

ANNUAL REPORT 2003 – 2004

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INDUSTRIES LIMITED

GTC INDUSTRIES LIMITED

48TH ANNUAL GENERAL MEETING

Date : 24th September, 2004
 Day : Friday
 Time : 3.00 p.m.
 Venue : Shri Bhaidas Maganlal Sabhagriha,
 U-1, Juhu Development Scheme,
 Vile Parle (West), Mumbai-400056.
 Book Closure : 17th September to 24th September, 2004
 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 Calcutta Stock Exchange Association Ltd.
 Vadodara Stock Exchange Ltd.

Board of Directors

Managing Director

J. P. Khetan

Directors

Viney Mehra - Whole Time Director
 A. K. Joshi - Whole Time Director
 R.R. Kumar
 Bharat B. Merchant
 M. H. Patil
 Chandra Shankar - B. I. F. R. Nominee
 (upto 04/07/2004)

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: 5555 5353

NOTICE

NOTICE is hereby given that the Forty Eighth Annual General Meeting of the Members of GTC Industries Limited will be held on Friday, the 24th day of September, 2004, 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, 2004, the Audited Balance Sheet as on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri M.H. Patil, 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 a Special Resolution:

"RESOLVED THAT Shri A.K. Joshi, who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 21st October, 2003 and who holds the office as such upto the date of the Forty Eighth Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri A.K. Joshi as a candidate for the office of the Director of the Company be and is hereby appointed as a Director of the Company.

RESOLVED FURTHER 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 approval of the Central Government if required, consent of the members of the Company be and is hereby granted to the appointment of Shri A.K. Joshi as the Whole-time Director of the Company with effect from 21st October, 2003, for a period of three years 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 authorized to alter and vary the said remuneration, perquisites / benefits payable to Shri A.K. Joshi as the Whole-time Director as may be mutually agreed between the Company and Shri A.K. 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 A.K. Joshi as the Whole-time Director, the remuneration, perquisites / benefits set out in the said Explanatory Statement be paid or granted to Shri A.K. Joshi 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 be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

5. 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 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 Whole-time Director of the Company with effect from 2nd August, 2004, for a period of three years 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 authorized 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 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 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 an Ordinary Resolution:

"RESOLVED THAT in supersession of the Resolution passed at the fortieth Annual General Meeting of the Company held on 28th December, 1995 and pursuant to the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force), and subject to such other approvals as may be necessary, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow moneys from time to time from any one or more of the Company's Bankers and/or from any one or more, individuals, other Persons, Firms, Bodies Corporate, Financial Institutions, Mutual Funds, Foreign Bankers, Foreign Financial Institutions, Foreign Institutional Investors, Overseas Corporate Bodies, Overseas Mutual Funds, Pension Funds, Trusts or such other bodies or entities, whether by way of cash credit, term loans, advances, deposits, loans or bill discounting, deferred payment guarantees, issue of debentures, external commercial borrowings or otherwise in any other mode or form; and whether unsecured, or secured by mortgage, charge, hypothecation, lien, or pledge of the Company's assets and properties, whether immovable or movable or stock-in-trade (including raw materials, spare parts and components in stock or in transit and work-in-progress) or by any kind of guarantees and all or any of the undertakings of the Company, notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, so that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 125,00,00,000/- (Rupees One Hundred and Twenty Five Crores Only) exclusive of interest, and that the Board of Directors be and is hereby further authorised to execute such debenture trust deeds and /or mortgage deeds, charge deeds, deeds of hypothecation, lien, promissory notes, deposit receipts, Guarantees / Assurance deeds and other deeds and instruments or writings containing such conditions and covenants, as the Board of Directors in it's absolute discretion may think fit."

By Order of the Board

(KAMAL K. GUPTA)

Vice President (Corporate Affairs) &
Secretary

Place : MUMBAI

Dated : 24th July, 2004.

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 17th of September, 2004 to Friday, the 24th of September, 2004 (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 6 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 is being 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, is the connectivity registrar for dematerialization of shares and also the Registrar and Transfer Agents 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 Annual General 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 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 20th September, 2004 to avoid inconvenience.

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

ITEM NOS.4 AND 5:

The Board of Directors of the Company in their meeting held on 21st October, 2003, appointed Shri A.K. Joshi as Additional Director of the Company and he holds the office upto the date of the ensuing Annual General Meeting as prescribed under Section 260 of the Companies Act, 1956 and Article 147 of the Articles of Association of the Company. The Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956 from a shareholder proposing the candidature of Shri A. K. Joshi for appointment and the terms of remuneration as Director of the Company.

Shri A. K. Joshi was appointed as Whole-time Director of the Company effective from 21st October, 2003 for a period of three years by the Board of Directors of the Company at their meeting held on even date. The appointment was made in accordance with the applicable provisions of the Companies Act, 1956 and the Schedule XIII thereto. The Schedule XIII requires the Company, inter alia to obtain approval of its members to the appointment by passing a special resolution at a general meeting.

Shri Viney Mehra is in office as Whole-time Director of the Company since 1st October, 1996. He was last re-appointed as such with effect from 1st October, 2001, which was confirmed by the shareholders at their meeting held on 18th September, 2001 for a period of five years or upto the age of his superannuation or upto any extension in service that may be granted to him beyond the age of his superannuation, whichever expires earlier. As per the amended schedule XIII, a special resolution in this respect was passed at the 47th Annual General Meeting of the Company held on 24th September, 2003. Since the date of superannuation of Shri Viney Mehra was 1st August, 2004, the Board of Directors of the Company re-appointed him as Whole-time Director of the Company with effect from 2nd August, 2004 for a period of three years at its meeting held on 24th July, 2004. The re-appointment was made in accordance with the applicable provisions of the Companies Act, 1956 and the Schedule XIII thereto. The Schedule XIII requires the Company, inter alia to obtain approval of its members to the appointment and the terms of remuneration by passing a special resolution at a general meeting.

The terms of remuneration of Shri A. K. Joshi were approved by the remuneration committee on 21st October, 2003 and a further increment was granted to him by the committee at its meeting dated 21st April, 2004. The terms of remuneration of Shri Viney Mehra were approved at the remuneration committee meeting held on 24th July, 2004. The terms of remuneration as approved for the two managerial personnel at the aforesaid meetings were:

Particulars of Remuneration	Shri A.K. Joshi- Wholetime Director	Shri Viney Mehra- Wholetime Director
Basic Salary & Grade	Rs. 50,000/- per month (from 21.10.03 to 31.03.04) Rs. 58,000/- (w.e.f. 01.04.2004) In the Grade of Rs. 50,000-75,000	Rs. 74,650/- per month In the Grade of Rs. 70,000-1,20,000

Perquisites: Both the aforesaid Whole-time Directors shall be entitled to the perquisites such as Accommodation/HRA, Medical Benefits, Group Hospitalisation Benefits, Leave Travel Allowance / Reimbursement of Expenses for self and family (for inland/foreign travel), Club Fees, 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 Whole-time Directors.

For the aforesaid purpose, "Family" means the Spouse, dependent children and dependent parents of the Whole-time Directors. Other Perquisites to Shri A. K. 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 Directors.
- 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 absence or inadequacy of profit in any financial year during the tenure of the aforesaid managerial personnel as Whole-time Director, the aforesaid remuneration, perquisites / benefits be paid or granted to them 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 has been/ shall be reviewed by the Remuneration Committee/Board of Directors after the close of every financial year and Shri A.K. 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 two managerial personnel has already been considered and approved by the Remuneration Committee and Board of Directors at their respective meetings held on 21st April, 2004.

Shri A.K. Joshi and Shri Viney Mehra shall be the directors liable to retire by rotation during their tenure as Wholetime Directors of the Company.

The information required under the Sub-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)	
		2002-2003	2003-2004
i.	Sale	32840.94	30746.16
ii.	Net Profit after taxation	475.22	747.72
iii.	Export	5207.61	2430.03
iv.	Foreign investments or collaborators, if any	Not Applicable	

II. Information about the appointee:

		Shri A.K. Joshi	Shri Viney Mehra
i.	Background details :	Shri A.K. Joshi is a Graduate in Commerce and a Fellow member of the Institute of Chartered Accountants of India. He is having rich experience of 24 years.	Shri Viney Mehra holds an Advanced Diploma in Production Engineering from Punjab Engineering College, Chandigarh. Before joining GTC Industries, he was with ITC Ltd. for a period of eighteen years. He has a rich experience of 38 years in this industry.
ii.	Past remuneration :	Rs. 1,05,917/- per month	Rs. 1,33,207/- per month
iii.	Recognition or Awards:	Nil	Nil
iv.	Job profile and suitability :	Shri. A.K. 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. 1,22,850 /- per month**	Rs.1,58,126 per month**
vi.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person as Whole Time Director is Around Rs 55,00,000/- per annum		
vii.	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any :		
		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 inter alia, on account of frequent changes in excise duty structure, imposition of luxury tax, coercive action taken by the Income Tax Department, interest cost) carried forward since 1995-96, the net profit turns into loss.
ii.	Steps taken or proposed to be taken for improvement : Scheme for rehabilitation of the Company has been passed by the Board for Industrial and Financial Reconstruction (BIFR), vide its order dated 16 th December, 2002. Several cost saving measures have been undertaken by the Company in its operations. The new marketing initiatives as planned have been 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 two special resolutions under item Nos. 4 and 5 of the notice for your approval.

Except Shri A.K. Joshi, who is interested to the extent of his being appointed as Director of the Company and to the extent of the remuneration, perquisites and benefits that he will receive as the whole-time Director, no other Director of the Company is in any way concerned or interested in the stated resolution under item no. 4.

Except Shri Viney Mehra, who is interested in the proposed special resolution at item nos. 5 to the extent of the remuneration, perquisites and benefits that he will get, no other Director of the Company is in any way concerned or interested in the stated resolution.

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. 6:

Pursuant to Section 293 (1) (d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in a general meeting borrow money, where the total money borrowed is in excess of the aggregate of the paid-up capital of the Company and its free reserves, which shall however, not include the temporary loans obtained from the Company's bankers in the ordinary course of business. Presently, the Board has powers to borrow upto a limit of Rs. 1,00,00,00,000 (Rupees One Hundred Crores only excluding temporary loans from the bankers in the ordinary course of business), as approved by the members of the Company at their Fortieth Annual General Meeting held on 28th December, 1995.

The trend of the past few years shows that the Company has been on a planned recovery path. To facilitate implementation of the planned initiatives and programmes and to meet the consequent financial requirements of the Company at the appropriate time, it is proposed to seek members' approval for enhancing the borrowing power of the Board of Directors of the Company from the existing limit of Rs. 1,00,00,00,000 (Rupees One Hundred Crores only) to Rs. 1,25,00,00,000 (Rupees One Hundred and Twenty Five Crores only).

The ordinary resolution at item no. 6 is therefore, proposed as required under the provisions of sub-clause (d) of sub-Section (1) of Section 293 of the Act. Your Directors recommend the above resolution for your approval.

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

By Order of the Board

(KAMAL K. GUPTA)

Vice President (Corporate Affairs) &
Secretary

Place : MUMBAI

Dated : 24th July, 2004.

Regd. Office:

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



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby submit their Forty Eighth Annual Report with the Audited Accounts for the year ended 31st March, 2004.

SUMMARY OF FINANCIAL RESULTS:

	For the year Ended 31.03.2004	For the year Ended 31.03.2003
	(Rs. in lacs)	
Profit for the year before Interest,		
Depreciation and Exceptional Items	2961.59	2697.42
Interest	1145.90	1047.79
Depreciation	240.76	281.73
Profit before Tax and Exceptional Items	1574.93	1367.90
Exceptional Items	(289.65)	(454.68)
Depreciation of Earlier years	—	(145.94)
Profit before Taxation	1285.28	767.28
Provision for Taxation :		
Current Tax (Wealth Tax)	5.75	5.09
Deferred Tax	531.81	286.97
Profit after Taxation	747.72	475.22
Amount transferred from Debenture Redemption Reserve	—	350.00
Balance brought forward from last year	(13098.08)	(13923.30)
Balance of loss carried over to Balance Sheet	(12350.36)	(13098.08)

INDUSTRY STRUCTURE AND DEVELOPMENT:

The Industry posted a 3% growth in volumes over the previous year. However, your Company's volumes grew by 7% compared to last year. Further, in the economy non-filtered segment, where your Company mainly operates, with thrust in the rural market, our market share has increased to 36% for the financial year 2003-04 compared to 31% last year.

In spite of challenges faced by the Industry in terms of high state level taxes in form of Luxury and/ or Entry tax; smuggled Cigarettes finding their way into the domestic market and with the implementation of the 'Cigarettes and Other Tobacco Products (Prohibition of Advertisement & Regulation of Trade & Commerce, Production, Supply & Distribution) Act, 2003' effective from 1st May, 2004, your Company is striving to increase its sales volumes and market share, especially in its core markets.

REHABILITATION PACKAGE:

The rehabilitation package as approved by the Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 16/12/2002 is being implemented satisfactorily. The Management Committee is monitoring the progress of the scheme.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Sales Revenue of your Company during the year was at Rs. 30746.16 lacs as against Rs. 32840.94 lacs in the previous year, showing a decline of 6.38%. However, the profit after tax for the year increased by around 57% from Rs. 475.22 lacs in the previous year to Rs. 747.72 lacs this year. The export revenue generated during the year 2003-04 was Rs. 2430.03 lacs.

This performance has been fuelled inter alia, by various planned new marketing initiatives bearing fruit, which has expanded our consumer base apart from the several cost saving measures undertaken by your Company in its operations. Your Company continues to have the single largest Brand in the mini cigarettes segment in the country, steadily adding to its market share.

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

FIXED DEPOSIT:

There are no fixed deposit dues pending repayment by the Company. Interest free Contributions have been received from Associates towards 'Promoters' Contribution', as directed by the BIFR vide its order dated 16th December, 2002 approving the Rehabilitation Scheme. The Company has applied to the Department of Company Affairs for exempting these receipts from provisions of Section 58A of the Companies Act, 1956 and other applicable rules and provisions.

AUDIT AND SYSTEMS

The Company maintains a sound internal control system being implemented by the management. The system records transactions and operations; ensures protection against misuse or loss of the Company's assets; ensures efficiency in operations of the plant and facilitates transparency and accuracy of financial reporting. The system is assisted by an Enterprise Resource Planning (ERP) package named BaaN employed at the Baroda and Mumbai office/ unit to ensure efficient operation of the business enterprise. Regular Internal Audit conducted to review the existing financial and operating controls is working efficiently and the feedback generated is resulting in improvements. These reports are placed before the Audit Committee for their review at regular intervals.

CORPORATE GOVERNANCE:

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance is included as part of the Annual Report.

Your company has taken steps to ensure compliance with the provisions of Corporate Governance.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A):

This report is inclusive of MD & A in an attempt to avoid duplication and overlapping between Directors' Report and a separate MD & A as the entire material is provided in this composite and comprehensive document.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT:

Your Company endeavours to move ahead with its most valuable resource, its employees. Our progress as a company is very intimately entwined with the well being of our manpower. Realising the essence, we have and will continue in the future to have cordial and healthy relations with the Unions at all the three units of Mumbai, Baroda and Guntur. We pledge to continue to maintain these good industrial relations through concerted positive efforts.

Memorandum of Settlement was entered into by your Company with the workmen and staff employed at its units in Mumbai and Baroda, which will be effective from 1st April, 2003 upto 31st March, 2006.

The Company had 1426 employees as on 31st March, 2004 as compared to 1478 at the beginning of the year, comprising of 297 in Management/supervisory cadres, 233 in the staff cadres and 896 as workmen.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

At the root of a good performance is a good environment and safe and healthy working conditions. Your Company has been in a constant quest for providing to its employees, a very congenial work environment which will in turn add to the performance of the Company. Keeping in mind the dynamism in the environment, your Company is continuously imparting requisite training to its employees in their respective fields of work.

Health and safety of our employees is of primary importance to us. The workplace is designed to abate the hazards naturally connected to our product. There was no serious accident or any pollution problem noticed during the year at all the three units. Care is taken that all laws pertaining to environmental pollution, health and safety of employees and other associated enactments are being scrupulously adhered to. Our commitment towards the society in terms of providing a clean and healthy environment is of our utmost concern and we pledge to take active efforts to preserve the same.

DELISTING OF COMPANY'S EQUITY SHARES

As approved by you at the Annual General Meeting dated 24th September, 2003 and in accordance with the SEBI (Delisting of Securities) Guidelines 2003, shares of your Company have been delisted from six stock exchanges, excepting Vadodara Stock Exchange Ltd. and The Calcutta Stock Exchange Association Ltd. which are pending owing to processing delays by the aforesaid two stock exchanges. The shares of your Company will continue to be listed on 'The Stock Exchange, Mumbai' and 'National Stock Exchange of India Ltd.', both stock exchanges having nationwide trading terminals, thereby meeting the stipulated statutory requirements.

DIRECTORS:

On 21st October, 2003 Shri N.V. Joshi, resigned as Director of the Company. Shri Chandra Shankar ceased to be a Special Director under an order issued by the B.I.F.R. with effect from 5th July, 2004 owing to his attaining the age of 65 years. Your Board members express their sincere appreciation for the contribution made by Shri N.V. Joshi and Shri Chandra Shankar during their tenure as Directors of the Company.

Shri A.K. Joshi was appointed as Additional and Whole-time Director of the Company by the Board of Directors on 21st October, 2003. The Company has received necessary notice pursuant to section 257 of the Companies Act, 1956 from a member, proposing the candidature of Shri A.K. Joshi for Directorship. Shri Viney Mehra was re-appointed as Whole-time Director of the Company by the Board of Directors at its meeting held on 24th July, 2004 for a period of three years with effect from 2nd August, 2004. In



accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri M.H. Patil will be Director liable to retire by rotation at the forthcoming Annual General Meeting. Being eligible, the appointment/ re-appointment of Shri A.K.Joshi ; Shri Viney Mehra and Shri M.H. Patil are recommended by the Directors for your approval.

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, 2004 along with proper explanation relating to material departures;
- (ii) selected such accounting policies and applied them consistently and made 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, 2004 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.

AUDITORS' REPORT:

With reference to the observations and qualifications 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 in this regard and hence do not require any further explanation.

AUDITORS:

M/s Lodha and 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.

SUBSIDIARIES:

Following Companies are subsidiaries of your Company:

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

Amalgamation of Panama Investment & Finance Limited, Rajnigandha Investment & Finance Limited, Olive Investment & Finance Limited & GTC Investment and Finance Limited with GTC Global Limited is currently in progress. With the procedural formalities already complied with by the said subsidiaries, the matter is pending confirmation from the Bombay High Court.

Pursuant to Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include financial information of its subsidiaries. The Company has received an exemption from the Government of India under Section 212(8) of the Companies Act, 1956, from attachment of the documents of its subsidiaries. The annual report and accounts of Subsidiaries will be kept for inspection at your Company's registered office. Shareholders desirous of obtaining the annual accounts of the Company's subsidiaries may obtain the same on request.

DEMATERIALISATION

As the equity shares of your company are in the compulsory demat trading mode, your Company is having the connectivity with both the depositories in India viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and ISIN of the company is 973A01010. The members are requested to avail the facility of dematerialisation of shares of the Company on either of the Depositories as aforesaid.

OPPORTUNITIES, THREATS AND FUTURE OUTLOOK:

With the competition in the industry intensifying; the urban masses becoming more conscious of hazards associated with smoking; the options of smuggled cigarettes, Pan Masala and Gutka increasingly cutting into the domestic cigarette market and now the new restrictions imposed on Advertising & Promotion, it is an uphill task to maintain and increase volumes in the market.