes. Since we also export a large quantity of cigarettes, we have outlined our export performance separately.

In the backdrop of a sluggish year for the Indian economy, rampant smuggling of cheap cigarettes from neighbouring countries and the imposition of 15 % National Calamity Fund Duty effective from March, 2001, there was a further shrinkage of the domestic cigarette industry by about 11%, with the lower priced segments shrinking disproportionately at over 18%. Your Company which is operating largely in the lower priced segments, its volume has dropped by approx. 13%.

Besides, with the continued thrust on its core business, large scale cost reduction, various financial restructuring initiatives and improved export performance, Company's profit after tax (excluding exceptional items) has increased from Rs. 127.02 lacs in the previous year to Rs. 221.67 lacs in the financial year 2001-02 i.e. increase by 74.52 %.

EXPORTS:

Your Company recorded an outstanding performance in exports. The export revenue during the year has gone up from Rs.611 lacs in the financial year 2000-2001 to Rs.3730 lacs i.e. growth of over 500%. The Company is confident of improving the current volumes in the coming years.

INTERNAL CONTROL AND ADEQUACY:

Your Company maintains a system of internal control, including suitable monitoring procedures to safeguard its assets against any misuse and ensure proper maintenance of financial records. The introduction of Baan, an ERP package in various areas of business operations during the year 2000-2001 has enabled the Company to further strengthen its control mechanism and improve its efficiency. The Internal Auditors regularly conduct review of the financial and operating controls; and they report significant audit observations to the management along with response from the concerned department for better and adequate control. These reports along with financial reports are placed before the Audit Committee for their review at regular intervals. With the reconstitution of the Audit Committee comprising of independent non-executive directors, the system is expected to be further strengthened.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

Industrial Relations at all the Works of your Company remained cordial throughout the year and Unions' concerted efforts were aimed at improving the efficiency/productivity, rationalisation of manpower and seeking whole hearted co-operation of the workmen in implementing the various measures of improvement proposed by Company from time to time. The long term wage settlement with workmen is valid upto 31st March, 2003. As on 31st March, 2002, your Company had a strength of 1569 employees as compared to 1629 at the beginning of the year.

Substantial efforts were put in during the period to improve environment, health and safety standards by your Company and there was no serious accident during the year nor any material effluent or pollution problem.

Besides, to cope up with the changing environment, your Company had organised various training programmes both internally and externally to reorient the employees and is laying a lot of emphasis on developing the capability of the personnel across various levels of management.

OPPORTUNITIES & THREATS AND FUTURE OUTLOOK:

Even though there was no hike in levies on cigarettes in the 2002 Union Budget, the Industry could not recover lost volumes due to imposition of fresh State taxes, the enacted or proposed ban on outdoor advertising and cigarette smoking in public places by several State Governments, continued availability of cheap smuggled cigarettes, increasing awareness of the health hazards associated with smoking, sluggishness in rural demand and continued recession of Indian industry severely affecting the cigarette industry. Moreover, due to monopolistic market share of multinationals, Swadeshi companies continued to be under pressure. However, your

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Company has embarked on some new marketing initiatives in the rural areas to expand its consumer base and is also planning to offer urban consumers with better product and pricing options. These strategic moves will enable your Company to record higher volumes and improve margins in the years to come. Besides, the Company is also developing new blends to suit the requirements of both International and Domestic Markets.

Although VAT on cigarettes was not introduced in the last Union Budget, your Directors expect that the same will be introduced in the coming Union Budget, resulting in lower tax on low priced cigarettes. Since our products are basically in the lower priced segment, this would greatly benefit your Company, besides earning additional revenue to the tune of Rs.1000 - 1500 crores for the national exchequer.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis Section may be termed "forward looking" within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

