



**ANNUAL REPORT
2004-2005**

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INDUSTRIES LIMITED

GTC INDUSTRIES LIMITED

49TH ANNUAL GENERAL MEETING

Date	: 15th September, 2005
Day	: Thursday
Time	: 3.00 p.m.
Venue	: Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai-400056.
Book Closure Dates	: 9th September to 15th September, 2005 (both days inclusive)

CONTENTS

	Page
Notice -----	01
Report of the Directors and Management Discussion & Analysis -----	07
Annexure to the Report of the Directors -----	10
Report on Corporate Governance -----	11
Auditors' Report -----	18
Balance Sheet -----	20
Profit & Loss Account -----	21
Cash Flow Statement -----	22
Schedules to the Accounts -----	23
Notes to the Accounts -----	30
Balance Sheet Abstract -----	39
Statement Pursuant to Section 212 of the Companies Act, 1956 -----	40
Consolidated Financial Statements, Auditors' Report, & Cash Flow Statement -----	41
Subsidiaries Information -----	56

Stock Exchanges where Company's shares are listed

National Stock Exchange of India Ltd.
The Stock Exchange, Mumbai
The Calcutta Stock Exchange Association Ltd.

Board Of Directors

Managing Director

J. P. Khetan

Directors

R. R. Kumar
M. H. Patil
Bharat B. Merchant
R. V. Iyer - B. I. F. R. Nominee
Viney Mehra - Whole Time Director
A. K. Joshi - Whole Time Director

Vice-President (Corporate Affairs) & Secretary

Kamal K. Gupta

Auditors

Lodha & Co., Mumbai

Solicitors

Khaitan & Partners

Bankers

Canara Bank
Syndicate Bank
Vijaya Bank
State Bank of Bikaner & Jaipur
Allahabad Bank
State Bank of India

Registered Office

Tobacco House,
Vile Parle (West),
Mumbai - 400056.
Phone : 2671 3951
Fax : 2671 5481

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 Ninth Annual General Meeting of the Members of GTC Industries Limited will be held on Thursday, the 15th day of September, 2005, 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, 2005, 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 R. R. Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Viney Mehra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold 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:

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

"RESOLVED THAT subject to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the Articles of Association of the Company be and are hereby altered in the following manner:

After the existing Article 11 the following new Article 11A be inserted with the relevant marginal note thereto:

11A: Power to issue warrants or other Instruments or Securities:

Subject to the applicable statutory provisions, rules, regulations and guidelines, and necessary approvals, the Company shall have power to issue warrants or other instruments or securities (by whatever name called), whether independent or attached with some other instrument or detachable; and whether bearing any face value or not and with or without any right or entitlement or option to subscribe to or exchange with, or convertible in to the equity shares or any other kind of securities or not. The terms and conditions of such warrant or instrument or security may be decided either under any applicable statutory provisions, rules, regulations, guidelines; or by a special resolution of the members of the Company passed at a general meeting authorizing issue of such warrant or instrument or security, or by the Board of Directors of the Company, as may be required."

6. 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 Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), provisions of the Memorandum and Articles of Association of the Company, and subject to the rules/regulations/guidelines issued by the Securities and Exchange Board of India (hereinafter referred to as "SEBI"), the Stock Exchanges where the shares of the Company are listed (including provisions of the listing agreement with them), or any other appropriate/statutory authority and also subject to such approvals, permissions, sanctions and consents as may be necessary and required from the Government of India, and all other appropriate authorities and institutions, under applicable legislation, rules, regulations, guidelines and contracts for the time being in force, and subject further to such other terms, conditions, stipulations, alterations, amendments, modifications or variations, as may be required, specified or suggested by any of the concerned authorities or bodies; which may be agreed to by the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of Directors for the time being authorised by the Board of Directors to exercise the powers conferred on the Board of Directors by this resolution), consent and approval of the members of the Company be and is hereby accorded to the Board to create offer, issue and allot in one or more lot(s), on private placement and/or preferential basis, not exceeding 8,00,000 (Eight Lacs Only) warrants, each warrant carrying two options/entitlement to subscribe to one number of equity share of Rs.10/- each, against each option on a future date (i.e. options/entitlement to subscribe to 16,00,000 (Sixteen Lacs Only) Equity Shares of Rs.10/- each in aggregate), within a period not exceeding 18 (Eighteen) months from the date of issue of such warrants, to the following group/associate companies of the promoters of the Company, as specified against their names:

Sr. No	Name of the Proposed Allottees	Maximum No. of Warrants to be allotted
1	Dalmia Housing Finance Ltd.	4,00,000
2	Dear Investment Pvt. Ltd.	4,00,000
	Total	8,00,000



The total number of shares to which the aforesaid proposed allottees will become entitled considering the two options available per warrant (i.e. calculated @ 1 option to subscribe for one equity share X 2 options per warrant X 8,00,000 warrants) shall be 16,00,000 Equity Shares of Rs.10/- each.

RESOLVED FURTHER THAT the offer, issue and allotment of the aforesaid warrants and the equity shares resulting from the exercise of the entitlement of the warrant holders to subscribe to the equity shares shall be made at such time or times as the Board may in its absolute discretion decide, subject however to applicable guidelines, notifications, rules and regulations, and the terms and conditions given herein below:

- a. Each of the said warrant shall consist of two parts, viz. Part A and Part B. Each of the said Part shall carry a right, entitling its registered owner to apply for at its option, and seek allotment of one equity share of Rs.10/- each, upon surrendering/exchange of such Part of the warrant to the Company along with balance 90 % of the issue price of the equity share.
- b. The face value of each warrant shall be total of the value of Part A and Part B, and each Part of the said warrant shall have face value of such sum that will be equivalent to the 10% of the price of the equity share to be issued in surrender/exchange of such part of the warrant in terms of this resolution and SEBI Guidelines for Preferential Issues (Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000).
- c. Against Part A of the said warrant, the registered owner of the warrant shall be entitled to apply for at its option, and seek allotment of one equity share of Rs.10/- each, in the manner aforesaid, on or before 31st March, 2006; whereas against Part B of the said warrant, the registered owner of the warrant shall be entitled to apply for at its option, and seek allotment of one equity share of Rs.10/- each, in the manner aforesaid, on and after 1st April, 2006, but within the period of 18 months from the date of issue of the warrants. The Board of Directors of the Company at its discretion, shall decide the time within which the application for share against surrender/exchange of each part of the said warrant shall be made, subject to the aforesaid time limits.
- d. The price including premium, of the equity share to be allotted on exchange/surrender of each part of the said warrant shall not be lower than the minimum price specified as per SEBI Guidelines for Preferential Issues (Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000), considering 30 days prior to the date of this general meeting as the Relevant Date, but not less than Rs.100/- (Rupees One Hundred Only) per equity share of Rs.10/- each, as may be decided by the Board of Directors. For determining the price of the equity shares to be allotted on exchange/surrender of each part of the said warrant, the relevant date shall be 30 days prior to this Annual General Meeting, i. e. 16th August, 2005.
- e. In case the warrant holder do not apply for the shares of the Company against surrender/exchange of either Part A or Part B of the said warrant as aforesaid within the time that may be fixed by the Board of Directors in this regard, then the amount paid on each of the said Part of the warrant as the case may be, shall be forfeited; and all the rights attached to that part of the said warrant shall lapse automatically.
- f. Upon surrender/exchange of each part of the said warrant, the amount paid up thereon shall be credited, adjusted and applied towards share application money, for which the holder of that part of the warrant is entitled to apply to the Company, alongwith balance 90% of the issue price of the equity shares.
- g. The equity shares to be offered, issued and allotted as aforesaid upon surrender/exchange of the Part A and Part B of the said warrant upon exercise of the option by the holder of such part of the warrant shall be subject to the provisions of the Memorandum and Articles of Association of the Company and on allotment, such equity shares shall rank pari-passu with the existing equity shares of the Company in all respects.
- h. Each part of the said warrant and the equity shares to be offered, issued and allotted as aforesaid upon surrender /exchange of the said warrant by the holder of the said warrants; as also the entire pre preferential equity shares held, if any, by the proposed allottees shall be subject to lock-in for such period that may be prescribed under the SEBI Guidelines for Preferential Issues.
- i. The warrant by itself shall not give to the holder thereof any rights of the shareholders or debenture holders of the Company, including that of, to receive interest or dividend on the paid-up amount of the warrant.
- j. All the aforesaid warrants shall be pari-passu to each other in all respect, however, the options attached to each of the said warrants as Part A and Part B shall be independent of each other.
- k. In case the Equity Shares of the Company are either subdivided or consolidated before issue of the aforesaid warrants, or exercise of option by the holders of the said warrants, then the face value, the number of Equity Shares to be acquired upon exercise of the option attached to each part of the said warrants and the price of acquisition of the said Equity Shares by the holders of the warrants shall automatically stand adjusted in the same proportion, as the present face value of the Equity Shares of Rs.10/- each of the Company bears to the newly sub-divided or consolidated Equity Shares, without affecting any right or obligation of the said warrant holders.

RESOLVED FURTHER THAT subject to applicable statutory provisions, guidelines, notifications, rules and regulations, the Board be and is hereby authorised to decide, modify, alter and amend the terms of issue, offer and allotment of the aforesaid warrants and the equity shares

resulting from the exercise of the entitlement of each part of the said warrant by its holder; PROVIDED THAT the aforesaid warrants and the equity shares resulting from the exercise of the entitlement of each part of the said warrant under this resolution shall be made fully paid-up at the time of their allotment.

RESOLVED FURTHER THAT to give effect to the aforesaid resolution, the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any Director or any other officer(s) of the Company; AND for the purpose of giving effect to this resolution, the Board acting on its own or through a Committee of Directors or any other person duly authorised in this regard by the Board / Committee, be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary and settle any or all questions / matters arising with respect to the offer, issue and allotment (including deciding the terms and conditions for the same), utilisation of the proceeds of the issue of the warrants/shares, execute all such deeds, documents, agreements and writings as may be necessary for the purpose of giving effect to the aforesaid resolution, take such further steps as required for the allotment and listing on one or more stock exchanges of the warrants/shares to be issued, offered and allotted as aforesaid, to take such other steps that are incidental and ancillary in this regard; and to do, make or accept such alterations, modifications, or variations in the foregoing or cancellation of issue of warrant, as may be considered desirable or expedient by the Board / Committee / such authorised person in the best interest of the Company and its shareholders."

By Order of the Board

Place : Mumbai
Dated : 16th August, 2005.

(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 Friday the 9th of September, 2005 to Thursday the 15th of September, 2005 (both days inclusive).
3. The explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 giving material facts in respect of item of special business set out under Item No.5 and 6 is annexed herewith, and forms part of this notice.
4. All the documents referred to in this Notice and explanatory statements are open for inspection of the members at the registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m., up to the date of the Annual General Meeting and during the time of the meeting.
5. 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.
6. 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.
7. 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.
8. 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 12th September, 2005 to avoid inconvenience.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, ANNEXED TO AND FORMING PART OF THE NOTICE.

Item No. 5:

The proposed resolution under this item seeks to obtain members' approval to alter the Articles of Association of the Company by inserting a new Articles 11A authorizing the Company to issue warrants or other instruments or securities of the kind described in the proposed resolution. This authority is required to enable the Company to issue such warrants or instruments or securities from time to time.

Section 31 of the Companies Act, 1956 requires that alteration of the Articles of Association of a Company can be done by passing a special resolution of the members at a general meeting.

The Directors of the Company may be deemed to be concerned or interested in the proposed resolution to the extent any warrant or such other instrument/security that may be offered, issued and allotted in future to them, their relatives, or any firm, Company or other entity in which they are interested.

Your Directors recommends the above special resolution for your approval.

Item No. 6:

With the ongoing reforms in India and the thrust of Government of India on the developments in various sectors, the over all outlook for the economy is very buoyant. In the present scenario of Government policies with thrust to facilitate rapid economic development, the business scenario for your Company has improved and new opportunities for growth are emerging. Your Company is trying its best to maximize the shareholders' value by accelerating the growth, in pace with the opportunities.

With such a growth, various measures are required to enhance financial resources, including the long-term working capital. In view of this, and considering the promoters' desire to acquire further shares in the Company to strengthen their holding, particularly in view of their existing holding being vulnerable to any take over threat, it is proposed to issue warrants with option to subscribe for equity share on preferential/private placement basis to the promoters' group/associate companies as per the details given in the special resolution under this item of the notice.

The offer, issue and allotment of 8,00,000 (Eight Lacs Only) warrants to the promoters' group/associate Companies (each warrant being in two parts, viz. Part A & Part B, each Part carrying a right to apply for one equity share of Rs.10/- each, of the Company in their exchange, i.e. in aggregate carrying right/option to apply for 16,00,000 (Sixteen Lacs Only) equity shares of Rs.10/- each) shall be completed within the period prescribed from the date of passing of the special resolution under this head of item above, as required under the guidelines of the Securities and Exchange Board of India (SEBI) for Preferential Issue, or other/extended time as may be permitted. Each part of the said warrant shall be issued subject to such terms and conditions, as are stated in the special resolution.

A copy of the certificate of the Auditors of the Company certifying the adherence to SEBI's guidelines for Preferential Issues, being Chapter XIII to the SEBI's (Disclosure and Investor Protection) Guidelines, 2000 of the proposed issue shall be laid before the shareholders at their ensuing Annual General Meeting.

The information as required under SEBI (Disclosure and Investor Protection) Guidelines, 2000, for issue of warrants are as under:

a) Objects of the issue:

To mobilise resources to augment the long-term working capital requirements of the Company.

b) Intention of Promoters/ Directors/Key Management persons to subscribe to the offer:

The following two Companies being the Promoters' Group/Associates Companies have conveyed to the Company in writing of their respective intention to acquire warrants of the Company on preferential/private placement basis as proposed under special resolution at item No. 6 above:

Sr. No	Particulars of the Promoters' Associate Companies	Maximum No. of Warrants to be issued
1	Dalmia Housing Finance Ltd.	4,00,000
2	Dear Investment Pvt. Ltd.	4,00,000
	Total	8,00,000

The total number of equity shares to apply for which the aforesaid two Companies of the promoters will become entitled considering two options available per warrant shall be 16,00,000 Equity Shares of Rs.10/- each.

- c) Shareholding Pattern before and after issue (of equity shares resulting from the exercise of the options by the warrant holders in respect of the warrants covered under resolution at item No. 6 of the notice) based on the shareholding pattern as on 2nd August, 2005 is as follows:

Shareholding Pattern		Before Preferential Issue (As on 2 nd August, 2005)		After allotment of shares against Part A of the warrants, but before exercising option attached to Part B of the warrants		After allotment of shares against both Parts A & B of the warrants.	
	Category	No. of Share held	% of shareholding	No. of Shares held	% of shareholding	No. of Shares held	% of shareholding
A	Promoters' holding						
1	Promoters & Persons Acting in concert						
	-Indian Promoters:						
	Dalmia Housing Finance Ltd..	1,62,760	1.02	5,62,760	3.35	9,62,760	5.47
	Dear Investment Pvt. Ltd.	48,800	0.30	4,48,800	2.67	8,48,800	4.82
	Others	60,14,458	37.57	60,14,458	35.78	60,14,458	34.15
	-Foreign Promoters						
	Sub-total	62,26,018	38.89	70,26,018	41.80	78,26,018	44.44
B	Non-Promoters Holding						
3	Institutional Investors						
A	Mutual Funds and UTI	1,040	0.01	1,040	0.01	1,040	0.01
B	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	1,87,525	1.17	1,87,525	1.11	1,87,525	1.06
C	FII's	1,30,000	0.81	1,30,000	0.77	1,30,000	0.74
	Sub-total	3,18,565	1.99	3,18,565	1.89	3,18,565	1.81
4	Others						
A	Private Corporate Bodies	23,95,985	14.97	23,95,985	14.25	23,95,985	13.61
B	Indian Public	70,11,292	43.80	70,11,292	41.72	70,11,292	39.82
C	NRI's/OCBs	56,942	0.35	56,942	0.34	56,942	0.32
D	Any other	-	-	-	-	-	-
	Sub-total	94,64,219	59.12	94,64,219	56.31	94,64,219	53.75
	GRAND TOTAL	1,60,08,802	100	1,68,08,802	100	1,76,08,802	100

Note:

- Assuming full allotment up to approved number of shares against each part of the warrant & subject to non-promoter holding remains unchanged.
- The proposed preferential allotment would not result in any change in the management control. Voting right shall change according to the change in shareholding pattern mentioned above.



d) Proposed time within which allotment will be completed.

- (i) The issue/allotment of 8,00,000 warrants as proposed under special resolution at item No. 6 of the notice will be completed within 15 days period from the date of this meeting, or such other/extended time as may be prescribed under the SEBI's Guidelines on Preferential Issues.
- (ii) The allotment of the 8,00,000 equity shares resulting from exercise of the options attached to Part A of the said warrants will be completed on or before 31st March, 2006, as may be decided by the Board of Directors of the Company.
- (iii) The allotment of the 8,00,000 equity shares resulting from exercise of the options attached to Part B of the said warrants will be completed within 18 months from the date of issue of the warrants, but not before 1st April, 2006 as may be decided by the Board of Directors of the Company.

e) Identity of Proposed Allottees with percentage of expanded capital to be held by them:

The proposed allottees for total 16,00,000 Equity Shares of Rs. 10/- each, i.e. 8,00,000 Equity Shares each, as a result of exercise of options attached to each of both parts of the said warrants, i.e. Part A and Part B of the warrants issued pursuant to special resolution at item No.6 of the notice and the percentage of expanded capital to be held by the proposed allottees after each of the two proposed allotments of the said equity shares to them as per the said resolution are as under:

Shareholding Pattern	Before Preferential Issue (As on 2 nd August, 2005)		After allotment of shares against Part A of the warrants, but before exercising option attached to Part B of the warrants		After allotment of shares against both Parts A & B of the warrants.	
	No. of Share held	% of shareholding	No. of Shares held	% of shareholding	No. of Shares held	% of shareholding
Dalmia Housing Finance Ltd.	162760	1.02	5,62,760	3.35	9,62,760	5.47
Dear Investment Pvt. Ltd.	48800	0.30	4,48,800	2.67	8,48,800	4.82

The Directors of the above Companies are as under:

Name of the Company	Name of the Directors
Dalmia Housing Finance Ltd.	Mr. Ajay Kumar Singhal
	Mr. V. K. Pandey
	Mr. Dinesh Kumar
Dear Investment Pvt. Ltd.	Mr. Yeshvant Rai
	Mr. Bijor Kumar Ghosh

Section 81 of the Companies Act, 1956 provides inter alia, that when it is proposed to increase the subscribed capital of a Company by allotment of further shares, etc., such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81, unless the shareholders in general meeting decide otherwise by passing a special resolution.

Hence, consent of the shareholders by way of a Special Resolution is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the listing agreement executed by the Company with the Stock Exchange where the Company's shares are listed.

The members are, therefore, requested to accord their approval authorising the Board to go for the proposed private placement and / or preferential issue as and when deemed necessary as set out in the resolution at item No. 6 of the notice.

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

By Order of the Board

Place : Mumbai
Dated : 16th August, 2005.

(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 Ninth Annual Report with the Audited Accounts for the year ended 31st March, 2005.

SUMMARY OF FINANCIAL RESULTS:

	For the year Ended 31.03.2005	For the year Ended 31.03.2004
	(Rs. in lacs)	
Profit for the year before Interest, Depreciation and Exceptional Items	3114.82	2961.59
Interest	479.26	1145.90
Depreciation	206.14	240.76
Profit before Tax and Exceptional Items	2429.42	1574.93
Exceptional Items	609.98	(289.65)
Profit before Taxation	3039.40	1285.28
Provision for Taxation :		
Current Tax (Wealth Tax)	5.25	5.75
Deferred Tax	1061.28	531.81
Profit after Taxation	1972.87	747.72
Balance brought forward from last year	(12350.36)	(13098.08)
Balance of loss carried over to Balance Sheet	(10377.49)	(12350.36)

INDUSTRY STRUCTURE AND DEVELOPMENT:

During the year under review, the cigarette industry witnessed a growth of about 9%, which was mainly on account of the growth contributed by lower segment brands. The higher end segment has suffered more on account of taxation policies and other regulatory policies, leading to a shift of brands across segments and therefore, re-defining positions across segments. Very few and negligible number of brands have been introduced due to the stringent regulatory policies, making it exceedingly difficult to introduce new brands.

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. All the statutory requirements in respect of the same have been complied with.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Sales Revenue of your Company during the year was at Rs 35162.12 lacs as against Rs.30746.16 lacs in the previous year ended 31st March 2004, showing a growth of 14.36%. Moreover, the profit after tax for the year increased to Rs. 1972.87 lacs from Rs.747.72 lacs in the previous year. The export revenue generated during the year 2004-05 was Rs. 2249.26 Lacs.

The Company has performed exceedingly well during the financial year under review, and shown an overall growth of 16% in volumes as against 9% of industry. The Company has consolidated its position in lower category segment by extensive marketing initiative in the Rural market. Besides this, the successful implementation of the rehabilitation package and stringent cost control and aggressive marketing efforts taken by your management have helped the Company to achieve these results.

However, 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 Ministry 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.

The Company had 1361 employees as on 31st March, 2004 as compared to 1426 at the beginning of the year, comprising of 282 in Management/supervisory cadres, 237 in the staff cadres and 842 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 any of 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 seven stock exchanges including delisting of Vadodara Stock Exchange Ltd with effect from 5th February 2005. Delisting of The Calcutta Stock Exchange Association Ltd is pending owing to processing delays by the said stock exchange. 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:

Shri Chandra Shankar ceased to be a Special Director under a direction issued by the B.I.F.R. with effect from 5th July, 2004 owing to his reaching the age of 65 years. Your Board members express their sincere appreciation for the contribution made by Shri Chandra Shankar during his tenure as Director of the Company. Shri R.V. Iyer was appointed as A Special director in the place of Mr. Chandra Shankar with effect from 17th September 2004.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri R.R. Kumar and Shri Viney Mehra, Directors, will be liable to retire by rotation at the forthcoming Annual General Meeting. Being eligible, the re-appointment of Shri R.R. Kumar; and Shri Viney Mehra, are recommended by the Directors for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm having :

- (i) followed in the preparation of the Annual accounts, the applicable accounting standards in the preparation with proper explanation relating to material departures if any;
- (ii) selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of your Company for that period;
- (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 your Company and for preventing and detecting fraud and other irregularities; and
- (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:

The Auditors, M/s Lodha and Co., Mumbai, Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being, 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:

On 12th August, 2004, the Hon'ble High Court of Mumbai, has passed its order sanctioning the scheme of amalgamation of the wholly owned subsidiaries of the Company viz. Panama Investment & Finance Limited, Rajnigandha Investment & Finance Limited, Olive Investment & Finance Limited & GTC Investment and Finance Limited with Western Express Industries Ltd (formerly known as GTC Global Limited.)

Following Companies are the subsidiaries of your Company:

1. Golden Investment (Sikkim) Private Limited; and
2. Western Express Industries Ltd.

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.