



NOTICE

NOTICE is hereby given that the Fifty-fourth Annual General Meeting of the Members of Golden Tobacco Limited will be held on Saturday, the 18th day of September 2010, 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, 2010, 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 Sanjay Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Anurag Dalmia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Bharat B. Merchant, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT, subject to the sanction of the Company Law Board, pursuant to section 17 of the Companies Act, 1956, the Memorandum of Association of the Company be altered by incorporating the words "State of Gujarat" in substitution of and while deleting the words "State of Mumbai."
RESOLVED FURTHER THAT on obtaining the confirmation from the Company Law Board, the Registered Office of the Company be transferred from the State of Maharashtra to any place in the State of Gujarat."
"RESOLVED FURTHER THAT Shri V. K. Singhal, Sr. General Manager (Accounts) or the Company Secretary and Shri A. K. Joshi (Director Finance) be and are hereby jointly and severally authorized to file a petition before the Company Law Board in this regard, to issue notice in newspapers and other notices including those to the Creditors etc., to make affidavits and to do all such acts, deed and things, including authorized representatives to appear for and on behalf of the Company before the Company Law Board and other authorities and to execute all such documents and papers on behalf of the Company as may be deemed necessary from time to time in connection therewith and incidental thereto to give effect to aforesaid resolution from shifting of the Registered Office of the Company from the 'State of Mumbai' to the 'State of Gujarat'."

By Order of the Board

Place : Mumbai

Dated : 29th July, 2010

(A K Joshi)
Director (Finance)

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 the 11th day of September, 2010 to 18th day of September, 2010 (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. 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. Link Intime India Private 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 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 15th September, 2010 to avoid inconvenience.



9. As per clause 49 (IV) (E) (v) of the Listing Agreement, the shareholding of the Non-Executive Directors, who are proposed to be appointed / re-appointed at the ensuing Annual General Meeting is disclosed hereunder:

| Sr. No. | Name of the Director | No. of. Shares |
|---------|------------------------|----------------|
| 1 | Shri Sanjay Dalmia | Nil |
| 2 | Shri Anurag Dalmia | Nil |
| 3 | Shri R R Kumar | Nil |
| 4 | Shri Bharat B Merchant | 100 |
| 5 | Shri Rishabh Jain | Nil |
| 6 | Shri V. Anish Babu | Nil |
| 7. | Shri V. K. Bhandari | 80 |

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 2009-10 which forms part of the Annual Report for the year ended 31st March 2010.

BRIEF RESUME OF DIRECTORS SEEKING RE-ELECTION AT THIS ANNUAL GENERAL MEETING

| Name | Shri Sanjay Dalmia | Shri Anurag Dalmia | Shri Bharat B. Merchant |
|---|---|---|--|
| Date of Birth & Age | 17.03.1944 & 66 years | 11.05.1956 & 54 years | 24.06.1948 & 62 years |
| Date of Appointment as Director/Additional Director | 30.08.2007 | 30.08.2007 | 26.07.2002 |
| Qualifications | BA | He graduated from the Shriram College of Commerce, New Delhi. | BA (Hons), LLM (Cornell University, USA) |
| No. of Shares held | Nil | NIL | 100 |
| Experience in specific functional areas | He has with over 41 years of experience in industries and business management and is Chairman of several companies. He has actively participated in various courses and seminars conducted by national and international agencies on banking, finance, taxation and industrial development. | He is a graduate with over 28 years of experience in business management and is a director on the board of several companies. | He is a Practicing Advocate and was admitted in the Bar Council of Maharashtra in May, 1970. From November, 1972 onwards, he became a Solicitor and was then appointed as Attorney. Presently, he is a Sole Proprietor in the firm M/s Thakordas and Madgavkar, Advocates & Solicitors, one of the largest legal firms in India and is actively involved in conducting arbitration, commercial litigation and attending corporate and property matters. He is a Member of the Bombay Incorporated Law Society. |
| Directorship held in other Public Companies | GHCL Ltd. | GHCL Ltd. | Maneesh Pharmaceuticals Ltd. |
| Chairmanship / Membership of Committees across all Public Companies | GHCL Ltd. | Nil | NIL |



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

Item Nos. 6 :

After closure of Mumbai plant all the production is being carried out at Baroda plant. There is sufficient capacity available at Baroda plant to take care of the present demand of the Company's product. Therefore, it is desirable that the Registered Office of the Company be shifted to the State of Gujarat. Necessary petition will be filed before the Company Law Board for their approval after passing the Resolution by the Shareholders.

Place : Mumbai
Dated : 29th July, 2010

By Order of the Board

(A K Joshi)
Director (Finance)

Regd. Office:

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



DIRECTORS' REPORT

Your Directors hereby submit their Fifty-fourth Annual Report with the Audited Accounts for the year ended 31st March, 2010.

SUMMARY OF FINANCIAL RESULTS

(Rs. in lacs)

| | For the year Ended 31.03.2010 | For the year Ended 31.03.2009 |
|--|----------------------------------|----------------------------------|
| Profit for the year before Interest, Depreciation, Exceptional Items and Tax | 414.99 | 1571.54 |
| Interest | 1341.91 | 1249.16 |
| Depreciation | 202.96 | 254.75 |
| Profit/(Loss) before Taxation | (1129.88) | 67.63 |
| Provision for Taxation : | | |
| Current Tax including (Wealth Tax) | 3.78 | 11.70 |
| Fringe Benefit Tax | - | 30.90 |
| Deferred Tax Assets/(Liabilities) | - | - |
| Profit/(Loss) after Taxation | (1133.66) | 25.03 |
| Balance brought forward from last year | (1882.81) | (1907.84) |
| Balance of loss carried over to Balance Sheet | 3016.47 | 1882.81 |

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE & DIVIDEND

Though there was no change in the excise duty structure, at the same time there was no relief given in the mini segment by the Government, in which your company enjoyed the largest market share in the cigarette industry. Beside this the grey market cigarettes continue to be a major threat for the organised sector especially low priced segment. Despite representations, before the Government by the industry, grey market continue to grow at a rapid rate resulting sharp drop in your company's volume.

Introduction of mini filter (59 mm) in this year budget is a good move by the government.

This year saw the consolidation of the brands launched earlier. We launched new Cigar with the brand name of Golden Cigaro. This product from the stables of Golden Tobacco was received favorably, and was rolled out across the country. But this year budget heavily taxed cigars.

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

REAL ESTATE DEVELOPMENTS

The Company has started the Real Estate business in the year 2007-08, when its Hyderabad Property was offered for Joint Development with a reputed builder. In addition its Vile Parle Property was offered for Joint Development during the year and has now tied up with a reputed builders of Mumbai to develop this property. The Memorandum of Understanding (MOU) has been signed during the year and an advance of Rs. 75.00 crores have been received upto 31st March, 2010.

The existing manufacturing facility of Vile Parle Property is being shifted to Vadodra/Palghar units. The workers have been offered Voluntary Retirement Scheme (VRS) during the year. The response to the scheme was overwhelming as 343 workers out of a total of 352 have opted for the scheme. The workers who have accepted the VRS has already been paid in the month of April, 2010.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchanges. As required under clause 49 of the Listing Agreement with the Stock Exchanges a report on Corporate Governance is included as a part of the Annual Report.

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 & 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 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 Sanjay Dalmia, Shri Anurag Dalmia and Shri Bharat B Merchant, Directors, will be liable to retire by rotation at the forthcoming Annual General Meeting. Being eligible, the re-appointment of Shri Sanjay Dalmia, Shri Anurag Dalmia and Shri Bharat B Merchant is recommended by the Directors for your approval.

The resume of these Directors is attached along with the notice.

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:

followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures if any ;

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 the year;

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

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.

Your Directors also clarify that the remarks made by the Auditors regarding accumulated losses of the Company at the end of the financial year are more than 50 % of its net worth, the Company has a consistent practice to account for the gratuity liability as and when the employees retire and the amount is due, and as such, no provision is considered necessary in respect of estimated liability for future payment of gratuity of Rs.11,22,95,185 which is determined on the basis of actuarial valuation.

Your Directors further clarify that the company has not made any provision with regard to the overdue Sundry Debtors and Loans & Advances aggregating to Rs.3,09,91,797 since the management has taken suitable measures to recover the said dues and is hopeful of recovery in due course of time.

Therefore if the unprovided gratuity liability and doubtful overdue Sundry Debtors and Loans & Advances are excluded, the accumulated losses will not exceed more than 50 % of the net worth of the Company as mentioned by the Auditors in their report.

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 reappointment for your approval at the ensuing Annual General Meeting.

SUBSIDIARIES

Following Companies are the subsidiaries of your Company:

1. Golden Realty & Infrastructure Limited
2. Golden Investment (Sikkim) Private Limited
3. Western Express Industries Limited
4. GTC INC B.V. and
5. Raigadh Papers Limited, a subsidiary of Western Express Industries Limited.

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 applied for 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 approval of which is expected shortly.



However, a statement giving information on subsidiaries as required under section 212(3) of the Act is attached along with the Annual Report. Also, additional information in respect of the subsidiaries and Consolidated Financial Statements as required is provided in the Annual Report.

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., declaration by the CEO certifying compliance with the Code of Conduct of the Company and Certificate given by the CEO and CFO as required under the Listing Agreement are 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.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

SANJAY DALMIA

Chairman

Place : New Delhi

Dated : 25th May, 2010

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, 2010.

| Sr. No. | Name | Designation / Nature of Duties | Remuneration (Rupees) | Qualifications | Experience (years) | Date of Commencement of Employment | Age (years) | Last Employment held before joining this Company and also the designation & number of years put in there |
|---------|---------------|-----------------------------------|-----------------------|---|--------------------|------------------------------------|-------------|--|
| 1 | J P Khetan | Managing Director | 5461646 | Inter Arts | 46 | 10.02.1979 | 67 | Dalmia Industries Ltd., as Commercial Manager, 7 Years |
| 2 | Viney Mehra | Director (Technical) | 5814992 Engg. | Dip. in Prodn. | 44 | 19.11.1984 | 63 | ITC Ltd., Asst. Production Manager, 18 Years. |
| 3 | A K Joshi | Director (Finance) | 5794065 | B.Com., FCA | 30 | 01.02.1993 | 52 | Chinar Exports Ltd., Sr.Mgr Fin/Accounts, 2 Years. |
| 4 | Dr Abhijit De | Sr. Vice President (R&D) | 3250193 | M.Sc, Phd | 33 | 11-04-1986 | 58 | Godfrey Philips India Ltd., R & D Manager, 7 Years. |
| 5 | Sudhee Ranjan | Sr. Vice President (Sales & Mktg) | 3865090 | B.E. Electro & Comn. Dip in Busi. Admn. | 31 | 01-08-2007 | 55 | External resource to Client Companies. |

NOTES:

- 1) Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Fund, House Rent, Medical, Insurance, Reimbursement 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 there under.
- 2) The employees are not related to any Director of the Company.
- 3) The appointment is contractual.
- 4) None of the employees holds by themselves or along with their spouse and dependent children 2% or more of the equity shares of the company.



ANNEXURE TO THE DIRECTORS' REPORT

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, 2010.

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) Implementation of the latest know-how in each stages of production resulting enhancement in productivity levels.
 - ii) Planned maintenance and upgradation of machineries and equipments to ensure optimum energy consumption.
2. Benefits resulted from above for reduction of energy consumption and impact on the cost of production of goods:
- i) Reduction in specific consumption of electrical energy.
 - ii) Enhanced operational efficiency.

B. TECHNOLOGY ABSORPTION

I. Specific Areas In Which R&D Is Carried Out By The Company:

1. (a) Improving smoke characteristics by formulation of special tobacco additives. Using of these additives resulted in enhancement in tobacco chemistry and thus achieving a product with improved smoking impact.
 - (b) Developing blends of Cigars, Tipped Cigars, Pipe Tobacco and Smoking Mixture as per requirement and quality standard of International market.
 - (c) Developing of Slim & Super Slim cigarettes of various types for global market.
 - (d) On line monitoring of process control parameters, for achieving high quality of product with optimum yield.
 - (e) On going development in Packaging in enhancing the appearance in line of international quality and also improving the product durability by adopting 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) Products with Improved smoking properties and offering it to consumers resulting in from improved blends formulated with selective specific additives.
 - (b) An appreciable enhancement in export volume. Cigars, & Cigarillos made in various categories of Fruity Flavors resulted in very wide acceptance in the Global Market.
 - (c) Resulted a significant entry in the world of highly demanding Slims and Super Slims cigarettes.
 - (d) Improved product consistency, yield and minimized fluctuations in tobacco chemistry.
 - (e) Impressive packet look and protection of the product from weather changes and increased shelf life.
2. Offering the customers products with International pack design/appearance in line with premium International Brands.

III. Further Plan For Action

Research will be carried out on the above mentioned areas.

IV. Expenditure On R&D

- (a) Recurring : Rs.78.62 lacs
- (b) Total R&D expenditure
As percentage of Gross Turnover : 0.62%
(Technology absorption, adaptation and innovation)
- (c) Efforts in brief, made towards technology, adaptation and innovation.
 1. i) Use of specific additives for improving product quality and smoke characteristics.
 - ii) Monitoring each stage of production to ensure a final product
 - iii) Continuous monitoring at each stage of production to ensure proper cost management with best and highest possible standard in quality parameters
 - iv) Offering customer unique products 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/cigars is highly competitive and is emerging tough due to various restrictions imposed by different countries/ governments, Company has performed fairly well in export of its various brands and is confident to escalate the export volume in the years to come.

1. The Company has exported during the year various brands of cigarettes aggregating to Rs. 3913.08 lacs.
2. During the year under review 1111 million sticks were exported.
3. **Total foreign exchange used**
Travel & Other Expenses : Rs. 27.08 lacs
Total foreign Exchange Earned
Cigarettes : Rs. 3913.08 lacs
Tobacco : Rs. NIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The cigarette industry continued its decline in the year 2009-2010, though there was no change in the excise duty. The drastic change in the dynamics of the industry, bringing the price of plain cigarettes on par / more with the filter regular segment remained as it is. The grey market products remained at the same levels. In grey market these segments of cigarettes are being sold at Re. 1/- per stick whereas excise, Vat and other levies alone are more than Re. 1/- per stick. This didn't allow plain segment to stabilise and the losses to the segment continued. And this phenomena further affected our volumes.

This year government gave some relief to mini segment, which should give positive turn to this segment. Also introduction of mini filter (59 mm) in this year budget is a good move by the government.

Some of the States have increase VAT rates which will effect the margin of the Tobacco Industry adversely.

Our company being the market leader in plains/micro segment, we managed to retain some volumes despite of increasing prices, and also converted plains consumers to filter by timely launch of Panama Filter. The marketing strategy in the past year was to create engines for growth in the regular filter and filter kings segment.

This year saw the consolidation of the brands launched earlier. We launched new Cigar with the brand name of Golden Cigaro. This product from the stables of Golden Tobacco was received favorably, and was rolled out across the country. But this year budget heavily taxed cigars.

Consolidation on the sales and distribution front, resulting in a leaner sales force with increased manpower productivity will help in improving volumes in coming years.

During the year under review, the cigarette industry has fallen by over 1% compared to the previous year. Due to above reasons industry for plain cigarettes decline by over 90% in last two years.

OPPORTUNITIES, THREATS AND FUTURE OUTLOOK

The grey segment is the biggest threat to the very existence of the industry. There are hundreds of units which have come up in small scale sector across the country. As per an estimate their volume is over 2500 millions sticks every month which is almost 25% of the total industry size. The management has taken up this issue with the Government at the highest level.

DIVERSIFICATION

The management earlier wanted to do realty business by demerger of the cigarette business. However, due to continuous fall in volumes of cigarettes sales it was felt prudent to do the realty business under one entity only. The Demerger plan therefore was shelved. In view of the thrust on infrastructure and housing in the government policy, the realty sector has lot of potential in the time to come. Besides there is lot of gap between demand and supply in the housing sector more particularly in urban areas. The Company has certain surplus assets which have potential for development; hence these properties shall be developed in Joint Ventures with world class developers.

SEGMENT WISE / PRODUCT WISE PERFORMANCE

Segment wise / product wise performance reporting 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. Realizing 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 906 employees as on 31st March, 2010 as compared to 1061 at the beginning of the year, comprising of 180 in management/supervisory cadres, 140 in the staff cadres and 586 as workmen.

FINANCIAL PERFORMANCE

Due to various adversities as mentioned in the Directors Report, the Company's performance was affected. The gross turnover for the year under review stood at Rs. 15012.89 Lacs as against Rs 17367.80 Lacs of the previous year. The Net Profit/(Loss) before tax for the year under review was Rs. (1129.88) Lacs as against Rs. 67.63 Lacs. After making adjustments for various tax provisions the Net Profit/(Loss) after tax was Rs. (1133.66) Lacs as against Rs. 25.03 Lacs.

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.