

NOTICE

NOTICE is hereby given that the Fifty First Annual General Meeting of the Members of GTC Industries Limited will be held on Tuesday, the 24th day of July, 2007, 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, 2007, 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 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 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 A. K. Joshi as the Whole-time Director of the Company with effect from 21st October, 2006, 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 authorised 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."

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 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, 2007, up to 31st March, 2009, 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 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."

By Order of the Board

Place : Mumbai
Dated : 18th May, 2007

(Kamal K. Gupta)
Vice President (Corporate Affairs) & Secretary

Regd. Office:
Tobacco House, S.V. Road, 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 Wednesday the 18th day of July, 2007 to Tuesday the 24th day of July, 2007 (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 of the notice 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 Mills 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 to 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 21st July, 2007 to avoid inconvenience.

9. The shareholding of the Non-Executive Director, Shri Bharat B. Merchant at the ensuing Annual General Meeting is 100 equity shares of the Company as disclosed by him to the Company as per clause 49 (IV) (E) (v) of the Listing Agreement.
10. Information of all the Directors seeking appointment/re-appointment as required by Clause 49 (G) (i) of Listing Agreement is given under para I and para VIII (II) of Report of Corporate Governance for the Year 2006-07 which forms part of the Annual Report for the year ended 31st March, 2007.

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

Item Nos. 5 & 6:

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 and was approved by the shareholders at their meeting held on 24th September, 2004. Thereafter Shri A. K. Joshi was re-appointed as Whole-time Director of the Company w.e.f. 21st October, 2006 for a further period of three years by the Board of Directors of the Company. 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 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 2nd August, 2004 for a period of three years. As per the amended schedule XIII, a special resolution in this respect was passed at the 48th Annual General Meeting of the Company held on 24th September, 2004. Since, the term of office of Shri Viney Mehra is expiring on 1st August, 2007, the Board of Directors of the Company re-appointed him as Whole-time Director of the Company with effect from 2nd August, 2007 up to 31st March, 2009, at its meeting held on 18th May, 2007. 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 appointments 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, 2006 and a further increment was granted to him by the committee at its meeting dated 18th May, 2007. The terms of remuneration of Shri Viney Mehra were approved at the remuneration committee meeting held on 18th May, 2007. 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. 1,20,000/- per month (From 21.10.06 to 31.03.07) Rs. 1,39,200/- (w.e.f. 01.04.07) in the grade of Rs. 1,20,000/- – Rs. 2,00,000/-	Rs. 1,39,200/- in the grade of Rs. 1,20,000/- – Rs. 2,00,000/-
Commission	0.5% of the net profit subject to a ceiling of Rs. 15 lacs per annum	0.5% of the net profit subject to a ceiling of Rs. 15 lacs per annum

Perquisites:

Besides the above remuneration, all the aforesaid Managerial Personnel shall be entitled to the perquisites such as Accommodation/HRA @ 60% of the basic salary, Home maintenance, Servant Allowance, Children Education Allowance, 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, Books and Periodicals, Business Promotion 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 aforesaid Managerial Personnel.

For the aforesaid purpose, "Family" means the Spouse, dependent children and dependent parents of the Managerial Personnel.

Other Perquisites to the Managerial Personnel are:

- i) 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.

- ii) Encashment of Leave at the end of the term as per rules of the Company shall not be considered for the valuation of perquisites.
- iii) 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.
- iv) 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.
- v) 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.
- vi) 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, the remuneration, perquisites/benefits (except commission) as mentioned above 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.

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

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

		(Rs. in Lacs)	
4.	Financial performance based on given indications	2005-2006	2006-2007
i.	Sale	33104.11	34731.15
ii.	Net Profit after taxation	1987.42	5179.72
iii.	Export	1278.75	1141.71
iv.	Foreign investments or collaborators, if any	NIL	NIL

II. Information about the appointees:

	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 27 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 41 years in this industry.
ii. Past remuneration :	Rs. 1,20,000/- per month	Rs. 1,20,000/- 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. 1,39,200/- per month**	Rs. 1,39,200/- per month**
vi. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person as Managing Director is around Rs. 2,00,00,000/- per annum and as Whole-time Director is around Rs. 65,00,000/- 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 7 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 16th December, 2002. 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 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 will be made to the Ministry of Corporate Affairs for approval of the remuneration w.e.f. from 01.04.07.

Shri A. K. Joshi and Shri Viney Mehra are interested respectively in the proposed resolutions at item No. 5 and 6 above, to the extent of the revised remuneration, perquisites and benefits that they would enjoy. Except them, no other Director of the Company is in any way concerned or interested in the above resolution.

Your Directors recommend the above Special resolutions at Item Nos. 5 and 6 of the Notice, for your approval.

The resolutions given under the item Nos 5 and 6 and this Explanatory Statement taken together, may be construed as an Abstract and Memorandum of Concern and Interest under Section 302 of the Companies Act, 1956.

By Order of the Board

(Kamal K. Gupta)

Vice President (Corporate Affairs) & Secretary

Place : Mumbai
Dated : 18th May, 2007

Regd. Office:
Tobacco House, S.V. Road, Vile Parle (West),
Mumbai – 400 056.

DIRECTORS' REPORT

Your Directors hereby submit their Fifty-first Annual Report with the Audited Accounts for the year ended 31st March, 2007 :

SUMMARY OF FINANCIAL RESULTS :

	(Rs. in Lacs)	
	For the year ended 31.03.2007	For the year ended 31.03.2006
Profit for the year before Interest, Depreciation, Exceptional Items and Tax	3086.56	3245.98
Interest	135.74	377.83
Depreciation	178.40	200.50
Profit before Tax and Exceptional Items	2772.42	2667.65
Exceptional Items	—	576.95
Profit before Taxation	2772.42	3244.60
Provision for Taxation	—	—
Current Tax including (Wealth Tax)	616.76	6.29
Fringe Benefit Tax	78.94	160.40
Deferred Tax Assets/(Liabilities)	3103.00	1090.49
Profit after Taxation	5179.72	1987.42
Balance brought forward from last year	(8390.07)	(10377.49)
Balance of loss carried over to Balance Sheet	(3210.35)	(8390.07)

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE & DIVIDEND

Your Directors are pleased to report that the Company continues to maintain its leadership position in the Mini Non Filter segment. It may be mentioned that the Company lost some market share initially to cheap brands introduced by unorganized local companies but we recouped our volumes by the end of the year by leveraging on our Brand Equity. We were able to get higher realizations, thus protecting the bottom line. Your Directors are also pleased to announce that the Company launched a revolutionary new concept of Low Tobacco Cigarettes, in the King Size and Regular Size filter segment for the first time in the world. Efforts are being made to establish this concept, which is progressing satisfactorily.

In view of the carried forward losses, your Directors do not recommend any dividend.

REHABILITATION PACKAGE

With the concerted efforts put in by the Management, your Company has successfully implemented the rehabilitation package resulting in your Company's net worth turning positive as per the figures published in the Annual Audited Report for the year ended 31st March, 2007. An application is now being made to the Hon'ble BIFR in compliance of the necessary formalities in this regard. The Company is confident to receive a favourable response from the Hon'ble BIFR.

CONVERSION OF WARRANTS INTO EQUITY SHARES

The Company had made preferential allotment of 8,00,000 warrants (Part A & B each) to promoters' group/associate companies on 29th September, 2005. Each part entitling the warrant holder to acquire one share at a price of Rs. 100 per share, thus in aggregate, entitlement to acquire 16,00,000 equity shares. The Company had allotted on 28.03.2007, 8,00,000 equity shares to the warrant holders against exercise of options by them attached to Part B of the warrants. The proceeds of the issue were utilized for the purpose to augment long term working capital requirement of the Company. As a result, the Company's paid-up Capital and the Share Premium Account has further increased by Rs. 80,00,000 & Rs. 7,20,00,000 respectively.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchanges.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Management Discussion and Analysis Report is given under the Separate Head at the end of the Directors' Report.

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.

DIRECTORS

In accordance with the provisions of section 256, the Companies Act, 1956 and the Articles of Association of the Company, Shri M H Patil 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 M H Patil and Shri Viney Mehra, is recommended by the Directors for your approval.

PARTICULARS OF EMPLOYEES

As required under provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the requisite particulars in respect of the employees of the Company, who were in receipt of remuneration in excess of the limits specified under the said section are set out in the annexure herewith and form part of this report.

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 relevant notes forming part of the Company's accounts as given under Schedule 'Q' to the Accounts, are self-explanatory in this regard and hence do not require any further explanation.

AUDITORS

The Auditors, M/s Lodha and Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves 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 re-appointment for your approval at the ensuing Annual General Meeting.

SUBSIDIARIES

Following Companies are the subsidiaries of your Company:

1. Golden Investment (Sikkim) Private Limited;
2. Western Express Industries Ltd. and
3. GTC INC. B.V.

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

OTHER INFORMATION

Certificate, as required under Clause 49 of the Listing Agreement with the Stock Exchanges in India, confirming compliance by the Company with the provisions of Corporate Governance as given by the Auditors, M/s. Lodha and Co. is annexed herewith. Information pursuant to

Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to Foreign Exchange Earnings and Out Go, Conservation of Energy and Technology Absorption and Export Market Developments is also provided as an annexure to this report.

Additional disclosures in the form of Consolidated Financial Statements and Related Party transactions have been made by your Company in compliance with the Listing Agreement and the Accounting Standards of the Institute of Chartered Accountants of India.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

J.P.Khetan **R.R.Kumar**
(Managing Director) (Director)

Place : MUMBAI
Dated : 18th May, 2007.

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED 31ST MARCH, 2007.

Sr. No.	Name	Designation/ Nature of duties	Remuneration (Rupees)	Qualification	Experience (Years)	Date of commencement of Employment	Age (years)	The last employment held before joining this Company and also the Designation & number of years put in there.
1.	Khetan J. P.	Managing Director	4,267,678	Inter(Arts)	43	10.02.79	64	M/s. Dalmia Industries Ltd. Commercial Manager - 7 Years.
2.	Joshi A. K.	Director (Finance)	2,937,580	B.Com., FCA	26	01.02.93	49	M/s Chinar Exports Ltd. Sr. Manager Finance/Accounts 2 Years
3.	Mehra Viney	Director (Technical)	2,930,980	Dip. In Production Engg.	41	19.11.84	61	M/s ITC Ltd. Asst. Production Manager 18 Years

NOTES:

- 1) Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Fund, House Rent, Medical, Insurance, Re-imbursement of Gas, Electricity and Water expenses and where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of such perquisite is calculated in accordance with the Income Tax Act 1961 and the rules made thereunder.
- 2) The employees are not related to any Director of the Company.
- 3) The appointment is contractual.
- 4) None of the employees who are employed for a part of the financial year, were in receipt of the remuneration for any part of the year, at a rate which, in the aggregate, was not more than Rs. 2,00,000/- p.m.
- 5) None of the employees/directors holds by themselves or along with their spouse and dependent children 2% or more of the equity shares of the company.

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

Information in accordance with Section 217 (1) (e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2007.

A. CONSERVATION OF ENERGY

The Company continues to emphasize on conservation of energy, power and other energy sources.

1. As a part of continuous efforts, the Company has taken following steps:
 - i) Utilization of unconventional energy sources such as LPG, replacing electrical heating appliances.
 - ii) Adopting the latest technique of production which enhances productivity levels.
 - iii) Timely maintenance and upgradation of machineries and equipment to ensure optimum energy consumption.
 - iv) Maintaining Plant Power Factor to near unity through out the year.
2. Benefits resulted from above for reduction of energy consumption and impact on the cost of production of goods:
 - i) Reduction in specific consumption of electrical energy.
 - ii) Enhanced operational efficiency.
 - iii) Reduction in cable losses due to improved power factor.

B. TECHNOLOGY ABSORPTION

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

1. (a) Developing of various low tobacco Virginia and American blends, to offer the consumers less hazardous smoking products. The blends were developed by replacing up to 50% of tobacco with non hazardous plant based materials. Efforts are being made to replace the tobacco more than 50%.
- (b) Enhancing smoke characteristics by developing specific additives, used in tobacco blends, and improving the overall tobacco chemistry to achieve a product with improved smoking impact and providing full satisfaction to the consumer.
- (c) Developing specially designed blends of Little Cigars/Cigars, Pipe Tobacco and Smoking Mixture to match specific requirement and quality standard of International market.
- (d) On line monitoring of process control parameters, to achieve consistent quality of product with optimum yield.
- (e) Enhancing the appearance of the outgoing product by continuous development in Packet Designing and also improving the product durability by proper use of advanced packaging technologies.
2. Improving Printing Technologies to achieve high quality printed packaging material.

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

1. (a) A series of new products for health conscious customers.
- (b) Improved smoke properties and highly acceptable products to consumers resulting in from modified blends with selective specific additives.
- (c) An appreciable increase in export volume. American blends made in various categories of Full Flavor, Lights, Ultra Lights, Menthol, Menthol Lights and Extra Menthol, resulted very wide acceptance in the Global Market.
- (d) Enhanced product consistency, yield and minimized fluctuations of tobacco chemistry.
- (e) Protection of the product from weather changes and increased shelf life.
2. Offering the customers products with attractive packet design/appearance comparable to premium International Products.
3. Reduced down time of the machines resulting higher yield.

III. FURTHER PLAN FOR ACTION

Research will be carried out on the above mentioned areas.

IV. EXPENDITURE ON R&D

1. (a) Recurring : Rs. 59.58 Lacs
- (b) Total R&D expenditure
As percentage of Gross Turnover : 0.17%
(Technology absorption, adaptation and innovation)
- (c) Efforts in brief, made towards technology, adaptation and innovation.
 - i) Developing of low tobacco cigarette with less hazardous delivery.
 - ii) Use of specific additives for improving product quality and smoke characteristics.
 - iii) Monitoring each stage of production to ensure a final product with best and highest possible standard in quality.
 - iv) Close monitoring at each stage of production to ensure control on cost parameters.
 - iv) Offering customer products of his preference and desire at a comparative price by continuous development work and close monitoring of each stage ensuring control on cost parameters at various stages of production.
2. Benefits derived as a result of above efforts are quality products at optimized production cost.
3. Technology Imported : NIL

C. ACTIVITIES RELATED TO EXPORTS AND FUTURE OUTLOOK:

Though the export of cigarettes is becoming tough due to various restrictions imposed by different countries, Company has performed fairly well in export of its various brands and expects to improve the export in the coming years.

1. The Company has exported during the year various brands of cigarettes aggregating to Rs. 1117.88 Lacs
2. During the year under review 480.888 million sticks were exported.
3. Total foreign exchange used:

Travel	Rs. 24.22 lacs
Other Expenses	Rs. 33.51 lacs
Total foreign Exchange Earned :	
Cigarettes	Rs. 1129.83 lacs
Tobacco	Rs. 11.88 lacs

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

During the year under review, the Cigarette Industry grew by only 6% in volume terms. Nevertheless, the Government has increased Excise Duty by 6% w.e.f. 1st March, 07 and also allowed the States to introduce VAT for the first time in Tobacco industry w.e.f. 1st April, 2007.

The Regular Filter segment recorded a growth of 11% whereas the Premium Filter sub-segment showed a growth of 34%.

The Minis segment in the Plains category showed a marginal growth of 1% in volumes.

OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The Company plans to reposition itself in the Premium Filter sub-segment and consolidate in the plain (non-filter) segment by maintaining a price advantage.

The reality of VAT @ 12.5% looms large and is likely to impact volumes as well as bottom lines. Moreover w.e.f. 1st June, 2007, it may become mandatory to depict "skull and bones" on every cigarette pack. These stringent policies and ban on advertising are likely to hurt volume growth.

The Company will continue to expand the Mini Segment through extensive rural and Market Development activities. The Company plans to extend the concept of Low Tobacco in more Consumer demographics.

SEGMENTWISE/PRODUCTWISE PERFORMANCE

Segment wise/product wise performance is not applicable to your Company since it is a uni-product Company.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has a sound and well defined internal control system commensurate with the size and nature of its business activities, which 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. Under the system, regular Internal Audit is conducted to review the existing financial and operating controls, working and the feedback generated is used in improvements. These reports are placed before the Audit Committee for their review at regular intervals. 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.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

Your Company endeavors 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 the Guntur. We pledge to continue to maintain these good industrial relations through concerted positive efforts.

The Company had 1222 employees as on 31st March 2007 as compared to 1361 at the beginning of the year, comprising of 274 in management/supervisory cadres, 218 in the staff cadres and 730 as workmen.

FINANCIAL PERFORMANCE

The financial performance of the Company is given separately in the Directors' Report and the Financial Statements.

CAUTIONARY STATEMENT

The above statements are based on the current scenario and the input available to the Directors. Any extraneous developments may have an impact on the above perceptions.