

ANNUAL REPORT **2002 – 2003**



INDUSTRIES LIMITED



GTC INDUSTRIES LIMITED

47TH ANNUAL GENERAL MEETING

Date : 24th September, 2003
 Day : Wednesday
 Time : 3.00 p.m.
 Venue : Shri Bhaidas Maganlal Sabhagriha,
 U-1, Juhu Development Scheme,
 Vile Parle (West), Mumbai-400056.
 Book Closure : 18th September to 24th September, 2003
 Dates (both days inclusive)

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Board of Directors

Managing Director
 J. P. Khetan

Directors

R.R. Kumar
 M. H. Patil
 Bharat B. Merchant
 Chandra Shankar - Special Director (B. I. F. R.)
 N. V. Joshi - Whole Time Director
 Viney Mehra - Whole Time Director

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

Registered Office

Tobacco House,
 Vile Parle (West),
 Mumbai - 400056.
 Phone : 2671 3951
 Fax : 2628 7979

Registrar & Transfer Agent

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Road, Bhandup (West)
 Mumbai - 400 078
 Phone: 5555 5454
 Fax: 2567 2693

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.

NOTICE

NOTICE is hereby given that the Forty Seventh Annual General Meeting of the Members of GTC Industries Limited will be held on Wednesday, the 24th September, 2003, 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, 2003, 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 N.V. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold the 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 modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Eharat B. Merchant, who was appointed as a Director of the Company with effect from 26th July, 2002 pursuant to Section 262 of the Companies Act, 1956 and Article 146 of the Articles of Association of the Company to fill the casual vacancy arising out of resignation of Shri Anurag Dalmia; and who holds the office up to the date of this Annual General Meeting, and in respect of whom the Company has received a 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 liable to retire by rotation."

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

"RESOLVED THAT in supersession of the ordinary resolution passed by the members of the Company at their Annual General Meeting held on 21st September, 2000 and 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), and subject to the approval of the Central Government if required, consent of the members of the Company be and is hereby granted to the re-appointment of Shri J. P. Khetan as the Managing Director of the Company for a period of three years with effect from 1st August, 2000, i.e. up to 31st July, 2003, 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 of which 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 Shri J. P. Khetan as the Managing Director, as may be mutually agreed between the Company and Shri J. P. Khetan, 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 as 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 may be in force and amended from time to time, and necessary approval of the Central Government 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 modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the ordinary resolution passed by the members of the Company at their Annual General Meeting held on 18th September, 2001 and 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) and subject to approval of the Central Government if required, consent of the members of the Company be and is hereby granted to the re-appointment of Shri N.V. Joshi as the Wholetime Director of the Company with effect from 1st October, 2001, for a period of five years; or upto the age of his Superannuation or upto any extension in service granted to him beyond the age of his superannuation, whichever expires earlier, on such terms and conditions, including the terms of his remuneration, perquisites/benefits as the Whole-time Director of the Company; as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy of which 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 Shri N.V. Joshi as the Wholetime Director, as may be mutually agreed between the Company and Shri N.V. Joshi, 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 term of Shri N.V.Joshi as the Wholetime Director, the remuneration, perquisites/ benefits as set out in the said Explanatory Statement be paid or granted to Shri N.V.Joshi as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as may be in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

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

"RESOLVED THAT in supersession of the ordinary resolution passed by the members of the Company at their Annual General Meeting held on 18th September, 2001 and 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) and subject to approval of the Central Government if required, consent of the members of the Company be and is hereby granted to the re-appointment of Shri Viney Mehra as the Wholetime Director of the Company with effect from 1st October, 2001, for a period of five years, or upto the age of his Superannuation or upto any extension in service granted to him beyond the age of his superannuation, whichever expires earlier, on such terms and conditions, including the terms of his remuneration, perquisites/benefits as the Whole-time Director of the Company; as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy of which 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 Shri Viney Mehra as the Whole-time Director, as may be mutually agreed between the Company and Shri Viney Mehra, 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 term of Shri Viney Mehra as the Whole-time Director, the remuneration, perquisites / benefits as set out in the said Explanatory Statement be paid or granted to Shri Viney Mehra as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as may be in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special 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), and subject to the approval of the Central Government, if required, the Company do hereby approves the re-appointment of Shri J. P. Khetan as the Managing Director of the Company for a period of three years with effect from 1st August, 2003, i.e. up to 31st July, 2006, 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 of which 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, as may be mutually agreed between the Company and Shri J. P. Khetan, 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 as set out in the said Explanatory Statement, or as altered and varied subsequently as aforesaid, 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 may be in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

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

"RESOLVED THAT subject to the applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force), the Securities & Exchange Board of India (De-listing of Securities) Guidelines 2003, the Securities Contracts (Regulation) Act, 1956 and the rules framed there under, the listing agreements with the Stock Exchanges, and all other applicable laws, rules, regulations and guidelines of the Securities and Exchange Board of India, the Stock Exchanges and other concerned authorities, and subject to such approvals, permissions and sanctions, as may be necessary and subject also to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (herein after referred to as the "Board", which expression shall include any of its committee duly authorised in this regard.), the consent of the Company be and is hereby accorded for voluntary de-listing of the equity shares of the Company from all or any of the following 8 (Eight) Stock Exchanges, viz.:

The Calcutta Stock Exchange Association Ltd., Madras Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd., The Stock Exchange, Ahmedabad, The Hyderabad Stock Exchange Ltd., The Uttar Pradesh Stock Exchange Association Ltd., The Gauhati Stock Exchange Ltd. and Vadodara Stock Exchange Ltd.



RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps on behalf of the Company to be taken in this regard and to do all such acts, deeds, matters and things that are required to be done to implement this resolution without further referring the matter to the shareholders of the Company."

By Order of the Board

Place : MUMBAI
Dated : 30th July, 2003.

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 MEETING.
2. The Register of members and share transfer Books of the Company shall remain closed from Thursday, 18th September, 2003 to Wednesday, 24th September, 2003 (both days inclusive).
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under item Nos. 4 to 9 of the notice is annexed hereto and forms part of the notice.
4. Members are hereby informed that all unpaid dividends up to 1993-94 declared by the Company have been transferred by it to the General Revenue Account of the Central Government. Unpaid dividend pertaining to the year 1994-95 will be paid as per the schedule fixed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 16.12.2002.
5. M/s. Intime Spectrum Registry Ltd, C-13, Pannalal Silk Mill's Compound, LBS Marg, Bhandup (West), Mumbai-400 078, who were acting as the connectivity registrar for dematerialization of shares, were also appointed as Registrar and Transfer Agent of the Company to handle work relating to the transfer of physical shares and other related matters. Members holding shares in the physical form are requested to notify/send the following to them to facilitate better service:-
 - i) any change in their address, particularly mentioning the pin code number, the folio number, number of shares held, etc,
 - ii) share certificates, if 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 the 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 attending this Annual General Meeting are requested to bring with them the following:
 - i) The copy of the Annual Report as no separate copies shall be given at the time of the Annual General Meeting.
 - ii) 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 form 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) on request from the Registered Office of the Company on or before 19th September, 2003 to avoid inconvenience.

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

ITEM NO.4:

Shri Bharat B. Merchant 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 Anurag Dalmia from the Board of the Company under Article 146 of the Articles of Association of the Company. As per the provisions of Section 262 of the Companies Act, 1956 and the said Article, Shri Bharat B. Merchant holds the office only upto the date of the forthcoming Annual General Meeting, when the original Director Shri Anurag Dalmia, in whose place he was appointed would have retired by rotation; and therefore, Shri Bharat B. Merchant will cease to hold the office on that date. Shri Bharat B. Merchant is eligible for re-appointment as a Director of the Company. The Company has received 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 Bharat B. Merchant, who is proposed for re-appointment, no other Directors of the Company is any way concerned or interested in the said resolution.



ITEM NOS. 5, 6 AND 7:

The members of the Company had re-appointed Shri. J.P. Khetan as the Managing Director of the Company for a period of 5 years with effect from 1st August, 2000 by an ordinary resolution passed at their 44th Annual General Meeting held on 21st September, 2000.

The members of the Company had also re-appointed Shri Viney Mehra and Shri. N. V. Joshi as the Whole -time Directors of the Company with effect from 1st October, 2001 for a period of five years or upto the age of their Superannuation or upto any extension in service that may be granted to them beyond the age of their superannuation, whichever expires earlier, by respective ordinary resolutions passed at the 45th Annual General Meeting of the Company held on 18th September, 2001.

The above three re-appointments were made in accordance with the applicable provisions of the Companies Act, 1956 and the Schedule XIII thereto then in force, which inter alia required approval of the members of the Company to the re-appointments and to the terms of remuneration to the managerial personnel by ordinary resolution. Effective from 16th January, 2002, the Central Government amended the Schedule XIII to the Companies Act, 1956, inter alia requiring a Company with negative effective capital to pass a special resolution for paying the remuneration as specified under Clauses (B) or (C) of paragraph I in Section II of part II to the amended Schedule XIII. The Company being a sick Company, as it approached the Central Government seeking its approval to payment of the increased remuneration to the aforesaid managerial personnel; the Central Government, vide its letter No. 2/ 57-58/ CL.VII dated 5th June, 2003 addressed to the Company, required the Company inter alia to obtain approval of its members to the re-appointments by passing a special resolution at a general meeting to meet the aforesaid requirement of the amended schedule XIII to the said Act. Further in view of the amendment to Schedule XIII restricting the appointment period in Special Resolution to three years, the appointment of Shri. J. P. Khetan in item no. 4 is proposed for three years.

Therefore, in order to meet the requirement prescribed by the Central Government as stated above and to establish conformity with the amended provisions of Schedule XIII to the Act, the special resolutions under item Nos. 5, 6 and 7 are proposed for your approval. The terms of remuneration of the aforesaid three managerial personnel as referred to in their respective resolutions and proposed for your approval are as follows:

Particulars of Remuneration	To Shri. J. P. Khetan- Managing Director	Shri. N. V. Joshi- Wholetime Director	Shri. Viney Mehra- Wholetime Director
Salary & Grade	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.	Rs. 47,500/- per month In the Grade of Rs.47,500-75,000.	Rs. 50,000/- per month In the Grade of Rs. 50,000-75,000
Commission	Commission : @ 1% of the net profit of the Company, subject to a ceiling of Rs.10 Lacs per annum.	Nil	Nil

Perquisites: The Managing Director and both the aforesaid Whole-time Directors shall be entitled to the perquisites such as Accommodation, Medical Benefits, Group Hospitalisation Benefits, Leave Travel Allowance / Reimbursement of Expenses 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/Whole-time Directors.

For the aforesaid purpose, "Family" means the Spouse, dependent children and dependent parents of the Managing Director/ Whole-time-Directors.

Other Perquisites to Shri. J. P. Khetan, Shri. N. V. Joshi and Shri. Viney Mehra are:

- 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.
- Encashment of Leave at the end of the term as per rules of the Company shall not be considered for the valuation of perquisites.
- 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.
- 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 whole - time Director.
- 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.
- No sitting fees to be paid for attending Meetings of the Board of Directors or any of its Committee.

In the event of loss or inadequacy of profit in any financial year during the tenure of the aforesaid managerial personnel, the

remuneration, perquisites / benefits be paid or granted 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.

The aforesaid remuneration shall be reviewed by the Remuneration Committee/Board of Directors after the close of every financial year and Shri. J. P. Khetan, Shri. N. V. Joshi and Shri. Viney Mehra be paid such increment within the limits of the respective salary grades specified above, as the Remuneration Committee/Board may then decide, subject to the ceiling limits laid down aforesaid and under the provisions of the Companies Act, 1956, or any modification or re-enactment thereof.

The grant of increment to the aforesaid three managerial personnel has already been considered and approved by the Remuneration Committee and Board of Directors at their meetings held on 29th April, 2002 and 30th April, 2002, respectively.

Shri N.V. Joshi and Shri Viney Mehra shall be the directors liable to retire by rotation during their tenure as Wholtime Directors of the Company.

The information required under the clause C (iv) of Para I of Section II, part II, of the Schedule XIII to the Companies Act, 1956 is given here below:

I. General Information:

1. Nature of Industry	Cigarette Manufacturing and Marketing	
2. Date or expected date of commencement of Commercial Production	Not applicable	
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable	
4. Financial performance based on given indications	(Rs. in Lacs)	
	2001-2002	2002-2003
i. Sale	35850.96	32840.94
ii. Net Profit after taxation	172.98	475.22
iii. Export	3730.03	5284.77
iv. Foreign investments or collaborators, if any	NIL	

II. Information about the appointee:

	J.P. Khetan	N.V. Joshi	Viney Mehra
i. Background details : Shri J. P. Khetan is having 38 years experience in Commerce and Industries. He has been with Company for over 24 years and possesses rich experience in various managerial capacities		Shri N. V. Joshi is a Graduate in Commerce, and an Associate member of the Institute of Chartered Accountants of India and Fellow member of the Institute of Company Secretaries of India. He is having rich experience of 32 years.	Shri Viney Mehra holds an Advanced Diploma in Production Engineering from Punjab Engineering College Chandigarh. Before joining GTC Industries, he was in employment with ITC Ltd. for a period of eighteen years.
ii. Past remuneration : Rs. 1,47,582/- per month		**Rs. 75,283/- per month	**Rs. 87,350/- per month
iii. Recognition or Awards: Nil	Nil	Nil	Nil
iv. Job profile and suitability : Shri. J. P. Khetan is managing and supervising all the affairs of the Company. With his background and experience stated above, no emphasis needs to be made as to his suitability to the job.		Shri. N. V. Joshi who has a rich background and experience as stated above in finance, is managing and supervising the finance function in the Company.	Shri. Viney Mehra with the rich background and experience as stated above in the technical field, is managing and supervising the technical function in the Company
v. Remuneration proposed : Rs. 1,80,332/- per month		Rs. 85,533/- per month	Rs. 1,21,450/- per month
vi. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person: i. Managing Director : Around Rs. 65,00,000/- per annum ii. Whole Time Director : Around Rs. 30,00,000/- per annum			
vii. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:			
	Professional	Professional	Professional

III.

i. Reasons of loss or inadequate profits : The company has been earning profits for the past three financial years but due to accumulated losses (incurred on account of interalia, frequent changes in excise duty structure, imposition of luxury tax, coercive action taken by the Income Tax Department and interest cost) carried forward since 1995-96 the net profit turns into loss. Scheme for the rehabilitation of the Company has been passed by the Board for Industrial and Financial Reconstruction, vide its order dated 16th December, 2002.	
ii. Steps taken or proposed to be taken for improvement : Several cost saving measures have been undertaken by the Company in its operations. Savings in interest has been effected due to concessional rate of interest sanctioned by the BIFR scheme. The new marketing initiatives as planned have and are in the process of being implemented.	
iii. Expected increase in productivity and Profits : Productivity of the Company is in line with the demand patterns in the market and will continue in future to meet the demands. With sustained market initiatives, the Company is expecting further increase in profits in the future.	

**Application has been made to the Department of Company Affairs for approval of the remuneration.



Your Directors recommend the three special resolutions under item Nos. 5, 6 and 7 of the notice for your approval.

Shri. J. P. Khetan, Shri. N. V. Joshi and Shri Viney Mehra are interested in their respective proposed special resolutions at item nos. 5, 6 and 7 of the notice to the extent of the remuneration, perquisites and benefits that they will respectively receive. Except them, no other Director of the Company is in any way concerned or interested in the stated resolutions.

The resolutions 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.8 :

The Members of the Company had granted their approval to the re-appointment of Shri J. P. Khetan, as the Managing Director of the Company for a period of 5 years with effect from 1st August, 2000 to 31st July, 2005 vide an Ordinary Resolution passed at the 44th Annual General Meeting of the Company held on 21st September, 2000 in accordance with the applicable provisions of the Companies Act, 1956 and Schedule XIII thereto as existing then. The terms and conditions of the said re-appointment of the Managing Director and the terms of his remuneration were as detailed in the explanatory statement at item no. 5 placed before the said Annual General Meeting attached to the notice of the said meeting.

As the Company was a Sick Company, the terms of the re-appointment of Shri J.P.Khetan as the Managing Director, including his remuneration were subject to the approval of the Central Government. Accordingly, the Company had applied to the Central Government, seeking its approval to the said re-appointment and its terms and conditions. The Central Government had, according to its policy prevalent at that time, granted approval to the said re-appointment of the Managing Director vide its letter No. 1/322/2000-CL.VII Dated 12th December, 2000, for a period of three years; i.e. from 1st August, 2000 to 31st July, 2003. The Schedule XIII was amended by the Central Government on 16th January, 2002, by inserting para 1, in Section II, of part II to the said Schedule. As per its clauses (B) & (C), a special resolution should be passed at the General Meeting of the Company for payment of remuneration in the scale prescribed therein, for a period not exceeding three years. As the proposed remuneration package of Shri J.P.Khetan as Managing Director falls under the said scale and in order to have his re-appointment in conformity with the said requirements of the amended Schedule XIII, the Remuneration Committee and Board of Directors of the Company at their respective meetings held on 30th July, 2003 have re-appointed Shri J. P. Khetan for a further period of three years with effect from 1st August, 2003, i.e up to 31st July, 2006, inter alia, on the following terms and conditions, including the terms of his remuneration:

- A. Salary: Rs. 1,10,000/- per month in the grade of Rs.1,10,000 — 2,00,000.
 Increments in the above grade will be decided by the Board of Directors, considering the over all performance of the Company and the Managing Director.
- 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 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 of the financial years falling under the aforesaid three years' tenure of Shri J. P. Khetan as the Managing Director of the company, it is proposed to pay the above remuneration 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. The Managing Director shall not be liable to retire by rotation during his tenure as such.

Information as required under the amended clause C (iv) of para I of Section II, Part II to Schedule XIII of the Companies Act 1956 has been stated as Explanatory statement to item nos. 5,6&7 of the notice.

Your Directors recommend the above resolution for your approval.

Except Shri J. P. Khetan, who is proposed to be re-appointed as the Managing Director and who is interested in the proposed resolution to the extent of the remuneration, perquisites and benefits he would enjoy, no other Director 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. 9:

At present, the Company's shares are listed at the following 10 stock exchanges, viz. 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. and Vadodara Stock Exchange Ltd.

Keeping in view the insignificant trading volume at some of the above stock exchanges, overall review of the efficiency of our operations and also to cut down the Company's overheads, it was proposed to voluntarily de-list the equity shares of the Company from 8 of the aforesaid 10 stock exchanges, i.e. all the stock exchanges other than National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai. Accordingly, a Special Resolution was passed by the members of the Company at their Annual General meeting held on 18th September, 2001, approving the de-listing proposal as above, subject to the necessary approvals.

Since then, the Company approached the concerned stock exchanges with its application for voluntary de-listing of its shares in pursuance of the guidelines of the Securities and Exchange Board of India (SEBI) prevailing then, which inter alia provided under clause 5, for giving an exit opportunity to the equity shareholders of the Company covered under the region of the stock exchanges from which de-listing was sought. As a result, the Company approached SEBI/concerned stock exchanges seeking approval for exemption from giving the said exit option. Pending clearance of the Company's applications, SEBI has issued new guidelines for de-listing, viz. the Securities & Exchange Board of India (De-listing of Securities) Guidelines 2003, which inter alia provided waiver of the exit option, if the shares of the Company continue to list on a stock exchange having nation wide trading terminals. As the Company's shares continue to be listed on National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai, which are the two stock exchanges having nation wide trading terminals as specified under the aforesaid SEBI's guidelines, the Company is now seeking fresh approval of its shareholders vide the proposed resolution under this head of item, as required by the Stock Exchanges from where the Company's Equity Shares are sought to be de-listed.

It is therefore, proposed to obtain the approval of the shareholders of the Company, subject to the necessary approvals from concerned Authorities like SEBI, Stock Exchanges, etc. as may be required to discontinue listing of the Company's equity shares with 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. and Vadodara Stock Exchange Ltd.

This is not likely to affect the shareholders' interest in general, since your Company's shares will continue to be listed on the Stock Exchange, Mumbai as the Regional Stock Exchange and National Stock Exchange of India. Besides, with the networking of trading terminal of the Stock Exchange, Mumbai and National Stock Exchange of India, the members of the Company will continue to have access to online dealing in the Company's shares across the country.

Your Directors recommend the proposed resolution for your approval.

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

By Order of the Board

Place : MUMBAI
Dated : 30th July, 2003.

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

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



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby submit their Forty Seventh Annual Report with the Audited Accounts for the year ended 31st March, 2003.

SUMMARY OF FINANCIAL RESULTS:

	For the year ended 31.03.2003	For the year ended 31.03.2002
	(Rs. in lacs.)	
Profit/(Loss) for the year before Interest, Depreciation and Exceptional Items	2697.42	3499.99
Interest	1047.79	2964.66
Depreciation	281.73	177.04
Profit/(Loss) before Tax and Exceptional Items	1367.90	358.29
Exceptional Items	(454.68)	3.42
Depreciation of Earlier years	(145.94)	(52.11)
Profit before Taxation	767.28	309.60
Provision for Taxation :		
Current Tax (Wealth Tax)	5.09	4.17
Deferred Tax	286.97	132.45
Profit after Taxation	475.22	172.98
Amount transferred from Debenture Redemption Reserve	350.00	
Balance brought forward from last year	(13923.30)	(14096.28)
Balance of loss carried over to Balance Sheet	(13098.08)	(13923.30)

INDUSTRY STRUCTURE AND DEVELOPMENT:

The Industry posted a 2% growth after three years of continuous decline, with an upsurge only in the last quarter. This growth came mainly in the Filter Segment where your Company has a minuscule presence.

Against the backdrop of a hostile environment prevalent in the industry, your Company is striving to maintain and increase cigarette sales volumes. The incidence of high state level taxes in form of Luxury and/ or Entry tax, a ban on smoking in public places and a strident move to pass the bill prohibiting the advertisement and regulation of promotion of use and consumption of cigarettes pose a huge challenge. This Bill has now been passed by the Parliament on 9th April, 2003 in form of The Cigarettes and Other Tobacco Products Act and awaits notification and implementation.

For the year ended 31st March 2003, your Company's volume dropped by 10% compared to last year. However, in the low priced segment, where your Company operates, our market share has increased to 35% currently compared to 31% for the year 2001-2002.

BIFR REFERENCE:

Your Directors take pleasure in informing that the modified draft rehabilitation scheme submitted to the Board for Industrial and Financial Reconstruction (BIFR) by the State Bank of India (Operating Agency) has been approved and the final order dated 16/12/2002 has been received during the year which is under implementation.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Sales of your Company during the year was at Rs. 32840.94 lacs as against Rs.35850.96 lacs in the previous year, showing a decrease of 8.40%. However, the profit after tax for the year increased by around 175 % from Rs. 172.98 lacs in the previous year to Rs.475.22 lacs this year.

This performance has been possible due to several cost saving measures undertaken by your Company in its operations and savings in interest due to concessional rate of interest as per BIFR scheme. As reported last year, the new marketing initiatives planned were implemented during the year in the rural areas to expand the consumer base. This has enabled your company to emerge as the single largest brand in the mini cigarettes segment in the country as also to gain a dominant market share.

Your Company recorded an outstanding performance in exports in the year. The export revenue generated during the year 2002-03 was Rs.5207.61 Lacs as compared to Rs. 3730.03 Lacs in 2001-02, an increase of 39.61%. These figures reflect the success of your Company in moving towards international markets.

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