

# **55<sup>th</sup> Annual Report 2010-2011**



**Golden Tobacco Limited**

# **GOLDEN TOBACCO LIMITED**

## **BOARD OF DIRECTORS**

### **CHAIRMAN**

Sanjay Dalmia

### **VICE CHAIRMAN**

Anurag Dalmia

### **MANAGING DIRECTOR**

J. P. Khetan

### **DIRECTORS**

R. R. Kumar	Director
Bharat B. Merchant	Director
A. K. Joshi	Whole Time Director
V. K. Bhandari	Director
Rishabh Jain	Director
V. Anish Babu	Nominee Director-IFCI

### **COMPANY SECRETARY**

Manoj Kumar Srivastava (w.e.f. 16th June, 2011)

### **STATUTORY AUDITORS**

Lodha & Co., Mumbai

### **SOLICITORS**

Khaitan Jayakar Sud & Vohra ( KJSV)

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## **BANKERS**

Canara Bank

Syndicate Bank

Vijaya Bank

State Bank of Bikaner & Jaipur

Allahabad Bank

## **REGISTERED OFFICE**

Darjipura, Post-Amaliyara

Vadodara-390022, Gujarat, INDIA.

Tel.: 0265-2540116

Fax : 0265-2541025

## **INVESTORS' CELL**

Toll Free No 1800223951

Email: share@goldentobacco.in

## **REGISTRAR & TRANSFER AGENT**

M/s Link Intime India Pvt. Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S.Marg, Bhandup(W), Mumbai-400078

Phone : 022-25963838

Fax : 022-25946969

Email : mumbai@linkintime.co.in

## **55<sup>th</sup> ANNUAL GENERAL MEETING**

Date : 17th December, 2011

Day : Saturday

Time : 3:30 p.m.

Venue : Darjipura,  
Post-Amaliyara,  
Vadodara - 390022,  
Gujarat, INDIA.

Book Closure Date : 10th December to  
17th December, 2011  
(both days inclusive)

## **STOCK EXCHANGES WHERE COMPANY'S SHARES ARE LISTED**

Bombay Stock Exchange Ltd.

National Stock Exchange of India Ltd.



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## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE FIFTY- FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF GOLDEN TOBACCO LIMITED WILL BE HELD ON SATURDAY, DECEMBER 17, 2011 AT 3.30 P.M. AT DARJIPURA, POST –AMALIYARA, DIST. VADODARA GUJARAT-390022 TO TRANSACT THE FOLLOWING BUSINESS:**

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 and the Profit and Loss Account for the year ended on that date together with Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri R.R. Kumar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Rishabh Jain who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Lodha & Co. Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

**Place: Mumbai**  
**Date : 14<sup>th</sup> November, 2011**

**By Order of the Board of Directors,**

**Manoj Kumar Srivastava**  
**Company Secretary**

**Registered Office:**  
Darjipura, Post-Amaliyara  
Dist- Vadodara, Gujarat-390022

### **NOTES:**

1. **MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will be closed from 10<sup>th</sup> December 2011 to 17<sup>th</sup> December 2011(both days inclusive).
3. The relevant details as required by Clause 49 of Listing Agreements entered into with the stock exchanges, of persons seeking appointments/reappointment as Directors under item no.2 and 3 of the Notice are annexed herewith and the same are open for inspection of the members at the registered office of the Company on all working days between 11.00 am to 1.00 pm up to the date of Annual General Meeting and during the time of meeting.
4. Pursuant to Section 205 A and 205C and other applicable provisions, if any of the Companies Act, 1956 all unpaid /unclaimed dividend up to 1993-94 declared by the company have been transferred to the Investor Education and Protection Fund (IEPF) established by Central Government of India .Unpaid dividend pertaining to the year 1994-95 is being paid as per schedule fixed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 16.12.2002. Further the modified scheme of 16/12/2002 is pending for consideration before the Hon'ble BIFR.
5. The Ministry of Corporate Affairs (vide circular nos 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering /updating their email address, in respect of shares held in dematerialized form with their respective Depository Participant and in respect of shares held in physical form with M/s. Link Intime India Pvt. Ltd.
6. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Services(NECS) Electronic Clearing Services (ECS), mandates ,nominations, power of attorney change of address, change of name and email address, etc. to their Depository Participants only and not to the Company Registrar and



Transfer Agents (R&TA). Changes Intimated to the Depository Participant will then be automatically reflected in the Company's record which will help the Company and R & T A to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Company's Registrar and Transfer Agent M/s Link Intime India Pvt. Ltd.

7. Members holding shares in dematerialized form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Link Intime India Pvt. Ltd. for assistance in this regards.
8. Members desiring any information as regards the accounts are requested to write to the Registered Office of the Company at an early date so as to enable the management to keep the information ready at the meeting.
- 9.. Members /proxies attending the meeting are requested to bring the copy of Annual Report as no separate copies shall be given at the time of Annual General Meeting.

**Details of Directors Seeking Appointment / Reappointment at the Annual General Meeting:**

Particulars	Shri R.R.Kumar	Shri Rishabh Jain
Date of Birth	15.11.1925	07.02.1980
Date of Appointment	30.12.2002	22.05.2008
Qualifications	B.A.LL.B.	B.Com.,C A.
Expertise in specific functional areas	He is former Chairman and Managing Director of Union Bank of India, is having good financial and accounting background. He is having vast experience of over 49 years in Banking and Finance.	He is having good knowledge and experience in the field of finance and accounting and more then eight years in industry experience.
Directorships held in other public companies\$	<ul style="list-style-type: none"><li>● Golden Realty &amp; Infrastructure Ltd.</li><li>● Haldyn Glass Ltd.</li><li>● Rolta India Ltd.</li><li>● Eastern Medikit Ltd.</li><li>● KJMC Financial Services Ltd.</li><li>● IVP Ltd.</li></ul>	NIL
Chairmanship/membership of committees of other public companies@	<ul style="list-style-type: none"><li>● Rolta India Ltd.</li><li>● Haldyn Glass Ltd.</li></ul>	NIL
Number of shares held in the Company	NIL	NIL

\$ Directorship in private companies, foreign companies and associates are excluded.

@ Represents Membership/Chairmanships of Audit Committee and Shareholders'/Investors Grievance Committee only.

**By Order of the Board of Directors,**

**Manoj Kumar Srivastava**  
Company Secretary

**Place: Mumbai**  
**Date: 14<sup>th</sup> November, 2011**

**Registered Office:**  
Darjipura, Post-Amaliyara  
Dist- Vadodara, Gujarat-390022

## DIRECTORS' REPORT

To,

The Members,

The Directors submit the Fifty-fifth Annual Report of the Company along with the Audited Statements of Accounts for the Financial year ended 31<sup>st</sup> March, 2011.

### SUMMARY OF FINANCIAL RESULTS

Rs. in Lacs

	For the year Ended 31.03.2011	For the year Ended 31.03.2010
Loss for the year before Interest, Depreciation, Exceptional Items and Tax	(1554.55)	414.99
Interest - Net	1679.66	1341.91
Depreciation	152.52	202.96
Profit/(Loss) before Taxation	(3386.73)	(1129.88)
Provision for Taxation:		
Current Tax including (Wealth Tax)	1.60	3.78
Profit/(Loss) after Taxation	(3388.33)	(1133.66)
Balance brought forward from last year	(3016.48)	(1882.81)
Balance of loss carried over to Balance Sheet	(6404.81)	(3016.48)

### FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE & DIVIDEND

Though there was no change in the excise duty structure, but the grey market cigarettes continue to be a major threat for the organized sector especially economy brands. Industry continues representing to the Government without any positive outcome & grey market continue to grow at a rapid rate resulting sharp drop in your company's volume.

The new Cigar with the brand name of Golden Cigaro launched last year from the stables of Golden Tobacco was received favourably and was rolled out across the country. Due to some classification issues production was stalled, which took lot of time to settle. The production of the same is expected to start now since the matter stands sorted out.

Further, the Company plans to launch aromatic cigarettes - few of them as variant of Chancellor and Panama shortly in current financial year. The first two are Koffee & Pan Aroma.

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

### STATUS OF REHABILITATION SCHEME BY BIFR

The rehabilitation Scheme sanctioned by Hon'ble BIFR was in operation up to March, 2011. However, owing to the continuing losses still being suffered by the Company it has filed an Application for the extension of the said Scheme in order to complete the un-implemented part of the same but was not considered favourably by Hon'ble BIFR. Consequently, the Company has appealed against the same to Hon'ble AAIFR and the Company is very much hopeful to succeed.

### SHIFTING OF PRODUCTION FACILITY

The manufacturing operation at Mumbai have been discontinued and shifted to existing plant at Vadodara. Pursuant to the Voluntary Retirement Scheme (VRS), offered by the Company, all 352 workers have accepted the same and were paid accordingly.

Also, in order to continue to utilize the Manufacturing License in the State of Maharashtra, the Company is in the process of setting up a manufacturing facility at Palghar, Thane, where the requisite land has already been acquired.

### REAL ESTATE DEVELOPMENTS

The Company had started the Real Estate Business in the year 2007-08, when its Hyderabad property was offered for Joint Development with a reputed builder. Besides, the Company had entered into a Memorandum of Understanding (MOU) in the year 2009-10 with the reputed developers to jointly develop its Vile Parle, Mumbai property.

Similarly, the Company is also exploring the possibility of development/sale of some other properties.

However, Income Tax & Central Excise Departments took coercive actions against the Company by defying the provisions of sanctioned Scheme of Hon'ble BIFR. Consequently the Company approached the Hon'ble BIFR and the matter was decided ultimately in Company's favour. The Management is hopeful to resume normal functioning of Real Estate Division in the current financial year.



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## SHIFTING OF THE REGISTERED OFFICE OF THE COMPANY

In view of the production facilities of the Mumbai Plant already shifted to the existing Plant at Vadodara, as approved by the Members of the Company unanimously, the Company has taken the necessary steps to shift the Registered Office from State of Mumbai (erstwhile State of Bombay), to State of Gujarat by seeking the approval from the Company Law Board.

## 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 R R Kumar and Shri Rishabh Jain, 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 Rishabh Jain is recommended by the Board of 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:

- i. followed in the preparation of the Annual Accounts, the applicable accounting standards 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 the year.
- iii. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of 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 further clarify that: -

- 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. 576,46,424/- which is determined on the basis of actuarial valuation.
- The company has not made any provision with regard to the overdue Sundry Debtors and Loans & Advances aggregating to Rs 493,09,336/-, since the Management has taken suitable measures to recover the said dues, it is hopeful of recovery in due course of time.
- Regarding Inventories including Rs. 104,94,596/- which should be provided for, because of its obsolescence, the Management treats the same as usable in normal course of operations.

It is pertinent to note that the Company is very much hopeful of succeeding in the Appeal for the continuation of the Hon'ble BIFR Scheme filed by it before Hon'ble AAIFR against the order of Hon'ble BIFR and in that case it will be very much convenient for the Company to take care of aforesaid observations of the auditors.

#### **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 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: Mumbai**

**Dated: 25<sup>th</sup> May, 2011**

## 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 31<sup>st</sup> March, 2011.

A		<b>CONSERVATION OF ENERGY.</b>
		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 up gradation 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.		<b>TECHNOLOGY ABSORPTION:</b>
	I.	Specific Areas in which R&D is carried out by the Company:
	(a)	Developing blends of Cigars, Tipped Cigars, Pipe Tobacco and Smoking Mixture as per requirement and quality standard of International market.
	(b)	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.
	(c)	On going development in Packaging in enhancing the appearance in line with 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.	<b>Benefits derived as a Result of R&amp;D.</b>
	(a)	An appreciable enhancement in export volume, Cigars, & Cigarillos made in various categories of Fruity Flavors resulted in very wide acceptance in the Global Market.
	(b)	Resulted a significant entry in the world of highly demanding Slims and Super Slims cigarettes.
	(c)	Improved product consistency, yield and minimized fluctuations in tobacco chemistry.
	(d)	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.	<b>Further Plan for Action</b>
		<b>Research will be carried out on the above mentioned areas.</b>
	IV.	<b>Expenditure on R&amp;D</b>
	(a)	Recurring: Rs 126.34 lacs
	(b)	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.		<b>ACTIVITIES RELATED TO EXPORTS AND FUTURE OUTLOOK:</b>
		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 3284.73 lacs
	2.	During the year under review 892 million sticks were exported.
	3.	Total foreign exchange used
		Travel & Other Expenses : Rs. 29.59 lacs
		Total foreign Exchange Earned
		Cigarettes : Rs. 3284.73 lacs
		Tobacco : Rs. NIL



**D PARTICULARS OF EMPLOYEES :**

**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, 2011.

Sr No.	Name	Designation / Nature of Duties	Remuneration (Rupees)	Qualifications	Experience (years)	Date of Commencement of Employment	Age (year)	Last Employment held before joining this Company & also the desig. & no. of yrs put in there
1	Mr J P Khetan	Managing Director	5438713	Inter Arts	47	10.02.1979	68	Dalmia Industries Ltd, as Commercial Manager, 7 years
2	Mr A K Joshi	Director (Finance)	5820407	B.Com., FCA	31	01.02.1993	53	Chinar Exports Ltd, Sr.Manager-Finan.& Accts, 2 years
3	Dr. Abhijit De	Sr Vice President (R & D)	5874484	M.Sc. Phd.	34	11.04.1986	59	Godfrey Philips India Ltd, R & D Manager, 7 years
4	Mr. Sudhee Ranjan	Sr Vice President (Sales & Mrktg)	4177040	B.E. Electro & Comp., Dip. In Busi. Admin.	32	01.08.2007	56	Punjab Agro Tractor, External resource to Client Companies
5	Mr S V Makhija	Vice President Commercial	5254412	B.com ( Hons.) A.C.A	33	05.11.1979	58	Sharp & Tannan Audit Assistant , 1 year

Employees for part of the year								
1	Mr Viney Mehra	Director (Technical)	4462574	Dip. In Prod. Engg.	45	19.11.1984	64	ITC Ltd, Asst.Production Manager, 18 Years
2	Mr GSK Prasad	General Manager TPD	1650922	B.Sc.	38	17.01.1986	59	Goyal Traders Leaf Buying Executive, 4 years
3	Mr Vinayak B Pawaskar	Sr. GM Works	2301101	Dip. In Mechanical Engg.	32	08.10.1978	50	N.A.
4	Mr Jaskaran S Khurana	C O O - Cigarette & Cigar	1052416	MBA	16	1.11.2010	38	Dalmia (Bros.) Pvt Ltd. as Executive Assistant to Chairman

**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 there under.
- 2) The employees are not related to any Director of the Company.
- 3) The appointment is contractual.
- 4) None of the employees hold by themselves or along with their spouse and dependent children, 2 % or more of the equity shares of the Company.



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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The cigarette industry remained flat in the year 2010-2011, though there was minor increase in the excise duty. During this period, the cigarette industry marginally grew by 1%, but, plain cigarettes declined by another 15% this year.

The government gave some relief to mini plain segment and introduced mini filter to correct the early years situation of bringing the price of mini plain cigarettes on par with the regular filter segment, but in vain. The grey market products remained at the same levels. In grey market regular filter cigarettes are being sold at Rs.1/- per stick, whereas excise, Vat and other levies alone are more than Rs.1/- per stick. This didn't allow mini plain segment to benefit and the losses to the segment continued. Thus our volumes were affected.

Many states have increased VAT rates which may effect the margin of the 'Tobacco Industry adversely.

Our Company being the leader in mini plains segment, we retained some volumes despite all adversities. The volume converted to variants of Panama continued in control. The marketing strategy continues to create engines for growth in the regular filter and image driver in kings segment.

Our launch of new Cigar with the brand name of Golden Cigaro was received well, but for classification issues we could not benefit last year. This being a life style product, we feel now it could add to our portfolio.

Restructuring of sales and distribution resulted in huge savings and high productivity, which will have recurring benefits.

### OPPORTUNITIES, THREATS AND FUTURE OUTLOOK:

The grey segment continues to be the biggest threat to the cigarette industry. These hundreds of units which have come up in small scale sector across the country are estimated by the trade to be 20-30% of the total industry. The management has taken up this issue with the Government at the highest level.

### 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 facilities 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 to ensure efficient operation of the business enterprise.

### MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT

Your Company endeavors to move ahead with its most valuable resources, 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 two units of Baroda and Guntur. We pledge to continue to maintain these good industrial relations through concerted positive efforts.

The Company had 490 employees as on 31<sup>st</sup> March, 2011 as compared to 906 at the beginning of the year, comprising of 120 in management / supervisory cadres, 56 in the staff cadres and 314 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. 15280.50 Lacs as against Rs.15012.89 Lacs of the previous year. The Net Profit/(loss) before tax for the year under review was Rs.(3386.33) lacs as against Rs.(1129.88) Lacs. After making adjustments for various tax provisions the Net Profit/(Loss) after tax was Rs. (3388.33) Lacs as against Rs.(1133.66) 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.