



GODFREY PHILLIPS
—INDIA LIMITED—

CONFIDENT ABOUT THE FUTURE

ANNUAL REPORT
2012 - 2013





GODFREY PHILLIPS
—INDIA LIMITED—

The future is challenging. Organisations spend most of their time and resources planning for it, plotting their moves and anticipating outcomes. And with the business environment getting more regulated and competition becoming stiffer, any forecast is merely speculative.

The key to success rests in our holistic and forward-looking outlook and futuristic policies. We, at Godfrey Phillips India, are confident of facing the future. Over the years, we have built a culture of being flexible, being transparent and being collaborative. The future for us is full of possibilities and we are raring to go ahead!

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| | |
|-----------------------------|--|
| Mr. R. A. Shah | Chairman |
| Mr. K. K. Modi | President and Managing Director |
| Mr. R. Ramamurthy | Whole-time Director |
| Mr. Samir Kumar Modi | Executive Director |
| Mr. Lalit Kumar Modi | |
| Dr. Lalit Bhasin | |
| Mr. Anup N. Kothari | |
| Mr. C. M. Maniar | |
| Mr. O.P. Vaish | |

COMPANY SECRETARY

Mr. Sanjay Gupta

REGISTERED OFFICE

Chakala, Andheri (East), Mumbai – 400 099

CORPORATE OFFICE

49, Community Centre, Friends Colony, New Delhi – 110 025

OTHER OFFICES

Ahmedabad, Baramati, Chandigarh, Chennai, Dubai, Ghaziabad, Hyderabad, Kolkata, Mumbai, Rabale, New Delhi

LEAF DIVISION

Guntur (Andhra Pradesh)

STATUTORY AUDITORS

A.F. Ferguson & Co. – Chartered Accountants

COST AUDITORS

Chandra Wadhwa & Co. – Cost Accountants

INTERNAL AUDITORS

Lodha & Co. – Chartered Accountants

REGISTRAR AND TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd. 13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri (East), Mumbai – 400 072

SOLICITORS

Crawford Bayley & Co.

BANKERS

- State Bank of India • Bank of Baroda • Bank of India • Citibank N.A • State Bank of Hyderabad
- State Bank of Travancore • The Hongkong and Shanghai Banking Corporation • Union Bank of India



R. A. SHAH
Chairman's Message

Dear Shareholder,

The economic environment has been challenging and these are indeed trying times. The deepening debt crisis in Europe, political disturbances in the Middle East, and slowing of western economies challenged a lot of business environment assumptions during the last year. These led to harsh exchange rate fluctuations, while consumers were left experiencing a severe credit squeeze.

While in India too, GDP rates dipped to the level of 5% which came as a shock especially after impressive growth rate of an average of over 8% registered between 2004 and 2011 period, the economy is now stabilizing. The growth outlook has been pegged around 6% for financial year 2013-14. Despite being external and in some parts seemingly uncontrollable, our country's financial controls, intellectual capital, and resilience will help turn around the situation in our favour in near future.

Recent domestic regulatory changes have taken the Cigarette industry by surprise. Ban of on-shop advertising, high tax incidence (high VAT/excise rates) coupled with reduction in smoking incidence and intensity has made it ever so important to set in place – a sound, well rounded strategy and develop a driven work force. Your Company is taking adequate steps to negate the impact of these changes in order to recapture the growth that has defined the Company in the past.

As a company, operating in this high inflation-low growth environment definitely poses a challenge; it impacts our capacity to increase prices in tandem with the increasing costs. There is a risk of consumers switching to lower cost brands which will in turn adversely impact our volumes. However, your Company is already on the path of strengthening its brands through rapid innovation and product differentiation to secure current customer base and expand it to newer, greater levels.

Your Company is striving to develop an even stronger position in tobacco space and is motivated to rise and deliver to sustainable growth challenge. We will leverage our best in class people, systems and capabilities, continue to deliver unmatched quality products to our customers, while revitalising our distribution capabilities, thereby further strengthening brand GPI in the marketplace.

I would like to take this opportunity to extend my heartfelt gratitude to all our consumers, business partners, shareholders and employees for their unwavering support, faith, and commitment. The Company is poised to take up many new challenges going forward to drive sustainable growth and your continued support, as always, will help to deliver swiftly, promptly and successfully to those challenges.

With best wishes and warm regards,

R.A. Shah



K. K. MODI
President's Message

Dear Shareholder,

In financial year 2012-13, your Company has delivered another year of top-line growth, while laying the groundwork for sustainable profitability in long-term. I am pleased to present a revenue growth of 7.4% over last year, with gross revenue reaching Rs. 3,598 crore. While profit before tax declined marginally from Rs. 257 crore last year to Rs. 237 crore this year, this is mainly attributable to gestation periods on some key initiatives. I am pleased to announce that the Board of Directors have recommended a dividend of Rs. 40 per share for the financial year 2012-13.

Our year revolved around two themes – capability building for the domestic market, and aggressive pursuit of export-led growth. Going forward, your Company will work on these themes by focusing on product innovation, strengthening our tobacco presence in domestic and international markets, and developing our tea and chewing products businesses into sustainable growth drivers.

During the year, the domestic tobacco industry has been under regulatory pressure, due to rising taxation at central and state levels. Key risks to your Company's long-term growth have been appraised, leading to a strategic re-alignment of resources for garnering better returns. We are strengthening our brands through product innovation and differentiation, which will allow us to achieve maximum customer satisfaction in a market characterized by rising taxes and prices.

Further, we have identified strategic initiatives that target specific domestic growth opportunities, which we will be pursuing with full commitment. These include expansion of our geographic reach, improvement of penetration in key states, and development of sales capabilities for multiple product lines. I am pleased to inform you that our tea and chewing products interests in India have posted growth of 12.4% and 17.3%, respectively, and our aggressive plans for both businesses should develop them into key growth drivers in the near future. We also witnessed rapid growth in retail business, which more than doubled from Rs. 20 crore last year to Rs. 46 crore in the current fiscal.

Key initiatives have also been kick-started to drive our exports in the tobacco and tea sectors. We are presently engaged in setting up business centers in some key export geographies such as Middle East, Latin America and Asia Pacific. Going forward, our on-the-ground presence in these regions will enable stronger local presence and deeper customer relationships. These initiatives will help us strengthen in our target geographies, and aid our journey in establishing a truly global Company.

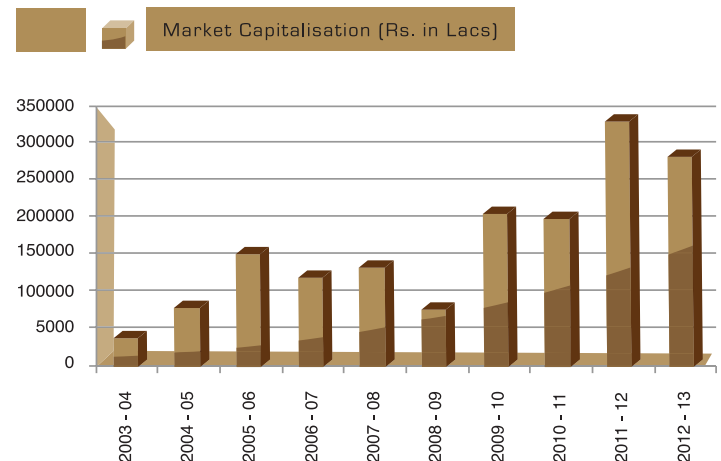
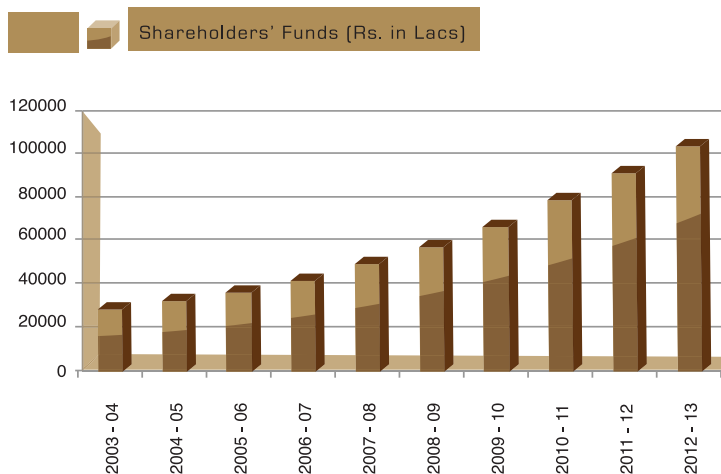
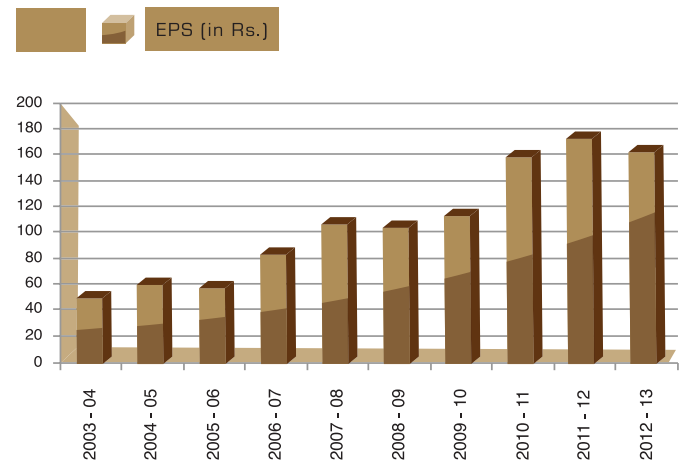
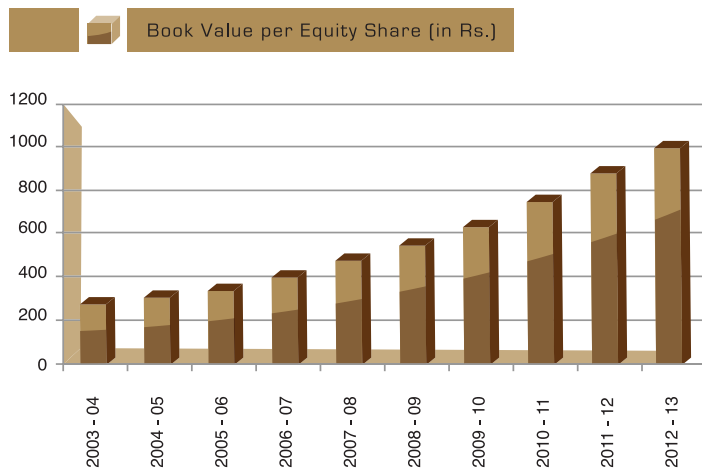
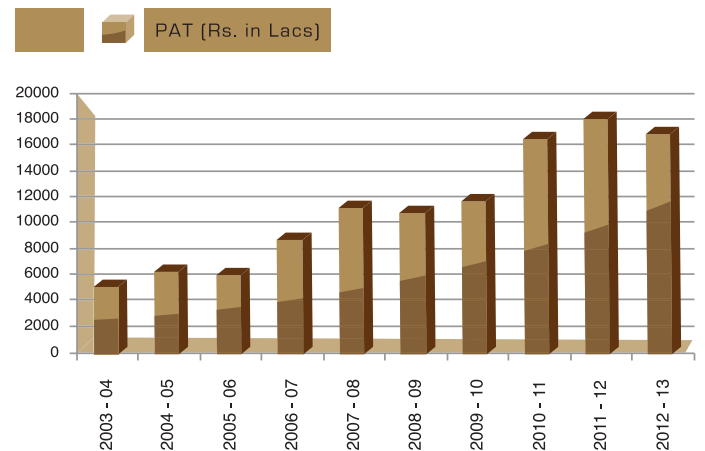
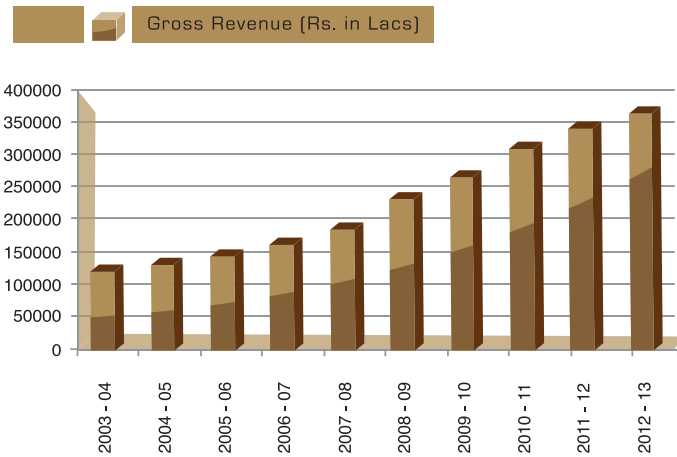
Your Company has also made significant moves in the area of technical advancement. Our new state-of-the-art plant in Rabale, Navi Mumbai, is fully operational, with capacities accounting for future developments in domestic and international markets. We also upgraded our tea packing facility in Kolkata during the year to meet international quality requirements. Moreover, implementation of renowned Japanese manufacturing techniques at the plants will further aid us in our quest for manufacturing excellence. We are hopeful that these steps will provide strong drive to our domestic and international growth plans.

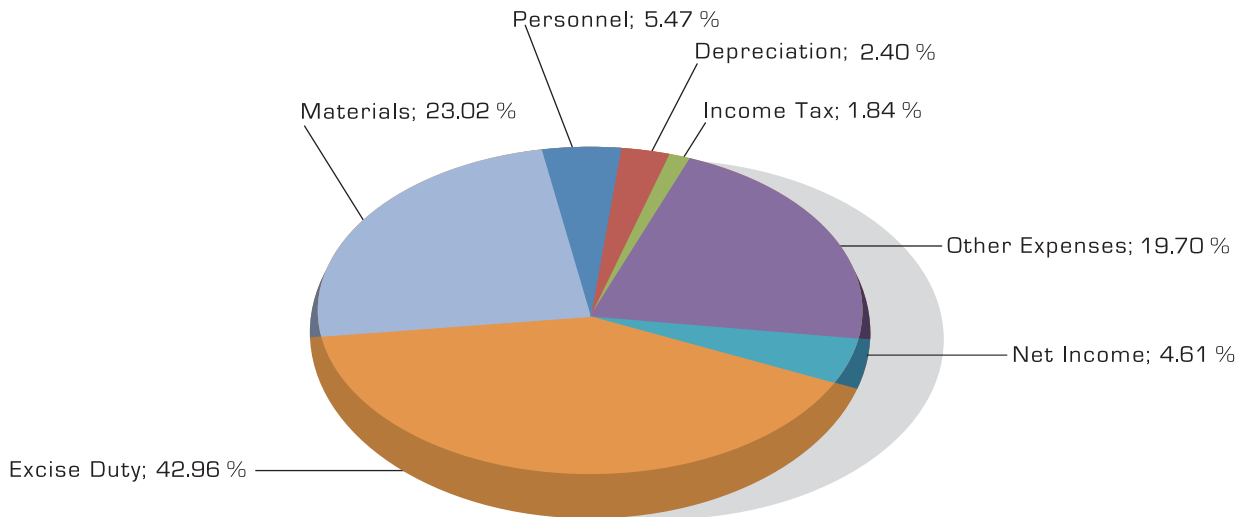
As always, we continue our endeavor to be a responsible corporate citizen, and I would like to re-affirm our commitment to corporate social responsibility, through the Godfrey Phillips Bravery and Amodini programs. A talented team on these projects is ensuring that your Company engages with society in an effective manner, and is able to contribute towards holistic social development.

To close, I would like to thank all the shareholders for their unflinching trust in the management and the Board of Directors. Your support will be critical as we embark on the next growth phase of our Company, and aim to achieve stakeholder objectives for all concerned.

Kind regards,

K.K. Modi





10 YEAR HIGHLIGHTS

Rs. in lacs

| PARTICULARS | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| CAPITAL EMPLOYED | | | | | | | | | | |
| Net Fixed Assets | 71887 | 67443 | 47387 | 31896 | 25980 | 15337 | 12655 | 12984 | 12920 | 8732 |
| Investments | 31853 | 35833 | 32314 | 19485 | 20986 | 32957 | 24627 | 21100 | 19916 | 14473 |
| Working Capital | 31172 | 21016 | 21797 | 26823 | 20172 | 12205 | 10962 | 9809 | 4513 | 6575 |
| Deferred Tax Assets (Net) | - | 752 | 79 | - | 236 | - | - | - | 1576 | 1239 |
| Total | 134912 | 125044 | 101577 | 78204 | 67374 | 60499 | 48244 | 43893 | 38925 | 31019 |
| FINANCED BY | | | | | | | | | | |
| Shareholders' Funds | 104172 | 92091 | 79025 | 66652 | 57845 | 49996 | 41815 | 36046 | 32701 | 28950 |
| Borrowings | 30356 | 32953 | 22552 | 11455 | 9529 | 10338 | 6073 | 7439 | 6224 | 2069 |
| Deferred Tax Liabilities (Net) | 384 | - | - | 97 | - | 165 | 356 | 408 | - | - |
| Total | 134912 | 125044 | 101577 | 78204 | 67374 | 60499 | 48244 | 43893 | 38925 | 31019 |
| OPERATING PERFORMANCE | | | | | | | | | | |
| Gross Revenue | 367282 | 341858 | 310838 | 267292 | 232445 | 187634 | 163277 | 145712 | 132538 | 120219 |
| Excise Duty | 157777 | 146058 | 146768 | 121386 | 115636 | 94040 | 82423 | 76176 | 61021 | 55769 |
| Depreciation | 8800 | 6263 | 4000 | 3391 | 2803 | 1977 | 1907 | 1837 | 1655 | 995 |
| Profit Before Taxation | 23690 | 25723 | 24147 | 16740 | 16591 | 16974 | 13523 | 9969 | 9995 | 7649 |
| Profit After Taxation | 16948 | 18136 | 16603 | 11839 | 10890 | 11222 | 8810 | 6013 | 6360 | 5218 |
| Dividend | 4159 | 4159 | 3640 | 2600 | 2600 | 2600 | 2600 | 2340 | 2288 | 1976 |
| Corporate Dividend Tax | 707 | 675 | 590 | 432 | 442 | 442 | 442 | 328 | 321 | 258 |
| Retained Earnings | 12082 | 13302 | 12373 | 8807 | 7848 | 8180 | 5768 | 3345 | 3751 | 2984 |
| INVESTORS' DATA | | | | | | | | | | |
| Earning Per Equity Share (Rs.) | 162.98 | 174.41 | 159.67 | 113.84 | 104.73 | 107.92 | 84.73 | 57.82 | 61.16 | 50.18 |
| Dividend Per Equity Share (Rs.) | 40.00 | 40.00 | 35.00 | 25.00 | 25.00 | 25.00 | 25.00 | 22.50 | 22.00 | 19.00 |
| Book Value Per Equity Share (Rs.) | 1001.77 | 885.59 | 757.67 | 638.69 | 553.99 | 478.52 | 399.84 | 344.37 | 312.20 | 276.12 |
| Number of Shareholders | 10839 | 11125 | 11242 | 11364 | 12350 | 12824 | 12740 | 11261 | 11719 | 12539 |



GODFREY PHILLIPS
—INDIA LIMITED—

DIRECTORS' REPORT

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in presenting the Seventy-sixth Annual Report of your Company and the Audited Accounts for the financial year ended March 31, 2013.

GENERAL ECONOMIC ENVIRONMENT

The year under review, has been a difficult year for the Indian industry. Global trade flows to EU zone have been severely impacted due to loss of credibility of the European sovereign debt paper. This has led to credit squeeze resulting in decline in export volumes for the emerging market nations. Simultaneously, our nation has been grappling with rising oil and gold imports. This double impact has led to further widening of current account deficit thereby creating added pressure on government finances. Also, the Indian rupee continued to remain weak. Cigarettes among tobacco sector have become easy victim to government drive to shore up its revenues.

Food inflation has been unrelenting and is in double digits even when the headline inflation numbers have started moderating. With high food inflation, discretionary spends have come under pressure. High inflation coupled with increase in prices of consumer goods has led to erosion of price value equation and forced the RBI to pursue tight monetary policy. Many brands across the cigarette industry have seen significant losses in volumes.

IMF forecasts real global GDP growth of 3.3% in 2013, about the same as the 3.2% in 2012, and the expectation is that growth rates will improve to 4% the year after. All this is hinging on the economic successes of emerging countries especially China and India. Emerging markets are expected to grow between 5% to 6% in the next 2 years. Countries having local demand have witnessed resilience in these turbulent times compared to export centric economies. With the United States showing signs of coming out of a low growth phase and no further negative news emerging from Europe, global trade should start growing once again. India is among the Top 5 nations producing tobacco. Our tobacco is being exported across various continents for the purpose of blending as well as direct use.

While the current environment is difficult, yet the future holds promise. Indian economy is expected to show a substantial improvement in its growth in the fiscal 2013-14 aided by easing supply side constraints, lower inflation, softening of interest rates and fast-tracking of investment projects. Given such a scenario, where all the three major sectors of the economy perform better in 2013-14 as compared to 2012-13, the overall economy is expected to grow in the range of 6 percent in 2013-14.

TOBACCO INDUSTRY

Indian cigarette market has shown a decline of around 2% in volume and a growth of 20% in terms of value over the previous year. This year a new segment has been created – the 64 mm filter tipped cigarette segment with relatively lower excise duty, which is considered as cost effective option and has provided some relief to the manufacturers in terms of volume protection. Premiumisation trend continued with Kings Segment, which now accounts 14% of the industry's share whereas Mini Kings has been able to grow to a modest level of 4.3%. However, the Regular Size Filter (RSFT) category, which forms the body of the industry has lost industry's share from 82.2% to 76.9% in FY 13. Also, the industry continues to face the menace of illicit trade.

Indian leaf tobacco exports were higher as compared to last year, both in volume and value terms.

DIRECTORS' REPORT



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Regulatory Environment

Global regime continued to get stricter on tobacco control during the year. Different countries are considering varied means, all aimed at curtailing tobacco usage.

India is no exception to this environment. New set of graphic health warnings have been implemented with effect from 1st April, 2013. A recent Supreme Court ruling interpreting certain provisions of the tobacco control legislation known as COTPA, has further limited the industry's ability to market tobacco products. However, we are committed to abide by the regulations as a responsible corporate.

Gutkha, a form of smokeless tobacco has been banned under the food laws by almost all the States across India. But the Gutkha manufacturers are litigating against the ban.

Taxation

The trend to increase Value Added Tax (VAT) rates at State level continued during the year with more and more States resorting to tax tobacco products to bridge the revenue shortfall. And as an impact of that, VAT rates in India on cigarettes now vary from 12.5% to 65%. This multiplicity of rates is disrupting the trade by promoting inter-State illicit movement of stocks. We sincerely hope that unified VAT or GST regime in course of time will help the industry, trade and consumers by bringing rationality and clarity.

Steep hikes in excise duties and VAT and consequential rise in prices of cigarettes has led to consumers shifting away from cigarettes towards other forms of tobacco where tax incidence is relatively low and administration is extremely weak.

SEGMENTWISE PERFORMANCE IN 2012-2013

Cigarettes

The domestic cigarettes business was subject to increased rates of central and state taxes during the year under report. Although the resultant pricing pressure caused domestic volumes to decline, your Company still registered a growth of over 5% in terms of value, from Rs. 2,776 crore in the previous year to Rs. 2,920 crore and also captured a healthy market share of the newly-created 64 mm segment.

Your Company is working on a roadmap to strengthen key brands like, Four Square, Red & White and Cavanders, through a combination of product innovation, distribution-led initiatives and consumer engagement programs. New research methodologies are being used to understand consumers in a more holistic manner. It is also embarking on a series of critical strategic projects to improve brand saliency and offer unique value propositions to consumers which will help it place its key brands at a higher growth path.

Tea

Post the slight dip witnessed last year, the domestic tea business bounced back on track and recorded sales of Rs. 106 crore as against Rs. 95 crore during preceding year, a growth of 12%. Your Company undertook various initiatives such as launching new product offerings for both general and institutional customers and expanding modern trade business with entry into new chains and trade formats, which contributed to the growth story. Apart from inroad made into the HORECA, HTS (hot tea shops) and Railways, various other alternative distribution channels are being targeted for business expansion. Heightened print mass media campaigns and ground activations have led to greater salience and traction for the Tea City portfolio. Post complete automation, both the tea blending and packing units at Kolkata and Bazpur have become ISO 22000:2005 certified. Supercup franchise rejuvenation progressed well on track with upgraded product quality and contemporary packaging leading to a volume growth of 11% during the year. Targeted innovative campaigns and offering have helped in stabilizing and growing other franchises like Utsav and Samovar.



DIRECTORS' REPORT

Exports

The following table shows the status of exports for different products during the year under report:

| | 2012 - 13 | 2011 - 12 |
|------------------------|-------------------------|-------------------------|
| Commodity/ Product | Value (Rs. in crore) | Value (Rs. in crore) |
| Cigarette | 109.22 | 107.63 |
| Unmanufactured tobacco | 172.18 | 126.53 |
| Cut tobacco | 39.01 | 66.02 |
| Tea | 39.27 | 18.36 |

Exports by your Company have grown by 13% during the year despite the recessionary and turbulent times in many parts of the importing world.

Cigarettes and cut tobacco business faced challenges on account of increase in global manufacturing capacity, slowdown in some of the consumption markets and new regulatory guidelines from Government in few of the importing countries. Despite the odds, we increased our customer base by adding quite a few new clients and introduced several new brands. Going forward, the Company will increase focus on high volume markets. Its plans to set up offices in key overseas locations are on track. A long term business plan is being worked out for a sustained growth of international cigarette business.

Tea exports have also registered substantial growth over the previous year. In wake of continued business expansion with additional clients and entry to new geographies, exports catapulted itself to more than double in terms of value. While in terms of volume, the business grew itself to 2339 tonnes over last year's 1508 tonnes.

Chewing Products

Your Company had another good year for its Chewing business as it achieved turnover of Rs. 142 crore during financial year 2012-13 as compared to Rs. 121 crore during financial year 2011-12. This growth was achieved in the backdrop of significant changes in the industry during the year including ban on Gutkha in most of the States in India. This growth could have been still higher but for the surprise move by the Maharashtra government to cover tobacco-free pan masala category also under its order to ban Gutkha invoked in July 2012.

Full implementation of the Gutkha ban is expected to result in upsides in the pan masala business. During the year, the Company entered the market in Jharkhand. While 'Pan Vilas' continues to be the flagship offering, an economy pan masala variant under the brand 'Raag' is in the process of being launched in the markets like: UP, MP, Jharkhand, Orissa, and Gujarat. We are operating in zarda segment with the brands 'Swarn Vilas' and 'Tarana'. We are looking to further streamline operations to drive efficiency and contain costs while strengthening distribution reach to tap into new markets specially in rural segments and thereby improve market share. The Company will look to enter newer segments within the chewing products category such as flavoured elaichi and supari, and mouth freshener, in both premium and mid premium categories.

Retail

Company's foray into retail business through 24X7 convenience stores is making steady progress. The Company is currently operating through 35 stores spread across NCR and expects to more than double this number during the current year. New business models are currently under evaluation with the help of Japanese consultants and we hope to scale greater heights in times to come.

DIRECTORS' REPORT



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TREASURY OPERATIONS

Your Company continues to enjoy the highest rating of 'CRISIL A1+' for Short Term Debt Programme, 'CRISIL AA+/Stable' for Long Term Loan, 'CRISIL AA+/Stable' for Cash Credit Limit and 'CRISIL A1+' for Non-fund based Limit. With these ratings in place, your Company is able to raise funds at most competitive terms.

Guided by the policy of safe, liquid and tax efficient returns, the Company has been deploying its long term surplus funds primarily in debt oriented schemes of reputed mutual funds mainly consisting of Fixed Maturity Plans (FMPs). The Company also continued to park its temporary surpluses in liquid schemes of various mutual funds.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the public or members during the year. There was no outstanding towards unclaimed deposits payable to the depositors as on March 31, 2013.

FINANCIAL RESULTS

| | <u>2012-13</u> <u>Rs. in lacs</u> | <u>2011-12</u> <u>Rs. in lacs</u> |
|---|--|--|
| Gross Profit | 32490.35 | 31986.62 |
| Less : Depreciation | 8800.03 | 6263.13 |
| Profit before taxation | 23690.32 | 25723.49 |
| Less : Provision for taxation | | |
| - current tax | 5855.62 | 8260.64 |
| - deferred tax charge/(credit) | 1136.03 | (673.42) |
| - current tax expense relating to prior years | (249.11) | -- |
| Profit after tax for the year | 16947.78 | 18136.27 |
| Profit brought forward | 69090.31 | 57988.33 |
| Available for appropriation | 86038.09 | 76124.60 |
| Appropriations | | |
| Proposed Dividend | 4159.51 | 4159.51 |
| Corporate Dividend Tax | 706.91 | 674.78 |
| Transfer to General Reserve | 2000.00 | 2200.00 |
| Surplus carried to Balance Sheet | 79171.67 | 69090.31 |
| | 86038.09 | 76124.60 |

During the year ended March 31, 2013, the Company registered sales turnover of Rs. 3598 crore as against Rs. 3349 crore during corresponding previous financial year, a growth of 7.4%. The profit after tax was marginally lower at Rs. 170 crore against Rs. 181 crore last year.



DIRECTORS' REPORT

The Union Budget 2013 has yet again increased the excise duty on cigarette by around 18%, which has been followed up by some State Governments hiking VAT rates significantly. The continuous increase in taxation on cigarette over the last several years has been adversely affecting the volumes and therefore, impacting profitability.

DIVIDEND

Your Directors are pleased to recommend the same dividend as last year of Rs. 40 per equity share of face value of Rs. 10 each.

INTERNAL CONTROL SYSTEMS

Your Company has a robust system of internal control commensurate with the size of the Company and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures, an extensive programme of internal audit by a firm of chartered accountants and management reviews.

HUMAN RESOURCE DEVELOPMENT

Your Company actively engages its workforce by building enduring relationships with employees through progressive, transparent, robust and fair systems and policies. In pursuance of the same, new online Human Resource Information System called 'Hruday' has been put in place for better and fast addressal of needs of employees. 'Hruday', developed by PeopleSoft, is considered to be one of the best HR tools.

A job evaluation exercise for various managerial positions has been undertaken to understand the relative importance of various jobs and to assign true worth to each job position. This initiative will help your Company in creating a robust job hierarchy and providing appropriate placement to individual employees.

CORPORATE DEVELOPMENT

Corporate Development division continued to serve as the central strategy and planning team for your Company. Its primary objective is to provide business and advisory inputs to different business segments and senior leadership on industry dynamics, regulatory challenges, competitive landscape and developments in major markets in the world. The role of this division has been extended to include active business portfolio optimization, developing and nurturing partnerships and alliances, working with partners and business teams to develop alternate business models towards driving future growth and business sustainability, designing and development of a robust go-to-market strategy, understanding brand dynamics and strategising to regain lost market share in key markets. Going forward, the division will also endeavor to take up initiatives in business intelligence, knowledge management and risk management.

INFORMATION TECHNOLOGY

Your Company continues to invest in Information Technology to improve operational efficiencies and enhance productivity. During the year, Company implemented ERP core modules at its production facilities and sales establishments thereby making the entire supply chain ERP enabled. Your Company is currently exploring introduction of suitable IT processes in the sales function to enable the sales force to focus on their core activity of selling with better efficiency. The Company will continue to leverage the Information Technology function to gain competitive advantage.

CORPORATE SOCIAL RESPONSIBILITY

Godfrey Phillips Bravery Awards continued to exhibit the Company's commitment to recognizing common citizens for their acts of courage. The National Award ceremony held for the year 2012 saw the launch of

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the book 'A Billion Bravehearts' that epitomizes bravery not only in physical form but also in the intellectual, social and individual spheres, as a selfless act and a contribution to the higher good. Social media has become a powerful platform to activate and increase participation in social campaigns. The 'Be Brave' campaign on social media today is an active group of over 14 lakh members spreading the message of bravery, courage and integrity.

Your Company is now also emphasising on programmes that contribute to sustainable development. 'Amodini', the women's empowerment initiative now includes strategic activities and initiatives linking back to business. Amodini is now concentrating on communities associated with the Company's businesses and is working towards improvement of quality of lives of 540 women engaged in tobacco leaf grading in Ongole, Andhra Pradesh. The program is also focussing on provision of safe drinking water, sanitation, hygiene and health facilities, adult education and thrift and credit facilities. In Murshidabad, West Bengal, 200 women beedi rollers have directly benefitted by health camps organised to mitigate occupational health hazards.

Your Company has evinced its keen interest in environment management with the launch of the new green factory at Rabale, Navi Mumbai with a IGBC Gold-Green Factory Certification. The Company was recognized by the Greentech Awards for its consistent efforts towards Environment Management.

CONSERVATION OF ENERGY

Several energy saving measures were taken during the year, details of which are given below:

1. Rabale factory building has been designed in line with the IGBC Green Factory norms with some unique features like LED based landscape lighting, zero discharge as per CPCB norms, use of friendly fuel PNG in Boiler, etc.
2. Utilization of heat of compression and rejected heat of condenser coil in customized dehumidification system has resulted in reduction of electrical consumption by 15 KW per 5 TR dehumidification load at chewing products plants.
3. Installation of LED lights and VFD in supari dryer has resulted in lower power consumption at chewing products plant at Ghaziabad.

TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

1. Installed ERP enable automatic storage & retrieval system (ASRS) for tobacco and non-tobacco materials at Rabale factory for better inventory control.
2. Installed centralized UTILITY monitoring system (SCADA) at Rabale factory to control resource utilization.
3. Introduced flash drying of lamina portion of tobacco blend by installing latest generation 'Tower Dryer' for improved product quality.
4. Introduced fully automated inventory / bin management system for Cut Tobacco.
5. Implemented oracle based ERP system in the areas of Production, Engineering, Quality Control to facilitate collection and analysis of reliable data.

RESEARCH & DEVELOPMENT

New Product Development

1. Carried out development work for some differentiated products in cigarette category for creating new consumer base for gaining domestic market share and for meeting the requirements of overseas customers.



DIRECTORS' REPORT

2. Standardized the methods for determination of newer compounds in smoke.
3. Introduced a new technique of sensory evaluation of smoking products.
4. Developed more value added and differentiated products in chewing category.
5. Obtained NABL (ISO 17025) accreditation to R&D Foods Lab for chemical and microbiological analysis of Pan masala, Zarda and Gutka.
6. Did some work on vitamin and mineral fortification of CTC Tea.

Benefits derived as a result of this Development

1. Further enhanced existing tobacco blends in order to improve the smoke characteristics.
2. Further increased variants of blends and cigarettes in the library for both domestic as well as export markets.
3. Further enhanced capability to generate new ideas and create differentiated products for domestic as well as export markets.
4. The launch of new variants in chewing segment will add potential to grow both top-line and bottom-line.
5. Improved the analytical facility to meet the future challenges and requirements.

Future Plan of Action

1. Develop cigarettes for premium category thereby creating base to gain space in the premium segment.
2. Improve the efficiency in terms of creating differentiated / innovative products for the cigarette business, thereby increasing the new offers and maintain a healthy offer pipeline.
3. Continuous endeavour on smoke delivery reduction of our existing cigarette brands.
4. Lay special emphasis on flavor related development projects.
5. Intensify work on development of new products using R & D pilot plants.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings in foreign exchange during the year under report by way of exports and other income amounted to Rs. 361 crore (previous year Rs. 319 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 136 crore (previous year Rs. 290 crore).

DIRECTORS

Mr. O.P. Vaish, Mr. R. Ramamurthy and Mr. R.A. Shah, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

The present term of Mr. Samir Kumar Modi as Executive Director of the Company will expire on 31st August, 2013. The Board of Directors has re-appointed, subject to approval of shareholders, Mr. Samir Kumar Modi as Executive Director for a further period of 3 years with effect from 1st September, 2013.

Brief resumes of the Directors offering themselves for re-appointment are furnished in the Corporate Governance Report and in the explanatory statement to the notice of the ensuing Annual General Meeting.

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, the Directors confirm that:

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently and judgements and estimates which are reasonable and prudent have been made 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 the Company for the year under review;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Annual Accounts have been prepared on a going concern basis.

The above statements were noted by the Audit Committee at its meeting held on July 27th, 2013.

CORPORATE GOVERNANCE

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions of law and in particular those stipulated in the Listing Agreement with the Stock Exchanges. Its objective and that of its management and employees is to manufacture and market the Company's products in a way so as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general.

Certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.

Certificate from Mr. K.K. Modi, Managing Director as the Chief Executive Officer (CEO) and Mr. Sunil Agrawal, Senior Vice President – Finance as the Chief Financial Officer (CFO) in relation to the financial statements for the year along with declaration by the CEO regarding compliance with the code of business conduct of the Company by the directors and the members of the senior management team of the Company during the year were submitted to and taken note of by the Board.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 - Consolidated Financial Statements, Group Accounts form part of this Report & Accounts. The Group Accounts have been prepared on the basis of audited financial statements received from the Subsidiary & Associate Companies, as approved by their respective Boards.

AUDITORS

The Company's Auditors, M/s. A. F. Ferguson & Co., Chartered Accountants (Firm Registration No. 112066W), who retire at the ensuing AGM, have expressed that they would not like to offer themselves for re-appointment as Auditors of the Company.

The Board in its meeting held on July 27, 2013 considered and recommended for the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 015125N), as Statutory Auditors, in place of M/s. A. F. Ferguson & Co., after considering the recommendation of Audit Committee. Further the Company has received a certificate dated July 25, 2013 from M/s. Deloitte Haskins & Sells to the effect that their appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956 and they are not disqualified in terms of Section 226 of the Companies Act, 1956 from being appointed as Statutory Auditors of the Company.



GODFREY PHILLIPS
—INDIA LIMITED—

DIRECTORS' REPORT

COST AUDIT

Complying with the provisions of Section 233B of the Companies Act, 1956 and MCA general order No. F. No. 52/26/CAB-2010 dated 24th January, 2012, (as amended vide another order No. F. No. 52/26/CAB-2010 dated 6th November, 2012), the Board of Directors has appointed M/s. Chandra Wadhwa & Co., Cost Accountants (Registration No. 000239), as Cost Auditors of the Company for the financial year 2013-14, subject to approval of the Central Government.

The Cost Audit Report for the year ended 31st March, 2013 will be submitted in due course.

SUBSIDIARY COMPANIES

Ministry of Corporate Affairs, Government of India has, vide its General Circular No. 2 dated 8th February, 2011 granted a general exemption to companies under section 212(8) of the Companies Act, 1956 from attaching the documents referred to in section 212(1) pertaining to its subsidiaries subject to the fulfilment of conditions stipulated in the Circular. Your Company has satisfied the conditions specified in the Circular and hence entitled to the exemption.

In compliance of the aforesaid Circular, the annual accounts of the subsidiaries will be made available upon request by any shareholder of the Company and its subsidiaries. The annual audited accounts of the subsidiaries will also be kept for inspection by any shareholder at the Company's Corporate Office as well as its Registered Office and at the offices of the respective subsidiaries during business hours. Further, as per the provisions of Section 212 of the Act, a statement of the Company's interest in its subsidiaries and a statement summarising financial performance parameters of subsidiary companies are included under notes to the consolidated financial statements and forms part of the Annual Report.

EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

The relations with the employees of the Company continue to be cordial and the Directors wish to record their appreciation of their dedicated services at all levels of operations in the Company.

Consequent to the recent settlement made by the Company with unionized staff and workmen attached to its cigarette plant at Andheri, Mumbai, pursuant to the voluntary retirement schemes, the production facilities from Andheri have been largely relocated to the new plant at Rabale, Navi Mumbai. This is expected to improve operational efficiency and productivity.

THE FUTURE

Your Company continues to be a prominent cigarette manufacturing company in India. While continuing to emphasise on tobacco segment, the Company will focus on growing pan masala and other mouth freshening products, tea and retail businesses as well. It is expected that high rate of taxation on tobacco products will continue to be a norm in India and is, therefore, likely to be a challenge in future.

Respectfully submitted on behalf of the Board

New Delhi
Dated : July 27, 2013

R.A. SHAH
CHAIRMAN

REPORT ON CORPORATE GOVERNANCE

for the year ended March 31, 2013



GODFREY PHILLIPS
—INDIA LIMITED—

The Directors present the Company's Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

A good Corporate Governance system is key to meaningful and holistic growth of an organization and the foundation through which is nurtured its sustainable progress into the future.

The Corporate Governance initiatives of the Company are dedicated towards achieving basic objective of wealth creation for the benefit of all its stakeholders i.e. shareholders, employees, business associates and the society at large.

The Company believes in giving its executives ample freedom to operate and secure the Company's target by putting in their best efforts.

The Board of the Company is primarily responsible for protecting and enhancing shareholders' value besides fulfilling the Company's obligations towards other stakeholders. The role of the Board of Directors is to provide strategic superintendence over the Company's management. The day to day management of the Company is vested in the managerial personnel and sufficient authority is delegated at different operating levels. Delegation of authority in the operating people helps generation of creativity and innovation. This also helps in harnessing potential of employees to the best advantage of the Company.

The Company is in compliance with the requirements stipulated under clause 49 of the Listing Agreements entered with the Stock Exchanges with regard to Corporate Governance.

2. BOARD OF DIRECTORS

i) Composition of the Board

The Board consists of an optimal combination of Executive Directors and Independent Non-executive Directors, representing a judicious mix of professionalism, knowledge and experience.

The Directors bring in expertise in the fields of strategy, management, finance and law, among others. They provide leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and compliance.

At present, the total strength of the Board is 9 (nine) comprising of 3 (three) executive directors and 6 (six) non-executive directors. The Chairman of the Board is a non-executive director and the minimum requirement of one-third of the Board consisting of independent directors is duly complied with.

The non-executive directors of the Company, who are also independent, have already submitted their declarations affirming their status as independent directors as on March 31, 2013.



ii) Attendance at the Board Meetings and the last Annual General Meeting, directorships and memberships/chairmanships of Board Committees of other Companies

| S. No. | Director | Category | No. of Board Meetings attended | Attendance at last AGM | Directorship/Chairmanship of Board of other Companies* as at March 31, 2013 | Membership/Chairmanship of other Board Committees** as at March 31, 2013 |
|--------|---|---------------------------------|--------------------------------|------------------------|---|--|
| 1. | Mr. R.A. Shah DIN 00009851 | Non-Executive & Independent | 5 | Yes | 13 (includes 3 as Chairman and 1 as Vice-Chairman) | 9 (includes 4 as Chairman) |
| 2. | Mr. K.K. Modi DIN 00029407 | Executive | 5 | Yes | 11 | 2 (includes 1 as Chairman) |
| 3. | Mr. R. Ramamurthy DIN 00030463 | Executive | 5 | Yes | 8 | 2 |
| 4. | Dr. Lalit Bhasin DIN 00001607 | Non-Executive & Independent | 4 [^] | No | 9 | 6 (includes 1 as Chairman) |
| 5. | Mr. Anup N. Kothari DIN 00294737 | Non-Executive & Independent | 4 | Yes | 2 | None |
| 6. | Mr. Lalit Kumar Modi [®] DIN 00029520 | Non-Executive & Non-Independent | 1 [^] | No | 7 | 1 (as Chairman) |
| 7. | Mr. C.M. Maniar DIN 00034121 | Non-Executive & Independent | 5 | Yes | 13 | 7 |
| 8. | Mr. O.P. Vaish DIN 00001360 | Non-Executive & Independent | 5 | Yes | 5 | 3 |
| 9. | Mr. Samir Kumar Modi [®] DIN 00029554 | Executive | 5 | Yes | 8 | 1 |

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies.

** Represents memberships/chairmanships of only Audit and Shareholders/Investors Grievance Committees (excluding private companies and other non-corporate entities).

[®] Sons of Mr. K. K. Modi.

[^] includes one Board Meeting attended through tele-conferencing.

iii) Board Meetings held during the year

5 (Five) Board Meetings were held during the year 2012-13. These were held on May 29, 2012, July 31, 2012, September 14, 2012, November 6, 2012 and February 1, 2013. The necessary quorum was present for all the meetings.

In addition to the regular business items, other information as mentioned in Annexure 1A to clause 49 of the Listing Agreement with the Stock Exchanges, was placed before the Board.



iv) The details of pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company are given below:

| S. No. | Name of the director | Amount involved (Rs. in lacs) | Nature of transaction |
|--------|--|-------------------------------|--|
| 1 | Mr. R.A. Shah & Mr. C.M. Maniar (Senior Partners of Crawford Bayley & Co.) | 10.42 | Payment for professional services to Crawford Bayley & Co., Solicitors & Advocates |
| 2 | Dr. Lalit Bhasin (Proprietor of Bhasin & Co.) | 10.03 | Payment for professional services to Bhasin & Co., Advocates |
| 3 | Mr. O.P. Vaish (Relatives of Mr. O.P. Vaish are partners in Vaish Associates) | 13.72 | Payment for professional services to Vaish Associates, Advocates |

v) Brief resume, experience and other directorships/board committee memberships

As per the Articles of Association of the Company, one-third of the total strength of the Board (i.e. three directors at present i.e. Mr. O. P. Vaish, Mr. R. Ramamurthy & Mr. R. A. Shah) shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders' approval.

| | |
|---|--|
| 1) Name of the Director | Mr. O.P. Vaish |
| Qualifications | B.Com.(H), M.A. (Eco.), LL.M. |
| Professional Experience | <ul style="list-style-type: none"> - Served for 8 years in the Indian Revenue Service and another 8 years as Chief (Taxation Division) at FICCI. - Founded the Law firm Vaish Associates. - Now a Senior Advocate of the Supreme Court of India, specializing in Commercial and tax laws. • Past President, PHD Chamber of Commerce. • Honorary President, International Fiscal Association - India. • Member, Advisory Board of American India Foundation. • Member, Board of Trustees, Centre for Civil Society. • Member, Board of Governors, International Management Institute (IMI) • Past Director, Rotary International and past Trustee, Rotary Foundation. • President, Rotary Blood Bank, New Delhi • Member, FICCI Executive Committee |
| Names of other companies in which he holds directorship of the Board and membership / chairmanship of committees of the Board* | <ol style="list-style-type: none"> 1) CESC Ltd. 2) International Travel House Ltd. (also a member of Audit Committee) 3) PNB Finance & Industries Ltd. (also a member of Audit Committee) 4) Indo Rama Synthetics (India) Ltd. (also a member of Audit Committee) 5) Ginni Filaments Ltd. |
| 2) Name of the Director | Mr. R. Ramamurthy |
| Qualifications | B. A. (Eco.), B. L., C.S. (inter) |
| Professional Experience | Over 40 years of rich experience in the legal field with expertise in Indirect Tax matters. |
| Names of other companies in which he holds directorship of the Board and membership / chairmanship of committees of the Board* | <ol style="list-style-type: none"> 1) Rajputana Infrastructure Corporate Ltd. 2) Gemini Tradelinks Ltd. (also a member of Audit Committee) 3) Good Investment (India) Ltd. 4) Modicare Ltd. (also a member of Audit Committee) 5) Premium Bidi Company Ltd. 6) Quick Investment (India) Ltd. 7) Ramraj Enterprises Ltd. 8) Shashank Traders Ltd. |



| | |
|---|--|
| 3) Name of the Director | Mr. R.A. Shah |
| Qualifications | Solicitor |
| Professional Experience | <ul style="list-style-type: none"> - Leading solicitor and a Senior Partner of M/s. Crawford Bayley & Co., Solicitors & Advocates, Mumbai - Specialises in a broad spectrum of Corporate Laws in general with special focus on Foreign Investments, Joint Ventures, Technology and Licence Agreement, Intellectual Property Rights, Mergers and Acquisitions, Industrial Licensing, Anti Trust and Competition Law. - Member, Managing Committee of Bombay Chamber of Commerce. - Member, Indo German Chamber of Commerce. - President, Society of Indian Law firms (Western Region) |
| Names of other companies in which he holds directorship of the Board and membership / chairmanship of committees of the Board* | <ol style="list-style-type: none"> 1) Clariant Chemicals (India) Ltd. (Chairman of the Board & Audit Committee) 2) Pfizer Ltd. (Chairman of the Board & Audit Committee) 3) Procter & Gamble Hygiene and Healthcare Ltd. (Chairman of the Board & Audit Committee) 4) Colgate Palmolive India Ltd. (Vice-Chairman of the Board & Chairman of the Audit Committee) 5) Abbott India Ltd. (also a member of Audit Committee) 6) Asian Paints Ltd. 7) The Bombay Dyeing & Mfg. Co. Ltd. (also a member of Audit Committee) 8) BASF India Ltd. (also a member of Audit Committee) 9) Century Enka Ltd. (also a member of Audit Committee) 10) Deepak Fertilizers & Petrochemicals Corpn. Ltd. 11) Lupin Ltd. 12) Wockhardt Ltd. (also a member of Audit Committee) 13) Atul Ltd. |

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of managing committees of various chambers/bodies. Represents membership/ chairmanship of only Audit and Shareholders/ Investors Grievances Committee.

(vi) Legal Compliances

The Board periodically reviews compliance reports of applicable laws prepared by the Company as well as steps taken by it to rectify the instances of non-compliance.

(vii) Code of Conduct

The Company has laid down a Code of Conduct applicable to the directors and senior management team of the Company. The said Code has been communicated to the directors and senior management team personnel and is also posted on the website of the Company, www.godfreyphillips.com.

All directors and senior management team personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2013. A declaration to this effect signed by Mr. K.K. Modi, Managing Director as the Chief Executive Officer of the Company is annexed to this report.

3. AUDIT COMMITTEE

i) Composition and Terms of Reference

The Audit Committee of the company has been constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. It comprises of three non-executive independent directors viz. Mr. O. P. Vaish, Mr. Anup N. Kothari and Dr. Lalit Bhasin.

The terms of reference of the Audit Committee cover all the areas specified in Section 292A of the Companies Act, 1956 as well as those specified in clause 49 of the Listing Agreement, as amended from time to time and inter-alia include overseeing financial reporting process, reviewing the financial statements before submission to the Board for approval, reviewing internal control systems



and procedures, etc. The Audit Committee also reviews from time to time the information relating to management discussion and analysis of financial condition and result of operations, significant related party transactions, management letters, letters of internal control weaknesses issued by the statutory auditors, if any, and internal audit reports relating to internal control weaknesses.

All the members of the Audit Committee are financially literate and Mr. O.P. Vaish, Chairman of the Audit Committee, possesses relevant accounting and financial management expertise. Mr. Sanjay Gupta, the Company Secretary acts as the Secretary to the Committee.

The Chairman, Mr. O.P. Vaish, was present at the Annual General Meeting held on 14th September, 2012, to answer the shareholders' queries.

Audit Committee meetings are also attended by Managing Director in his capacity as director-in-charge of finance, Chief Financial Officer, the Internal Auditors and the Statutory Auditors, as the invitees.

ii) **Details of meetings and attendance of each member of the Committee**

Audit Committee met 4 (four) times during the financial year 2012-13 i.e. on May 28, 2012, July 31, 2012, November 6, 2012 and February 1, 2013.

| S. No. | Name | Category of directors | No. of Meetings attended (Total Meetings held-4) |
|---------------|---------------------|------------------------------|---|
| 1 | Mr. O.P. Vaish | Non-Executive & Independent | 4 |
| 2 | Dr. Lalit Bhasin | Non-Executive & Independent | 3 |
| 3 | Mr. Anup N. Kothari | Non-Executive & Independent | 3 |

4. **SUBSIDIARY COMPANIES**

- (i) Since the Company does not have any material unlisted Indian subsidiary company, the requirement for appointment of an independent director on the Board of such subsidiary is not applicable.
- (ii) The Audit Committee of the Company has reviewed the financial statements in respect of the investments made by its unlisted subsidiary companies at its meeting held on May 29, 2013.
- (iii) Copies of the minutes of the board meetings of all the unlisted subsidiary companies held during the year 2012-13 were placed at the board meeting of the Company held on May 29, 2013. Requirement relating to significant transactions and arrangements entered into between the Company and its unlisted subsidiary companies is not applicable to the Company since none of its subsidiaries is material.

5. **DISCLOSURES**

(A) **Basis of related party transactions**

(i) **Transactions with related parties in the ordinary course of business:**

Transactions with the related parties disclosed in note 39 to the financial statements for the year ended March 31, 2013 are in the ordinary course of business. Details of these transactions were placed at the Audit Committee meeting held on May 29, 2013. The said transactions have no potential conflict with the interests of the Company at large.



(ii) Transactions with related parties not in the normal course of business:

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2013 whose terms and conditions are not in the normal course of business.

(iii) Transactions with related parties not on arm's length basis:

There are no transactions entered into by the Company with the related parties during the financial year ended March 31, 2013 whose terms and conditions are not on an arm's length basis.

(B) Disclosure of Accounting Treatment

The financial statements for the year ended March 31, 2013 comply with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

(C) Risk Management

The Company being an old established organization, has in place built-in internal control systems for assessing and mitigating elements of risks in relation to its operations. The functional heads are reasonably alive to this aspect in their day to day functioning. However, with a view to apprise the Board of Directors of the risk management procedures and the steps to minimize/eliminate the same in a structured manner, the Company has formulated a Risk Profile and Risk Register, listing out various risks, risk mitigating factors and action plans to mitigate risk, which is periodically reviewed by the Board.

(D) Proceeds from public issues, right issues, preferential issues, etc.

The Company did not raise any funds through public, rights, preferential issues, etc. during the year under report.

(E) Others

(i) There has been no instance of non-compliance by the Company on any matter related to Capital markets during the last three years and hence no penalties or strictures have been imposed by the Stock Exchanges, SEBI or any other statutory authority on the company.

(ii) The Company does not have any Whistle Blower Policy.

(iii) The Company has complied with all applicable mandatory requirements of clause 49 of the Listing Agreement during the year. The Company has not adopted any non-mandatory requirements.

6. REMUNERATION TO DIRECTORS

(i) Remuneration policy

The Company does not have a Remuneration Committee. The remuneration paid to the Managing/ Executive/Whole-time Directors is decided by the Board and recommended for approval by the shareholders at the Annual General Meeting. As per provisions of the Articles of Association of the Company, the overall payment of sitting fees to a director for attending the Board and Committee meetings shall not exceed Rs.3 lacs in a financial year.



ii) Details of remuneration paid/payable to the directors

(Amount in Rs.)

| Name of the Director | Salary and Other Allowances* | Perquisites | Commission | Sitting Fees Board/ Committee Meetings\$ | Total |
|-----------------------------------|------------------------------|------------------|--------------------|--|--------------------|
| Mr. R.A. Shah | Nil | Nil | Nil | 1,00,000 | 1,00,000 |
| Mr. K.K. Modi ¹ | 1,95,80,645 | 39,600 | 1,63,17,204 | Nil | 3,59,37,449 |
| Mr. R. Ramamurthy ² | 10,232,258 | 39,600 | Nil | Nil | 1,02,71,858 |
| Dr. Lalit Bhasin | Nil | Nil | Nil | 1,40,000 | 1,40,000 |
| Mr. Anup N. Kothari | Nil | Nil | Nil | 1,40,000 | 1,40,000 |
| Mr. Lalit Kumar Modi ³ | Nil | Nil | 1,10,00,000 | Nil | 1,10,00,000 |
| Mr. C.M. Maniar | Nil | Nil | Nil | 1,40,000 | 1,40,000 |
| Mr. O.P. Vaish | Nil | Nil | Nil | 1,80,000 | 1,80,000 |
| Mr. Samir Kumar Modi ⁴ | 36,00,000 | 42,61,271 | 36,00,000 | Nil | 1,14,61,271 |
| Total | 3,34,12,903 | 43,40,471 | 3,09,17,204 | 7,00,000 | 6,93,70,578 |

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

\$ excluding Service Tax chargeable under reverse charge.

iii) Details of service contract, notice period, severance fees, etc. of directors

¹The Company has service contract with Mr. K.K. Modi, President & Managing Director for a period of three years with effect from August 14, 2012. The notice period is six calendar months by either party. No severance fees is payable to him.

²The Company has service contract with Mr. R. Ramamurthy, Whole-time Director for a period of three years with effect from 14th August, 2012. The notice period is three months by either party. However, the Company has the right to terminate appointment forthwith upon payment of three months salary only in lieu of notice and in that case he will not be entitled to any perquisites or other benefits in respect of such three months period.

³In pursuance of the resolution passed on 28th April, 2011, by the shareholders of the Company through postal ballot, Mr. Lalit Kumar Modi is entitled to payment of commission under Section 309(4) (b) of the Companies Act, 1956 at not more than one percent (1%) per annum of the net profits of the Company computed in the manner laid down in Sections 198, 349 and 350 for a period of three years w.e.f. 1st August, 2010, subject to a ceiling of Rs.110 Lacs for or in respect of any one financial year of the Company. The approval of the shareholders is being sought at the ensuing Annual General Meeting for payment of remuneration on similar terms for further period of three years w.e.f. 1st August, 2013.

⁴The Company has service contract with Mr. Samir Kumar Modi, Executive Director for a period of three years with effect from 1st September, 2010, which is being extended by Board of Directors subject to the approval of the shareholders w.e.f. 1st September, 2013. The notice period is three months by either party. No severance fees is payable to him.

The Company presently does not have any stock option scheme.



(iv) Details of shares/convertible instruments held in the Company by Non-Executive Directors.

| S. No. | Name of the non-executive director | No. of shares held as on March 31, 2013 |
|---------------|---|--|
| 1. | Mr. R. A. Shah (shares held jointly with Mrs. A. R. Shah - wife) | 4000 |
| 2. | Dr. Lalit Bhasin | 400 |
| 3. | Mr. Anup N Kothari | 1200 |
| 4. | Mr. C.M. Maniar (shares held jointly with Mrs. K.C. Maniar - wife) | 688 |
| 5. | Mr. O.P. Vaish (shares held jointly with Mrs. Manju Vaish - wife) | 400 |
| 6. | Mr. Lalit Kumar Modi | 400 |

7. MANAGEMENT

As required under Clause 49 of the Listing Agreement, all members of the senior management team shall disclose their interest in all material, financial and commercial transactions, which may have a potential conflict with the interests of the Company at large.

The senior management team comprising of 20 (Twenty) members, being the top executives of the Company have disclosed to the Board of Directors of the Company about all the material financial and commercial transactions that have taken place during the financial year ended March 31, 2013 where they had personal interest. These include dealing in/holding of shares by them/their relatives in the Company, transactions entered into by them/their relatives with the Company, transactions entered into by the Company with the companies in which they/their relatives are Directors or Members and transactions entered into by them/their relatives with the subsidiary companies of the Company and these were placed at the board meeting of the Company.

8. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has a Share Transfer and Shareholders/Investors Grievance Committee which comprises of Mr. C.M. Maniar, a Non-Executive Director as its Chairman, Mr. K.K. Modi, President & Managing Director, Mr. R. Ramamurthy, Whole-time Director and Dr. Lalit Bhasin, Non-Executive Director as its members. This Committee, besides sanctioning share transfers/transmissions and other related matters, is also required to look into the redressal of shareholders' and other investors' complaints. Mr. Sanjay Gupta, Company Secretary, is designated as Compliance Officer.

During the financial year 2012-13, 7 complaints were received from the shareholders/investors and all were redressed to their satisfaction. No complaint was pending for redressal as on March 31, 2013.



9. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGMs) are as follows:

| Financial year | Date of the AGM | Time | Location | Particulars of special resolutions passed |
|----------------|-----------------|------------|--|---|
| 2009-10 | 09.09.2010 | 3.30 P. M. | Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021 | No Special Resolution was passed |
| 2010-11 | 20.09.2011 | 11.00 A.M. | -do- | No Special Resolution was passed |
| 2011-12 | 14.09.2012 | 3.30 P. M. | -do- | Reappointment of Mr. K.K. Modi as Managing Director for a period of three years w.e.f. 14.08.2012 |

There was no other General Body Meeting held during the last three years.

No resolution was put through postal ballot during the year 2012-13.

There is no special resolution proposed to be passed through postal ballot at the ensuing Annual General Meeting scheduled on 19th September, 2013.

10. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published by the Company in Economic Times (English) and in Maharashtra Times (Marathi). The quarterly and yearly results are also available on the Company's website : www.godfreyphillips.com as well as on Bombay Stock Exchange and National Stock Exchange websites: www.bseindia.com & www.nseindia.com. The half-yearly results are not sent to household of the shareholders. During the year, no formal presentations were made to the institutional investors/analysts.

The Management Discussion and Analysis Report forms a part of the Directors' Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : 19th September, 2013 at 3.30 P.M.

Venue : Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021

(ii) Financial Calendar for 2013-14

First Quarter Results : 27th July, 2013 (Actual)

Second Quarter Results : Latest by 14th November, 2013

Third Quarter Results : Latest by 14th February, 2014

Annual Results : Latest by 30th May, 2014

(iii) **Date of Book Closure** : September 07, 2013 to September 19, 2013- (both days inclusive)

(iv) **Dividend Payment Date** : Dividend payment shall be made from September 24, 2013 to those shareholders whose names shall appear on the Members' Register as on September 19, 2013.



(v) Listing on the Stock Exchanges:

The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP) and Bombay Stock Exchange (Stock Code 500163).

(vi) Market Price data of equity shares of the Company

The High and Low prices of the equity shares of the Company at Bombay Stock Exchange Limited (BSE) and National Stock Exchange(NSE) for the year ended 31st March, 2013 are as under:

| Month | Share Prices (Rs.) at BSE | | Share Prices (Rs.) at NSE | |
|----------------|---------------------------|------------|---------------------------|------------|
| | High | Low | High | Low |
| April 2012 | 3,944.00 | 3,100.00 | 4000.00 | 3136.00 |
| May 2012 | 3,766.00 | 3,135.05 | 3700.00 | 3111.15 |
| June 2012 | 3,574.55 | 3,011.00 | 3600.00 | 3000.05 |
| July 2012 | 3,572.00 | 3,125.00 | 3580.00 | 3141.50 |
| August 2012 | 3,550.00 | 3,090.00 | 3499.90 | 3091.35 |
| September 2012 | 3,560.00 | 3,120.00 | 3588.00 | 3000.00 |
| October 2012 | 3,530.00 | 3,250.00 | 3792.95 | 3260.05 |
| November 2012 | 3,390.00 | 3,096.00 | 3387.10 | 2606.85 |
| December 2012 | 3,598.95 | 3,100.00 | 3666.05 | 3131.00 |
| January 2013 | 3,497.00 | 3,221.50 | 3490.60 | 3255.50 |
| February 2013 | 3,448.90 | 2,983.00 | 3454.85 | 2978.05 |
| March 2013 | 3,050.00 | 2,714.00 | 3080.00 | 2701.05 |

(vii) Performance of the share price of the company in comparison to BSE Sensex:



Note: The chart above has average of high & low of the share price vis a vis average of high & low of Sensex indexed to 100 of each month for the financial year 2012-13.



(viii) Registrar and Share Transfer Agents

Sharepro Services (India) Pvt. Ltd.
13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai-400072
Telephone No : 022-67720300, 67720400
Fax No : 022-28591568
E-mail : sharepro@shareproservices.com

(ix) Share Transfer System

The Company's share transfer and related operations are handled by Sharepro Services (India) Pvt. Ltd., Registrar and Share Transfer Agents (RTA) who are registered with the SEBI as a Category-1 Registrar.

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously, provided the documents are complete in all respect and the shares are not under dispute. The share certificates duly endorsed are returned immediately after transfer.

(x) Distribution of shareholding as on March 31, 2013

| Number of equity share holdings | Number of shareholders | Percentage of shareholders | Number of shares | Percentage of shares |
|---------------------------------|------------------------|----------------------------|------------------|----------------------|
| 1-50 | 5444 | 50.23 | 91381 | 0.88 |
| 51-100 | 2016 | 18.60 | 180053 | 1.73 |
| 101-500 | 3003 | 27.71 | 647834 | 6.23 |
| 501-1000 | 200 | 1.85 | 140391 | 1.35 |
| 1001-5000 | 122 | 1.12 | 230453 | 2.22 |
| 5001-10000 | 11 | 0.10 | 74737 | 0.72 |
| 10001 & Above | 43 | 0.39 | 9033935 | 86.87 |
| TOTAL | 10839 | 100.00 | 10398784 | 100.00 |

(xi) Categories of Shareholding as on March 31, 2013

| Category of Shareholder | Number of Shares | Percentage of Shares |
|--|-------------------|----------------------|
| A. Promoter and Promoter Group | 7,387,937 | 71.05 |
| B. Public Shareholding | | |
| Foreign Institutional Investors | 1532061 | 14.73 |
| Mutual Funds/UTI | 19,414 | 0.19 |
| Financial Institutions/Banks | 9,328 | 0.09 |
| Central Government/State Government(s) | 6,000 | 0.06 |
| Bodies Corporate | 55,617 | 0.53 |
| Individuals | 1,359,208 | 13.07 |
| Directors & Relatives | 8,338 | 0.08 |
| NRIs and OCBs | 16,193 | 0.16 |
| Others | 4688 | 0.04 |
| Total Public Shareholding | 3,010,847 | 28.95 |
| Total Shareholding (A+B) | 10,398,784 | 100.00 |



(xii) Dematerialisation of shares

The shares of the Company are compulsorily traded in the dematerialised form and are available for trading under both the Depository Systems- NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Ltd). As on March 31, 2013, a total of 99,79,474 equity shares of the Company, which forms 95.97% of the share capital, stand dematerialised.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE260B01010.

(xiii) Outstanding GDRs/ADRs/Warrants or other Convertible Instruments

The Company has no outstanding GDRs/ADRs/Warrants or other convertible instruments.

(xiv) Plant Locations

The Company's plants are situated at Andheri (Mumbai), Baramati, Rabale (Navi Mumbai), Bazpur, Kolkata, Ongole, Ghaziabad & Faridabad and the cigarette plant located at Guldhar (Ghaziabad) is owned by the Company's wholly owned subsidiary, International Tobacco Company Limited.

| | | |
|---|---|--|
| Andheri Plant (Cigarette) | : | V.K.K. Menon Road (Sahar Road), Chakala, Andheri (East), Mumbai - 400 099 |
| Guldhar Plant (Cigarette) | : | International Tobacco Company Limited, Delhi- Meerut Road, Guldhar, Ghaziabad - 201 001 |
| Baramati Plant (Chewing Products) | : | Plot No. A-1/1, MIDC Industrial Area, Baramati, Maharashtra - 413 133 |
| Rabale Plant (Cigarette) | : | Plot No. 19, MIDC, TTC Industrial Area, Rabale, Navi, Mumbai - 400 701 |
| Ghaziabad (Chewing Products) | : | B-19, Meerut Road, Site No. 3, Ghaziabad |
| Faridabad (Chewing Products) | : | Plot No. 11, Saroorpur Industrial Area, Sohna Road, Ballabgarh, Faridabad, Haryana - 121004 |
| Bazpur (Tea Blending & Packaging) | : | Plot No. C-9, Bazpur - 1, UPSIDC Industrial Area, Distt- Udham Singh Nagar, (Uttarakhand) - 262 123 |
| Kolkata (Tea Blending and Packaging-operated by a contractor) | : | Landys + GYR Compound, Diamond Harbour Road, Joka, Kolkata - 700 104 |
| Ongole (Reconstituted Tobacco) | : | Plot No. 289 to 300, APIIC Growth Centre, Gundlapally, Ongole, Prakasam Dist., Andhra Pradesh - 523 001. |



(xv) Address for Correspondence

Shareholders are requested to address all their correspondence concerning shares to the Company's Registrar and Share Transfer Agents, Sharepro Services (India) Pvt. Ltd. at the address mentioned at S.No.11(viii) above or at:

Sharepro Services (India) Pvt. Ltd.

Unit: Godfrey Phillips India Limited
912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai- 400 021
Telephone No : 022-22825163
E-mail : sharepro@shareproservices.com

12. CEO/CFO CERTIFICATION

A certificate signed by Mr. K.K. Modi, Managing Director as CEO and by Mr. Sunil Agrawal, Sr. Vice President-Finance as CFO is attached with this report.

13. REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report forms part of the Annual Report.

The Company is regularly filing the Quarterly Compliance Report on Corporate Governance with the Stock Exchanges as per the format specified in Annexure 1B to the Clause 49 of the Listing Agreement.

14. COMPLIANCE

Certificate from the Statutory Auditors confirming compliance with all the conditions of Corporate Governance stipulated in clause 49 of the listing Agreement with the Stock Exchanges forms part of the Annual Report.

For and on behalf of the Board

Place : New Delhi
Date : July 27, 2013

R.A. SHAH
Chairman



GODFREY PHILLIPS
—INDIA LIMITED—

CERTIFICATE

CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION ON COMPANY'S CODE OF CONDUCT

**The Board of Directors
Godfrey Phillips India Limited
49, Community Centre
Friends Colony
New Delhi - 110 025**

I, K.K. Modi, Managing Director being the Chief Executive Officer (CEO) of Godfrey Phillips India Limited do hereby declare that all the members of the Board of Directors and the members of the Senior Management Team of the Company have affirmed compliance with the Code of business conduct of the Company during the financial year ended March 31, 2013.

Place : New Delhi
Date : May 29, 2013

K.K. MODI
Managing Director
(Chief Executive Officer)

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

**The Board of Directors
Godfrey Phillips India Limited
49, Community Centre
Friends Colony
New Delhi - 110025**

We, K.K. Modi, Managing Director being the Chief Executive Officer and Sunil Agrawal, Senior Vice President - Finance being the Chief Financial Officer of Godfrey Phillips India Limited, to the best of our knowledge and belief, do hereby confirm that:

- a. We have reviewed the financial statements for the year ended March 31, 2013 and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue or misleading statement nor omit any material fact;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2013 which are fraudulent, illegal or violative of the Company's code of business conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies have been disclosed to the Auditors and the Audit Committee.
- d. We have indicated to the Auditors and the Audit Committee that during the year ended March 31, 2013 there has not been any significant change in internal control over financial reporting and in accounting policies and that there is no instance of any fraud involving management or other employees having significant role in the Company's internal control system over financial reporting.

K.K. MODI
Managing Director
(Chief Executive Officer)

SUNIL AGRAWAL
Sr. Vice President - Finance
(Chief Financial Officer)

Place : New Delhi
Date : May 29, 2013



To the Members of Godfrey Phillips India Limited

We have examined the compliance of conditions of Corporate Governance by Godfrey Phillips India Limited for the year ended March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. FERGUSON & CO.
Chartered Accountants
Registration No. 112066W

Place : New Delhi
Date : July 27, 2013

Jaideep Bhargava
Partner
Membership No. 090295

A. Holding Company's interest in the subsidiaries at the close of the respective financial years.

| Name of the Subsidiary | Financial Year ended | Extent of interest |
|---|----------------------|---|
| 1. International Tobacco Company Limited | 31.3.2013 | The entire issued share capital of 3,00,000 Equity Shares of Rs. 100 each fully paid. |
| 2. Chase Investments Limited | 31.3.2013 | The entire issued share capital of 3,59,700 Equity Shares of Rs. 100 each of which 2,01,210 are fully paid up and 1,58,490 are Rs.50 paid up. |
| 3. Kashyap Metal and Allied Industries Limited | 31.3.2013 | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.) |
| 4. Unique Space Developers Limited | 31.3.2013 | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.) |
| 5. Gopal Krishna Infrastructure & Real Estate Limited | 31.3.2013 | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.) |
| 6. Rajputana Infrastructure Corporate Limited | 31.3.2013 | Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.) |

B. Net aggregate amount of profits/(losses) of the subsidiaries not dealt with in the Holding Company's accounts.

| Name of the Subsidiary | For Financial Year ended 31.3.2013 Rs. in lacs | For Previous Financial Years Rs. in lacs |
|---|---|---|
| 1. International Tobacco Company Limited | 14.58 | 1163.94 |
| 2. Chase Investments Limited | 20.93 | 427.32* |
| 3. Kashyap Metal and Allied Industries Limited | Not Applicable | Not Applicable |
| 4. Unique Space Developers Limited | Not Applicable | Not Applicable |
| 5. Gopal Krishna Infrastructure & Real Estate Limited | Not Applicable | Not Applicable |
| 6. Rajputana Infrastructure Corporate Limited | Not Applicable | Not Applicable |

* including net aggregate amount of profits/(losses) of the entities since merged with this company.

C. Net aggregate amount of profits/(losses) of the subsidiaries dealt with in the Holding Company's accounts, being the dividend received.

| Name of the Subsidiary | For Financial Year ended 31.3.2013 Rs. in lacs | For Previous Financial Years Rs. in lacs |
|---|---|---|
| 1. International Tobacco Company Limited | Nil | Nil |
| 2. Chase Investments Limited | Nil | 23.65* |
| 3. Kashyap Metal and Allied Industries Limited | Not Applicable | Not Applicable |
| 4. Unique Space Developers Limited | Not Applicable | Not Applicable |
| 5. Gopal Krishna Infrastructure & Real Estate Limited | Not Applicable | Not Applicable |
| 6. Rajputana Infrastructure Corporate Limited | Not Applicable | Not Applicable |

* including the dividend declared by the entities since merged with this company.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SUNIL AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : May 29, 2013

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors

INDEPENDENT AUDITORS' REPORT

To the Members of Godfrey Phillips India Limited



GODFREY PHILLIPS
— INDIA LIMITED —

Report on the Financial Statements

We have audited the accompanying financial statements of **GODFREY PHILLIPS INDIA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date ;and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For A. F. FERGUSON & CO.
Chartered Accountants
(Firm Registration No. 112066W)

Jaideep Bhargava
Partner
(Membership No. 090295)

Place : New Delhi
Date : May 29, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities/result, clauses 4 (x) and (xiii) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable to the Company.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) As explained to us, the Company has a system of physical verification of fixed assets which is designed to cover all fixed assets once in a period of three years and in accordance therewith, the fixed assets have been physically verified during the current year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals other than goods in transit for which subsequent receipts have been verified in most of the cases.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 ("the Act"), according to the information and explanations given to us:
 - (a) The Company has granted unsecured loan amounting to Rs. 200 lacs to a company during the year. The maximum amount due during the year in respect of such loan was Rs. 300 lacs and the year-end balance is Rs. 200 lacs.
 - (b) The rate of interest and other terms and conditions of such loan are, in our opinion, prima-facie, not prejudicial to the interest of the Company.
 - (c) The receipt of principal amount and interest have been as per stipulation.

According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.



- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There are no sale of services during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs. 5 lacs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Wealth Tax, Customs Duty, Excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities and has generally been regular in respect of dues of tax deducted at source, service tax, value added tax, Entry tax and Employees' State Insurance. We are informed that there are no undisputed statutory dues as at the year-end outstanding for a period of more than six months from the date they became payable.
 - (b) There are no dues of Wealth Tax, Service Tax, Customs Duty and Cess matters which have not been deposited on account of any dispute. The details of dues of Sales Tax, Excise Duty and Income-tax as at March 31, 2013, which have not been deposited by the Company on account of disputes are as follows:



| Name of the statute | Nature of the dues | Amount of dues* (Rs. lacs) | Amount deposited (Rs. lacs) | Period to which the amount relates | Forum where dispute is pending |
|---------------------|--------------------|----------------------------|-----------------------------|---|---|
| Sales Tax Laws | Sales tax | 12.71 | 6.28 | 1995-96, 2001-02, 2006-07 | Sales Tax Tribunal |
| | | 48.36 | 23.79 | 1998-99 to 1999-00, 2005-06 to 2006-07, 2012-13 | Upto Commissioners' Level |
| Central Excise Law | Excise duty | 4.16 | - | 2010-11 to 2012-13 | Upto Commissioners' Level |
| | | 1035.69 | 91.20 | 2002-03 to 2006-07, 2008-09 to 2012-13 | Customs Excise Service Tax Appellate Tribunal |
| Income-Tax Law | Income-tax | 244.00 | 244.00 | 1979 to 1982, 1995-96 to 1997-98 | High Court |
| | | 30.29 | 30.29 | 2007-08 to 2008-09 | Income Tax Appellate Tribunal |
| | | 160.92 | 160.92 | 1999-00, 2000-01, 2005-06 to 2009-10 | Upto Commissioners' Level |

*amount as per demand orders, including interest and penalty, where quantified in the Order.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:-

| Name of the statute | Nature of the dues | Amount (Rs. lacs) | Period to which the amount relates | Forum where department has preferred appeal |
|------------------------------------|--------------------|-------------------|--|---|
| Income Tax Law | Income tax | 340.54 | 1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02 to 2003-04 | High Court |
| U.P. Krishi Utpadan Mandi Adhinyam | Mandi cess | 108.20 | 1997-98 to 1998-99 | Supreme Court |
| Central Excise Law | Excise duty | 27.71 | 2009-10 to 2010-11 | Customs Excise Service Tax Appellate Tribunal |
| Sales Tax Laws | Sales Tax | 10.40 | 2007-08 | High Court |



- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xi) In our opinion and according to the explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- (xii) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
- (xiv) As the company has not raised term loans during the year, paragraph 4(xvi) of the order is not applicable.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares during the year.
- (xvii) The Company has not issued any debentures during the year.
- (xviii) The Company has not raised money by way of public issue, during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For A. F. FERGUSON & CO.
Chartered Accountants
(Firm Registration No. 112066W)

Jaideep Bhargava
Partner
(Membership No. 090295)

Place: New Delhi
Date : May 29, 2013



BALANCE SHEET

as at March 31, 2013

Rupees in lacs

| Particulars | Note No. | As at 31.3.2013 | As at 31.3.2012 |
|--|----------|------------------|-----------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' Funds | | | |
| Share capital | 2 | 1039.88 | 1039.88 |
| Reserves and surplus | 3 | 103132.39 | 91051.03 |
| | | 104172.27 | 92090.91 |
| Non-current liabilities | | | |
| Long-term borrowings | 4 | 16612.74 | 23188.50 |
| Other long-term liabilities | 5 | 20.20 | 19.10 |
| Long-term provisions | 6 | 3581.82 | 2981.97 |
| Deferred tax liabilities (net) | 13 | 383.80 | - |
| | | 20598.56 | 26189.57 |
| Current liabilities | | | |
| Short-term borrowings | 7 | 5925.47 | 3436.69 |
| Trade payables | 8 | 15747.25 | 11893.59 |
| Other current liabilities | 9 | 26103.26 | 23814.11 |
| Short-term provisions | 10 | 6299.02 | 6268.45 |
| | | 54075.00 | 45412.84 |
| TOTAL | | 178845.83 | 163693.32 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| - Tangible assets | 11 | 69320.96 | 52477.01 |
| - Intangible assets | 11 | 590.75 | 231.85 |
| - Capital work-in-progress | 11 | 1527.15 | 13740.90 |
| Non-current investments | 12 | 16150.08 | 16054.79 |
| Deferred tax assets (net) | 13 | - | 752.23 |
| Long-term loans and advances | 14 | 4198.99 | 4227.16 |
| | | 91787.93 | 87483.94 |
| Current assets | | | |
| Current investments | 15 | 15702.87 | 19778.33 |
| Inventories | 16 | 53835.45 | 37715.73 |
| Trade receivables | 17 | 7929.67 | 7494.95 |
| Cash and bank balances | 18 | 2210.73 | 2186.08 |
| Short-term loans and advances | 19 | 5849.82 | 7695.62 |
| Other current assets | 20 | 1529.36 | 1338.67 |
| | | 87057.90 | 76209.38 |
| TOTAL | | 178845.83 | 163693.32 |
| Accompanying notes 1 to 49 form part of the financial statements | | | |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2013



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

| Particulars | Note No. | Year ended 31.3.2013 | Year ended 31.3.2012 |
|--|----------|-------------------------|-------------------------|
| INCOME | | | |
| Revenue from operations | 21 | 364221.16 | 338824.66 |
| Less: Excise duty | | 154573.44 | 147644.38 |
| | | 209647.72 | 191180.28 |
| Other income | 22 | 3060.54 | 3033.38 |
| TOTAL REVENUE | | 212708.26 | 194213.66 |
| EXPENSES | | | |
| Cost of materials consumed | 23 | 47554.67 | 49605.29 |
| Purchases of traded goods | 24 | 42342.74 | 26126.59 |
| Changes in inventories of finished goods, work-in-process and traded goods | 25 | (9,393.63) | 954.58 |
| Employee benefits expenses | 26 | 20081.43 | 16253.67 |
| Finance costs | 27 | 2691.73 | 3165.14 |
| Depreciation and amortization expenses | 11 | 8800.03 | 6263.13 |
| Other expenses | 28 | 76940.97 | 66121.77 |
| TOTAL EXPENSES | | 189017.94 | 168490.17 |
| Profit before tax | | 23690.32 | 25723.49 |
| Tax expense: | | | |
| Current tax | | 5855.62 | 8260.64 |
| Deferred tax charge/(credit) | | 1136.03 | (673.42) |
| Current tax expense relating to prior years | | (249.11) | - |
| Profit after tax | | 16947.78 | 18136.27 |
| Earning per equity share- basic/diluted (Face value of share - Rs.10 each) | 30 | Rs.162.98 | Rs.174.41 |
| Accompanying notes 1 to 49 form part of the financial statements | | | |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

Jaideep Bhargava
Partner

S. SERU
Chief Executive

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
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ANUP N. KOTHARI

Directors



CASH FLOW STATEMENT

for the year ended March 31, 2013

Rupees in lacs

| Particulars | | For the year ended 31.3.2013 | | For the year ended 31.3.2012 |
|--|-------------|---------------------------------|-------------|---------------------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net profit before tax | | 23690.32 | | 25723.49 |
| Adjustments for: | | | | |
| Depreciation and amortization | | 8800.03 | | 6263.13 |
| Interest income from: | | | | |
| Subsidiary companies | | (135.53) | | (250.92) |
| Debts, deposits, loans and advances, etc. | | (292.82) | | (345.37) |
| Dividends from current and long-term investments | | - | | (97.72) |
| Interest income from long-term investments | | (34.74) | | (3.62) |
| Profit on redemption/sale of long-term investments | | (2343.55) | | (2166.04) |
| Profit on sale of current investments | | (372.70) | | (499.88) |
| Exchange (gain)/ loss on foreign currency bank balance | | - | | (0.14) |
| Exchange (gain)/loss on long-term foreign currency borrowings | | 1646.20 | | 4208.95 |
| Provision for wealth-tax | | 28.00 | | 18.00 |
| Interest expenses - on borrowings | | 1464.08 | | 1452.09 |
| - others | | 3.46 | | 144.18 |
| Provision for decline in the value of Investments written back | | - | | (18.00) |
| Fixed assets written off | | 166.03 | | 46.26 |
| Loss on sale of fixed assets | | 53.37 | | 138.66 |
| | | <u>8981.83</u> | | <u>8889.58</u> |
| Operating profit before working capital changes | | 32672.15 | | 34613.07 |
| Adjustments for: | | | | |
| Trade receivables, loans and advances and other current assets | | 1230.80 | | (3412.32) |
| Inventories | | (16119.72) | | (3201.88) |
| Trade payables, liabilities and provisions | | 6717.27 | | 866.71 |
| | | <u>(8171.65)</u> | | <u>(5747.49)</u> |
| Cash generated from operations | | 24500.50 | | 28865.58 |
| Interest received | | 252.89 | | 489.83 |
| Direct taxes paid | | (6384.72) | | (8768.30) |
| | | <u>(6131.83)</u> | | <u>(8278.47)</u> |
| Net cash from operating activities | | 18368.67 | | 20587.11 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | | (14638.66) | | (23368.58) |
| Proceeds from sale of fixed assets | | 35.86 | | 152.34 |
| Purchase of current and long-term investments | (147195.29) | | (184085.01) | |
| Proceeds from sale of current and long-term investments | 153891.71 | 6696.42 | 183249.99 | (835.02) |
| Dividends from current and long-term investments | | - | | 97.72 |
| Loans and deposits given | | (200.00) | | (100.00) |
| Loans and deposits received back | | 200.00 | | - |
| Interest received | | 158.00 | | 115.39 |
| Bank balances not considered as cash and cash equivalents | | (97.45) | | 1430.07 |
| Net cash used in investing activities | | (7845.83) | | (22508.08) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Long-term borrowings availed | | - | | 8912.00 |
| Repayment of long term borrowings | | (6731.63) | | (3688.49) |
| Proceeds from/(Repayment of) short-term bank borrowings | | 2488.78 | | 968.27 |
| Interest paid | | (1528.58) | | (1580.14) |
| Dividend paid | | (4149.43) | | (3634.46) |
| Corporate dividend tax paid | | (674.78) | | (590.43) |
| Net cash used in financing activities | | (10595.64) | | 386.75 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (72.80) | | (1534.22) |
| Opening cash and cash equivalents | | 1175.87 | | 2709.95 |
| | | <u>1103.07</u> | | <u>1175.73</u> |
| Effect of exchange rate changes on exchange earner foreign currency bank balance | | - | | 0.14 |
| Closing cash and cash equivalents | | <u>1103.07</u> | | <u>1175.87</u> |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

Jaideep Bhargava
Partner

S. SERU
Chief Executive

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
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Directors

Notes forming part of the financial statements for the year ended March 31, 2013



GODFREY PHILLIPS
—INDIA LIMITED—

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning.

No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the higher of the rates prescribed under the Companies Act, 1956 or the accelerated rates determined based on their useful lives as per technical estimates of the Management, and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The rates applied are as follows:-

Buildings

| | |
|--|--------------|
| -Other than factory | 1.63% |
| -Factory | 3.34% |
| Plant and machinery | 4.75%/10.34% |
| Furniture and fixtures | 6.33% |
| Computers, information technology equipments and computer software | 16.21% |
| Motor vehicles | 9.50% |

ii) Investments

Long term investments are stated at cost net of provision for diminution other than temporary, if any. Current investments are stated at cost or fair value, whichever is lower.

iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. The cost of raw materials, stores and spares and traded goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) Revenue recognition

Sale of goods is recognised at the point of dispatch of goods to customers. Sales are inclusive of excise duty where applicable but exclusive of sales tax/value added tax. Income from investments is recognised on an accrual basis.



v) **Employee benefits**

The Company has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

vi) **Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

vii) **Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) **Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) **Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the statement of profit and loss. The monetary items are translated at the year end rates and the gains/losses are taken to the statement of profit and loss.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the statement of profit and loss. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|----------------------------|--------------------|
| 2. Share capital | | |
| Authorised | | |
| 60,000 Preference shares of Rs. 100 each | 60.00 | 60.00 |
| 2,44,00,000 Equity shares of Rs. 10 each | 2440.00 | 2440.00 |
| | 2500.00 | 2500.00 |
| Issued, subscribed and fully paid up | | |
| 1,03,98,784 Equity shares of Rs.10 each | 1039.88 | 1039.88 |

- (i) There has been no movement in the equity shares in the current and previous year.
- (ii) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

- (iii) Shares held by each shareholder holding more than 5%:

| Name of the shareholder | No. of shares | % held as at March 31, 2013 | No. of shares | % held as at March 31, 2012 |
|---|--------------------------|--|------------------|-----------------------------------|
| a) Philip Morris Global Brands Inc. | 2,610,095 | 25.10% | 2,610,095 | 25.10% |
| b) Indo Euro Investment Co. Pvt. Ltd. | 1,471,782 | 14.15% | 1,471,782 | 14.15% |
| c) K K Modi Investment & Financial Services Pvt. Ltd. | 1,168,759 | 11.24% | 1,168,759 | 11.24% |
| d) Good Investment (India) Ltd. | 796,044 | 7.66% | 796,044 | 7.66% |
| e) Jupiter India Fund | 532,616 | 5.12% | 650,000 | 6.25% |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|-------------------------|--------------------|
| 3. Reserves and surplus | | |
| Capital Redemption Reserve | 30.00 | 30.00 |
| General Reserve | 23930.72 | 21930.72 |
| Surplus in Statement of Profit and Loss | 79171.67 | 69090.31 |
| | <u>103132.39</u> | <u>91051.03</u> |
| Movement in reserves and surplus is as under: | | |
| Revaluation Reserve | | |
| Opening balance | - | 236.16 |
| Less: Utilised for set off on conversion of real estate stock to fixed assets | - | (236.16) |
| Closing Balance | <u>-</u> | <u>-</u> |
| General Reserve | | |
| Opening balance | 21930.72 | 19730.72 |
| Add: Transfer from surplus in statement of profit and loss | 2000.00 | 2200.00 |
| Closing Balance | <u>23930.72</u> | <u>21930.72</u> |
| Surplus in Statement of Profit and Loss | | |
| Opening balance | 69090.31 | 57988.33 |
| Add : Net profit for the current year | 16947.78 | 18136.27 |
| Less: Proposed dividend (Rs. 40 per share; previous year Rs.40 per share) | 4159.51 | 4159.51 |
| Corporate dividend tax | 706.91 | 674.78 |
| Transfer to general reserve | 2000.00 | 2200.00 |
| Net surplus in the statement of profit and loss | <u>79171.67</u> | <u>69090.31</u> |
| 4 Long-term borrowings | | |
| Secured | | |
| Foreign currency term loans from banks | 24430.50 | 29515.93 |
| Less : Current maturities of long term borrowings | 7817.76 | 6327.43 |
| | <u>16612.74</u> | <u>23188.50</u> |
| Details of security and terms of above loan These loans carry interest ranging between 3.8% to 6.5% per annum and are repayable in half yearly/ yearly instalments ranging between 3 to 5 years. Further, these loans are secured by way of exclusive charges over specific plant and machinery. | | |
| 5. Other long term-liabilities | | |
| Others | | |
| -Security deposits | 20.20 | 19.10 |
| | <u>20.20</u> | <u>19.10</u> |
| 6. Long-term Provisions | | |
| Provision for employee benefits | | |
| -provision for compensated absences | 3581.82 | 2981.97 |
| | <u>3581.82</u> | <u>2981.97</u> |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|------------------------|--------------------|
| 7. Short-term borrowings | | |
| Secured | | |
| - Cash credits from banks* | 3425.47 | 3040.86 |
| Unsecured | | |
| - Foreign currency packing credits from banks | - | 395.83 |
| - Demand loan from banks | 2500.00 | - |
| | <u>5925.47</u> | <u>3436.69</u> |
| *Secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company | | |
| 8. Trade payables | | |
| Trade Payables | | |
| -Micro and small enterprises (Refer Note 37) | 151.44 | 152.08 |
| -Other than Micro and small enterprises | 14186.10 | 10402.15 |
| Employee payables | 1409.71 | 1339.36 |
| | <u>15747.25</u> | <u>11893.59</u> |
| 9. Other current liabilities | | |
| Current maturities of long-term borrowings | 7817.76 | 6327.43 |
| Interest accrued but not due on borrowings | 172.62 | 233.67 |
| Unclaimed dividends | 173.40 | 163.32 |
| Payable to gratuity fund | 910.40 | 567.71 |
| Payables for fixed assets | 2914.78 | 4054.36 |
| Other payables | | |
| -Security deposits | 20.27 | 18.27 |
| -Statutory dues | 11712.41 | 9181.59 |
| -Advances from customers | 2273.08 | 3191.07 |
| -Others | 108.54 | 76.69 |
| | <u>26103.26</u> | <u>23814.11</u> |
| 10. Short-term provisions | | |
| Provision for employee benefits | | |
| -Provision for compensated absences | 957.15 | 683.85 |
| Others | | |
| -Proposed dividend | 4159.51 | 4159.51 |
| -Provision for corporate dividend tax | 706.91 | 674.78 |
| -Taxation (net of payments) | 475.45 | 750.31 |
| | <u>6299.02</u> | <u>6268.45</u> |



11. Fixed assets

| | GROSS BLOCK (AT COST) | | | | DEPRECIATION/AMORTIZATION | | | | NET BLOCK | |
|--|-----------------------|---------------------------|---------------|--------------------|---------------------------|-----------------|------------------|--------------------|--------------------|--------------------|
| | As at 31.3.2012 | Additions/ adjustments | Deductions | As at 31.3.2013 | As at 31.3.2012 | For the year | On deductions | As at 31.3.2013 | As at 31.3.2013 | As at 31.3.2012 |
| | | | | | | | | | | |
| Tangible Assets: | | | | | | | | | | |
| Land-leasehold | 1426.23 | 6.93 | - | 1433.16 | - | - | - | - | 1433.16 | 1426.23 |
| Land-freehold | 944.01 | - | - | 944.01 | - | - | - | - | 944.01 | 944.01 |
| Buildings | 12805.51* | 2871.80 | 14.60 | 15662.71* | 778.94 | 521.65 | 8.79 | 1291.80 | 14370.91 | 12026.57 |
| Leasehold building improvements | 670.24 | 6.93 | - | 677.17 | 62.09 | 22.62 | - | 84.71 | 592.46 | 608.15 |
| Plant and machinery | 57169.76 | 21098.39 | 556.17 | 77711.98 | 23645.27 | 7325.83 | 397.59 | 30573.51 | 47138.47 | 33524.49 |
| Electrical installation and equipments | 331.48 | 64.22 | 5.31 | 390.39 | 98.66 | 18.50 | 2.89 | 114.27 | 276.12 | 232.82 |
| Computers and information technology equipments | 1639.65 | 1088.48 | 41.87 | 2686.26 | 969.85 | 338.48 | 35.64 | 1272.69 | 1413.57 | 669.80 |
| Furniture, fixtures and office equipments | 2125.12 | 322.69 | 102.57 | 2345.24 | 804.21 | 127.82 | 61.25 | 870.78 | 1474.46 | 1320.91 |
| Motor vehicles | 2505.15 | 247.01 | 81.01 | 2671.15 | 781.12 | 252.34 | 40.11 | 993.35 | 1677.80 | 1724.03 |
| Total of Tangible assets | 79617.15 | 25706.45 | 801.53 | 104522.07 | 27140.14 | 8607.24 | 546.27 | 35201.11 | 69320.96 | 52477.01 |
| Intangible Assets | | | | | | | | | | |
| Computer software | 510.08 | 551.69 | - | 1061.77 | 278.23 | 192.79 | - | 471.02 | 590.75 | 231.85 |
| Total of Intangible assets | 510.08 | 551.69 | - | 1061.77 | 278.23 | 192.79 | - | 471.02 | 590.75 | 231.85 |
| Grand Total | 80127.23 | 26258.14 | 801.53 | 105583.84 | 27418.37 | 8800.03 | 546.27 | 35672.13 | 69911.71 | |
| Previous year | 49910.91 | 30972.55 | 756.23 | 80127.23 | 21574.21 | 6263.13 | 418.97 | 27418.37 | | 52708.86 |
| Capital work-in-progress | | | | | | | | | 1527.15 | 13740.90 |
| | | | | | | | | | 71438.86 | 66449.76 |

*Includes Rs.0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies.



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 12. NON CURRENT INVESTMENTS | | |
| LONG TERM INVESTMENTS-AT COST | | |
| TRADE INVESTMENT - UNQUOTED | | |
| Investments in Equity Instruments | | |
| Subsidiary company | | |
| International Tobacco Company Limited 3,00,000 Equity shares of Rs.100 each fully paid up | 3250.00 | 3250.00 |
| Others | | |
| Molind Engineering Limited 3,500 Equity shares of Rs.10 each fully paid up | 0.25 | 0.25 |
| IPM India Wholesale Trading Private Limited 49,60,000 Equity shares of Rs. 10 each fully paid up | 496.00 | 496.00 |
| KKM Management Centre Private Limited 11,02,500 Equity shares of Rs.10 each fully paid up | 110.25 | 110.25 |
| OTHER INVESTMENTS - UNQUOTED | | |
| Investments in Equity Instruments | | |
| Subsidiary companies: | | |
| Chase Investments Limited 2,01,210 Equity shares of Rs.100 each fully paid up | 360.26 | 360.26 |
| 1,58,490 Equity shares of Rs.100 each Rs.50 paid up | 79.24 | 79.24 |
| Others: | | |
| Success Principles India Limited 1,99,673 Equity shares of Rs.10 each fully paid up | 19.97 | 19.97 |
| OTHER INVESTMENTS - QUOTED | | |
| Investments in Bonds | | |
| Indian Railway Finance Corporation Limited | | |
| 43,501 Tax Free Secured Redeemable Non-convertible Bonds of Rs.1000 each fully paid up | 435.01 | 435.01 |
| Investments in Mutual Fund | | |
| Franklin Templeton Mutual Fund | | |
| 1,83,51,130 Units of Templeton India Income Opportunities Fund -Growth of Rs.10 each | 1889.88 | 1889.88 |
| 27,534 Units of Templeton India Short Term Income Retail Plan-Growth of Rs.1000 each | 477.95 | 477.95 |
| ICICI Prudential Mutual Fund | | |
| Nil* (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 63-384 | - | 1000.00 |
| Days Plan A-Growth of Rs.10 each | - | - |
| 70,50,405 Units of ICICI Prudential Income Opportunities Fund Growth of Rs. 10 each | 1095.29 | - |
| 13,88,808 Units of ICICI Prudential Income Plus -Growth of Rs.10 each | 500.00 | - |
| Birla Mutual Fund | | |
| 24,92,990 Units of Birla Sun Life Income Plus Plan - Growth of Rs.10 each | 616.37 | 616.37 |
| Nil* (Previous year 1,50,00,000) Units of Birla Sun Life Fixed Term Plan Series | - | 1500.00 |
| DP- Growth of Rs.10 each | - | - |
| 19,53,831 Units of Birla Sun Life Income Plus Plan-Growth of Rs. 10 each | 1000.00 | - |
| IDFC Mutual Fund | | |
| Nil (Previous year 50,00,000) Units of IDFC Equity Fund Plan A- Growth of Rs.10 each | - | 500.00 |
| 35,78,150 Units of IDFC Super Saver Income Fund Investment Plan-Growth of Rs. 10 each | 1000.00 | - |
| HDFC Mutual Fund | | |
| Nil* (Previous year 1,50,00,000) Units of HDFC FMP 400D February 2012 (1) - | - | 1500.00 |
| Growth -Series XXI of Rs.10 each | - | - |
| 80,90,484 Units of HDFC Medium Term Opportunities Fund-Growth of Rs.10 each | 1000.00 | - |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|--------------------|--------------------|
| 12. NON CURRENT INVESTMENTS (Continued) | | |
| ING Mutual Fund 16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each | 219.25 | 219.25 |
| PineBridge Mutual Fund (Formerly AIG Mutual Fund) 9,77,995 Units of PineBridge India Equity Fund Standard Growth (formerly AIG India Equity Fund Regular Growth) of Rs.10 each | 100.00 | 100.00 |
| SBI Mutual Fund 1,06,10,005 Units of SBI Dynamic Bond Fund-Growth of Rs. 10 each | 1500.00 | - |
| TATA Mutual Fund Nil* (Previous year 1,00,00,000) Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of TATA Fixed Maturity Plan Series 42 Scheme H- Growth (392 Days) of Rs.10 each | 1000.00 | - |
| AXIS Mutual Fund Nil*(Previous year 1,00,00,000) Units of AXIS Fixed Term Plan -Series 22 (374 Days) -Growth of Rs. 10 each | - | 1000.00 |
| HSBC Mutual Fund Nil* (Previous year 1,50,00,000) Units of HSBC Fixed Term Series 86-Growth of Rs.10 each | - | 1500.00 |
| DSP BlackRock Mutual Fund 73,289, Units of DSP BlackRock Strategic Bond Fund-Direct Plan-Growth of Rs.10 each | 1000.00 | - |
| Investment in Government Securities (Unquoted) | 0.36 | 0.36 |
| | 16150.08 | 16054.79 |
| Aggregate value of quoted investments: | 11833.75 | 11738.46 |
| Aggregate amount of unquoted investments: | | |
| - Investments in equity instruments | 4315.97 | 4315.97 |
| - Others | 0.36 | 0.36 |
| | 4316.33 | 4316.33 |
| Market/Net asset value of quoted investments | 13668.27 | 13254.67 |
| *Transferred to Current Investments in Note 15. | | |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Deferred taxation | | |
| Deferred tax assets | | |
| - Accrued expenses deductible on payment | 2140.32 | 1841.65 |
| - Foreign currency fluctuation relating to borrowings | 1120.06 | 904.37 |
| - Others | 113.49 | 129.30 |
| | 3373.87 | 2875.32 |
| Deferred tax liabilities | | |
| - Accelerated depreciation | 3692.19 | 2103.88 |
| - Capital gains | 65.48 | 19.21 |
| | 3757.67 | 2123.09 |
| Deferred tax (liabilities)/assets-net | (383.80) | 752.23 |
| 14. Long-term loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Capital advances | 448.13 | 993.44 |
| Security deposits | 1093.24 | 895.58 |
| Loans and advances to related parties | | |
| - Dues from subsidiary companies | 1853.50 | 1853.50 |
| Other loans and advances | | |
| - Prepaid expenses | 22.95 | 25.16 |
| - Loans to employees | 581.17 | 459.48 |
| - Inter-corporate deposits | 200.00 | - |
| | 4198.99 | 4227.16 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 15. CURRENT INVESTMENTS | | |
| Current portion of long-term investments (at cost)# | | |
| Investments in Mutual Fund (Quoted) | | |
| ICICI Prudential Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential Interval Fund Annual Interval Plan-1 Institutional Cumulative of Rs. 10 each | - | 1000.70 |
| Nil (Previous year 72,30,240) Units of ICICI Prudential Interval Fund Annual Interval Plan-II-Growth of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 60-1 Year Plan F-Growth of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 62-1 Year Plan A-Growth of Rs. 10 each | - | 1000.00 |
| 1,00,00,000* Units of ICICI Prudential FMP Series 63-384 Days Plan A-Growth of Rs. 10 each | 1000.00 | - |
| Birla Mutual Fund | | |
| 1,00,00,000 Units of Birla Sun Life Fixed Term Plan-Series GO Growth of Rs. 10 each | 1000.00 | - |
| 1,00,00,000 Units of Birla Sun Life Fixed Term Plan-Series FM Growth of Rs. 10 each | 1000.00 | - |
| 1,50,00,000* Units of Birla Sun Life Fixed Term Plan Series DP- Growth of Rs. 10 each | 1500.00 | - |
| HDFC Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 13M September 2011(1)-Growth-Series XVIII of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 370D October 2011 (1) - Growth-Series XIX of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 370D November 2011 (2) - Growth-Series XIX of Rs. 10 each | - | 1000.00 |
| 1,50,00,000* Units of HDFC FMP 400D February 2012 (1) - Growth-Series XXI of Rs. 10 each | 1500.00 | - |
| HSBC Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 82-Growth of Rs. 10 each | - | 1000.00 |
| 1,50,00,000* Units of HSBC Fixed Term Series 86-Growth of Rs. 10 each | 1500.00 | - |
| Reliance Mutual Fund | | |
| Nil (previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XIX-Series 10-Growth Plan of Rs. 10 each | - | 1000.00 |
| Nil (previous year 1,50,00,000) Units of Reliance Fixed Horizon Fund -XIX-Series 4 -Growth Plan of Rs. 10 each | - | 1500.00 |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XX-Series 22 -Growth Plan of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XXI-Series 14 -Growth Plan of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of Reliance Fixed Horizon Fund XXII Series 2-Growth of Rs. 10 each | 1000.00 | - |
| 87,75,778 Units of Reliance Income Fund-Growth Bonus Option of Rs. 10 each (54,84,861 Units purchased and 32,90,917 Units received as Bonus Units) | 1000.00 | - |
| TATA Mutual Fund | | |
| Nil (Previous year 1,50,00,000) Units of TATA Fixed Maturity Plan Series 37 Scheme C-Growth of Rs. 10 each | - | 1500.00 |
| Nil (Previous year 1,00,00,000) Units of TATA Fixed Maturity Plan Series 34 Scheme B-Growth of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of Tata Fixed Maturity Plan Series 40 Scheme C-Growth of Rs. 10 each | 1000.00 | - |
| 1,00,00,000* Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs. 10 each | 1000.00 | - |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 15. CURRENT INVESTMENTS (Continued) | | |
| Sundaram Mutual Fund | | |
| Nil (Previous year 60,00,000) Units of Sundaram Fixed Term Plan BK 366 Days- Growth of Rs.10 each | - | 600.00 |
| Nil (Previous year 1,00,00,000 Units of Sundaram Fixed Term Plan CA 366 Days- Growth of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of Sundaram Fixed Term Plan CL 366 Days- Growth of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of Sundaram Fixed Term Plan DE 367 Days -Direct Growth of Rs. 10 each | 1000.00 | - |
| Deutsche Mutual Fund | | |
| Nil (Previous year 18,15,538) Units of DWS Ultra Short Term Fund - Regular Plan Bonus of Rs.10 each | - | 177.63 |
| 20,80,081 Units of DWS Money Plus Fund Regular Bonus of Rs.10 each (81,73,207 Units purchased and sold during the year and 20,80,081 Units received as Bonus Units) | 202.87 | - |
| DSP BlackRock Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of DSP BlackRock FMP Series 16-12 M-Growth of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of DSP BlackRock FMP Series 47-12M-Growth of Rs. 10 each | 1000.00 | - |
| UTI Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of UTI Fixed Term Income Fund-Series X-VII (368 Days)-Growth Plan of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of UTI Fixed Term Income Fund Series XI-VII (365 Days) Growth of Rs.10 each | 1000.00 | - |
| AXIS Mutual Fund | | |
| 1,00,00,000* Units of AXIS Fixed Term Plan -Series 22 (374 Days) -Growth of Rs. 10 each | 1000.00 | - |
| Total | 15702.87 | 19778.33 |
| Aggregate value of quoted investments | 15702.87 | 19778.33 |
| Net asset value of quoted investments | 17058.51 | 20678.42 |

Long term investments having a maturity of less than 12 months from the balance sheet date.

* Transferred from Non Current Investments in Note 12.



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|----------------------------|--------------------|
| 16. Inventories | | |
| At lower of cost and net realisable value: | | |
| Raw and packing materials* | 32993.76 | 26624.92 |
| Work-in-process | 497.59 | 311.16 |
| Finished goods - Cigarettes | 13748.61 | 7080.07 |
| - Chewing products | 619.25 | 251.00 |
| Traded goods** | 4726.16 | 2555.75 |
| At cost or under: | | |
| Stores and spare parts*** | 1250.08 | 892.83 |
| | <u>53835.45</u> | <u>37715.73</u> |
| <p>* Includes goods in transit Rs. 684.19 lacs (Previous year Rs.712.79 lacs) ** Includes goods in transit Rs.Nil (Previous year Rs.25.41 lacs) *** Includes goods in transit Rs. 5.80 lacs (Previous year Rs.12.30 lacs)</p> | | |
| 17. Trade Receivables | | |
| Outstanding for a period exceeding 6 months from the date they are due for payment | | |
| Unsecured - considered good | 211.41 | 27.42 |
| - considered doubtful | 64.22 | 53.89 |
| | <u>275.63</u> | <u>81.31</u> |
| Less: Allowances for doubtful receivables | 64.22 | 53.89 |
| | <u>211.41</u> | <u>27.42</u> |
| Others | | |
| Unsecured-considered good | 7718.26 | 7467.53 |
| | <u>7718.26</u> | <u>7467.53</u> |
| | <u>7929.67</u> | <u>7494.95</u> |
| 18. Cash and bank balances | | |
| Cash and cash equivalents: | | |
| -Cash on hand | 65.80 | 30.40 |
| -Cheques, drafts on hand | 0.28 | 42.91 |
| -Balances with Banks | | |
| -In current accounts | 1036.99 | 1102.56 |
| | <u>1103.07</u> | <u>1175.87</u> |
| Other bank balances: | | |
| -In earmarked accounts for | | |
| -Margin money | 932.34 | 844.97 |
| -Unpaid dividend, fixed deposits interest and preference shares/debentures redemption | 173.75 | 163.67 |
| -Fixed deposit receipts lodged with government authorities | 1.57 | 1.57 |
| | <u>1107.66</u> | <u>1010.21</u> |
| | <u>2210.73</u> | <u>2186.08</u> |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|--------------------|--------------------|
| 19. Short Term Loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Loans and advances to related parties | | |
| - Dues from officers/directors of the Company | 5.08 | 6.11 |
| - Dues from subsidiary companies | 240.12 | 179.43 |
| - Dues from associate companies | 403.33 | 271.67 |
| - Dues from other related parties | 18.91 | 10.56 |
| Others | | |
| - Inter-corporate deposits | - | 200.00 |
| - With excise and customs on current/cenvat accounts | 689.72 | 4197.32 |
| - Income-tax recoverable | 1376.06 | 915.31 |
| - Security deposits | 228.19 | 134.38 |
| - Prepaid expenses | 206.50 | 148.86 |
| - Loans to employees | 142.15 | 121.95 |
| - Others | 2539.76 | 1510.03 |
| | 5849.82 | 7695.62 |
| 20. Other Current Assets | | |
| Interest accrued on bank deposits | 38.70 | 20.64 |
| Export incentives accrued/available | 1490.66 | 1318.03 |
| | 1529.36 | 1338.67 |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|---|-------------------------|-------------------------|
| 21. Revenue from operations | | |
| Sale of products (Refer Note 42) | 359819.89 | 334926.39 |
| Other operating revenues | | |
| Export incentives | 1270.32 | 1186.56 |
| Rent and hire charges (gross) from: | | |
| - Subsidiary companies | 4.80 | 4.80 |
| - Others | 146.75 | 130.28 |
| Interest income (gross) from: | | |
| - Subsidiary companies | - | 153.34 |
| - Debts, deposits, loans and advances, etc. | 118.80 | 194.83 |
| Receipts from secondment of services | 1428.25 | 1171.28 |
| Liabilities no longer required, written back | 391.09 | - |
| Scrap sales | 273.89 | 280.55 |
| Sundries | 767.37 | 776.63 |
| | 4401.27 | 3898.27 |
| Total revenue from operations | 364221.16 | 338824.66 |
| Less: Excise duty | 154573.44 | 147644.38 |
| | 209647.72 | 191180.28 |
| 22. Other income | | |
| Interest income (gross) from: | | |
| - Subsidiary companies | 135.53 | 97.58 |
| - Debts, deposits, loans and advances, etc. | 174.02 | 150.54 |
| - Long-term investments | 34.74 | 3.62 |
| Net gain on sale/redemption of: | | |
| - Long-term investments | 2343.55 | 2166.04 |
| - Current investments | 372.70 | 499.88 |
| Dividend income from current and long-term investments | - | 97.72 |
| Provision made for decline in the value of long-term investments written back | - | 18.00 |
| | 3060.54 | 3033.38 |
| 23. Cost of materials consumed | | |
| (Raw and packing materials) | | |
| Unmanufactured and blended tobacco | 18653.50 | 21070.18 |
| Cigarette paper | 765.33 | 752.17 |
| Cardboard (shells, slides and others) | 7682.88 | 7965.91 |
| Filter rods | 4878.57 | 4522.53 |
| Aluminium foil/Metallised paper | 1348.77 | 1389.34 |
| Cellulose paper | 822.61 | 825.07 |
| Flavours for chewing products | 3179.07 | 2703.10 |
| Betel nut | 2476.20 | 2096.47 |
| Katha, lime and bulking agent | 1209.60 | 930.63 |
| Paper/Laminate pouches for chewing products | 1681.11 | 1851.60 |
| Miscellaneous | 4857.03 | 5498.29 |
| | 47554.67 | 49605.29 |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|--|-------------------------|-------------------------|
| 24. Purchases of traded goods | | |
| Unmanufactured tobacco (transferred from raw and packing materials) | 15100.11 | 11075.16 |
| Cigarettes | 8849.34 | 3667.06 |
| Other goods-Tea, etc. (including packing materials and processing charges) | 18393.29 | 11384.37 |
| | 42342.74 | 26126.59 |

25. Changes in Inventories of Finished goods, Work-in-process and Traded goods

| | | | | |
|--|-----------------|-------------------|----------|---------|
| Opening stock: | | | | |
| - Work-in-process | 311.16 | | 354.47 | |
| - Finished goods - Cigarettes | 7080.07 | | 8848.25 | |
| - Chewing products | 251.00 | | - | |
| - Traded goods | 2555.75 | | 1949.84 | |
| - Real estate | - | | 405.69 | |
| | 10197.98 | | 11558.25 | |
| Closing stock: | | | | |
| - Work-in-process | 497.59 | | 311.16 | |
| - Finished goods - Cigarettes | 13748.61 | | 7080.07 | |
| - Chewing products | 619.25 | | 251.00 | |
| - Traded goods | 4726.16 | | 2555.75 | |
| | 19591.61 | | 10197.98 | |
| (Increase)/decrease | | (9,393.63) | | 1360.27 |
| Less: | | | | |
| - Real estate stock converted to fixed assets | - | | 169.53 | |
| - Transfer from revaluation reserve on conversion of real estate stock to fixed assets | - | - | 236.16 | 405.69 |
| | | (9393.63) | | 954.58 |

26. Employee Benefits Expenses

| | | |
|--|-----------------|----------|
| Salaries, wages, bonus, etc. | 16561.45 | 13516.48 |
| Contribution to provident and other funds | 1119.39 | 923.48 |
| Workmen and staff welfare expenses | 1279.51 | 1059.72 |
| Contribution to gratuity and superannuation fund | 1121.08 | 753.99 |
| | 20081.43 | 16253.67 |

27. Finance Costs

| | | |
|--|----------------|---------|
| Interest expenses on: | | |
| - Borrowings | 1464.08 | 1452.09 |
| - Others | 3.46 | 144.18 |
| Other borrowing costs | 24.12 | 173.59 |
| Foreign currency fluctuations (considered as finance cost) | 1200.07 | 1395.28 |
| | 2691.73 | 3165.14 |



Rupees in lacs

| | Year ended 31.3.2013 | | Year ended 31.3.2012 |
|---|-------------------------|-------|-------------------------|
| 28. Other Expenses | | | |
| Manufacturing charges paid to a subsidiary company for cigarette/tobacco manufactured on our behalf | 4039.31 | | 4381.70 |
| Increase/(decrease) in excise duty on finished goods | 3203.87 | | (1586.82) |
| Consumption of stores and spare parts* | 188.49 | | 130.16 |
| Power and fuel | 2153.62 | | 1134.34 |
| Rent | 2170.99 | | 1604.18 |
| Repairs and maintenance | | | |
| - Buildings | 588.53 | | 227.35 |
| - Machinery | 683.19 | | 722.29 |
| - Others | 639.29 | | 424.35 |
| Insurance | 441.83 | | 390.66 |
| Rates and taxes | 4606.65 | | 4125.71 |
| Freight and cartage | 3080.22 | | 2966.33 |
| Legal and professional expenses | 6987.25 | | 5150.48 |
| Auditors' Remuneration (net of cenvatable service tax) | | | |
| - Audit fees | 55.00 | 46.00 | |
| - For tax audit | 12.71 | 12.50 | |
| - For limited review of unaudited financial statements | 35.08 | 34.62 | |
| - For corporate governance, consolidated financial statements and other certificates | 5.08 | 5.00 | |
| - For other services | 5.08 | - | |
| - Reimbursement of expenses | 6.41 | 5.85 | 103.97 |
| | 119.36 | | |
| Cash discount | 153.62 | | 136.50 |
| Commission paid to other than sole selling agents | 193.84 | | 194.20 |
| Advertising and sales promotion | 28661.31 | | 27409.76 |
| Selling and distribution expenses | 5709.93 | | 4397.46 |
| Travelling and conveyance | 3190.72 | | 2869.56 |
| Donations | 274.29 | | 513.72 |
| Bad debts and advances written off | 18.03 | | 35.78 |
| Provision for doubtful debts and advances | 10.33 | | - |
| Fixed assets written off | 166.03 | | 46.26 |
| Loss on sale of fixed assets | 53.37 | | 138.66 |
| Technical services fee and royalty | 1223.33 | | 1193.02 |
| Foreign currency fluctuation | 348.88 | | 2341.24 |
| Consumer research activity | 1463.66 | | 1475.53 |
| Machine and material handling expenses | 273.62 | | 336.99 |
| Miscellaneous expenses | 6297.41 | | 5258.39 |
| | 76940.97 | | 66121.77 |
| *Excludes consumption of stores and spare parts charged to repair and maintenance-machinery | 413.46 | | 594.06 |

29. Amounts in Notes 26 and 28 are net of pre-operative expenses charged to capital accounts as per details below:

| | | |
|--|---|--------|
| (i) Salaries, wages, bonus, etc. | - | 216.14 |
| (ii) Contribution to provident and other funds | - | 13.67 |
| (iii) Workmen and staff welfare expenses | - | 23.11 |
| (iv) Consumption of stores and spare parts | - | 156.42 |
| (v) Power and fuel | - | 97.40 |
| (vi) Rates and taxes | - | 31.10 |
| (vii) Legal and professional expenses | - | 3.88 |
| (viii) Travelling and conveyance | - | 5.91 |
| (ix) Miscellaneous expenses | - | 189.13 |



Rupees in lacs

| | For the year ended 31.3.2013 | For the year ended 31.3.2012 |
|--|---------------------------------|---------------------------------|
| 30. Earnings per share has been computed as under: | | |
| (a) Net profit as per statement of profit and loss (Rs. lacs) | 16,947.78 | 18,136.27 |
| (b) Weighted average number of equity shares outstanding | 1,03,98,784 | 1,03,98,784 |
| (c) Basic and diluted earnings per share -Rupees (Face value of share-Rs.10 each) | 162.98 | 174.41 |
| 31. REMUNERATION OF DIRECTORS | | |
| a) Included in Expenses are: | | |
| Salaries* | 334.13 | 228.00 |
| Monetary value of benefits | 43.41 | 38.10 |
| Commission** | 309.17 | 246.00 |
| Sitting fees | 7.06 | 7.80 |
| | 693.77 | 519.90 |
| * excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis. | | |
| ** includes Rs.110.00 lacs (previous year Rs.110.00 lacs) payable to a non-working director. | | |
| b) Computation of directors' commission and net profit in accordance with Section 198 of the Companies Act, 1956 | | |
| Profit before tax | 23690.32 | 25723.49 |
| Add/(less): | | |
| Directors' remuneration | 693.77 | 519.90 |
| Profit on sale/redemption of other long term investments | (2343.55) | (2166.04) |
| | 22040.54 | 24077.35 |
| Maximum remuneration to working directors @ 10% of above | 2204.05 | 2407.74 |
| Restricted to | 576.71 | 402.10 |
| Maximum remuneration to non-working directors @ 1% of above | 220.41 | 240.77 |
| Restricted to | 110.00 | 110.00 |
| 32. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT | | |
| Revenue expenditure | 1049.18 | 973.75 |
| Capital expenditure | 111.44 | 125.41 |
| 33. CONTINGENT LIABILITIES NOT PROVIDED FOR | As at 31.3.2013 | As at 31.3.2012 |
| a) Demands from excise, income tax, sales tax and other authorities disputed by the Company @ | 2873.54* | 2459.27* |
| b) Uncalled liability on shares partly paid | 79.24 | 79.24 |
| c) Guarantee given to a bank on behalf of subsidiary company – International Tobacco Company Limited | 54.29 | 54.29 |

*includes Rs.1730.18 lacs (previous year Rs.1784.86 lacs) relating to demands received by the subsidiary company – International Tobacco Company Limited.

@ all these matters are subject to legal proceedings in the ordinary course of business and in the opinion of the Company, these are not expected to have material effect on the financial results of the Company when ultimately concluded.



34. The following are the particulars of dues on account of sales tax, excise duty and income-tax as at March 31, 2013 that have been disputed by the Company in appeals pending before the appellate authorities:

| Name of the statute | Nature of the dues | Amount of dues* (Rs. lacs) | Amount deposited (Rs. lacs) | Period to which the amount relates | Forum where dispute is pending |
|---------------------|--------------------|----------------------------|-----------------------------|---|--|
| Sales Tax Laws | Sales tax | 12.71 | 6.28 | 1995-96, 2001-02, 2006-07 | Sales Tax Tribunal |
| | | 48.36 | 23.79 | 1998-99 to 1999-00, 2005-06 to 2006-07, 2012-13 | Upto Commissioners' Level |
| Central Excise Law | Excise duty | 4.16 | - | 2010-11 to 2012-13 | Upto Commissioners' Level |
| | | 1035.69 | 91.20 | 2002-03 to 2006-07, 2008-09 to 2012-13 | Customs, Excise & Service Tax Appellate Tribunal |
| Income Tax Law | Income tax | 244.00** | 244.00 | 1979 to 1982, 1995-96 to 1997-98 | High Court |
| | | 30.29** | 30.29 | 2007-08 to 2008-09 | Income Tax Appellate Tribunal |
| | | 160.92** | 160.92 | 1999-00, 2000-01, 2005-06 to 2009-10 | Upto Commissioners' Level |

* amount as per demand orders, including interest and penalty, where quantified in the Order.

** provided for in the accounts.

Further, there are no dues of wealth tax, customs duty and service tax which have not been deposited on account of any disputes.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:

| Name of the statute | Nature | Amount (Rs. lacs) | Period to which the amount relates | Forum where department has preferred appeal |
|------------------------------------|-------------|-------------------|--|--|
| Income Tax Law | Income tax | 340.54 | 1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02, 2003-04 | High Court |
| U.P. Krishi Utpadan Mandi Adhinyam | Mandi cess | 108.20 | 1997-98 to 1998-99 | Supreme Court |
| Central Excise Law | Excise duty | 27.71 | 2009-10 to 2010-11 | Customs, Excise & Service Tax Appellate Tribunal |
| Sales Tax Laws | Sales tax | 10.40 | 2007-08 | High Court |



- 35.** The Company and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind.
- 36.** The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) amount to Rs.5449.58 lacs (previous year- Rs.5642.29 lacs).

The Company has other commitments, for purchases/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services and employee benefits including union agreements, in normal course of business. The Company does not have any other long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

- 37.** Amount due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Act, 2006" has been disclosed to the extent such parties having been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.
- 38.** The Company has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Note 28.

The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:

- (i) for periods not later than one year – Rs.165.96 lacs (previous year – Rs.207.85 lacs).
- (ii) for periods between later than one year and less than five years – Rs.386.79 lacs (previous year – Rs.460.52 lacs).
- (iii) For period later than five years- Rs. Nil (previous year Rs.80.73 lacs).

The Company has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges receivable in respect thereof have been accrued as income in Note 21.

39. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Subsidiary companies:

International Tobacco Company Limited
Chase Investments Limited

(b) Subsidiaries of the subsidiary companies:

Kashyap Metal and Allied Industries Limited
Unique Space Developers Limited
Rajputana Infrastructure Corporate Limited (subsidiary of Kashyap Metal and Allied Industries Limited)
Gopal Krishna Infrastructure & Real Estate Limited (subsidiary of Unique Space Developers Limited)



(c) Associates:

Philip Morris Global Brands Inc., of which the Company is an associate.
Success Principles India Limited, an associate of the Company.
IPM India Wholesale Trading Private Limited, an associate of the Company.
KKM Management Centre Private Limited, an associate of the Company

(d) Key management personnel and their relatives:

| | |
|----------------------|---|
| Mr. K.K.Modi | President and Managing Director |
| Mr. Samir Kumar Modi | Executive Director |
| Mr. Lalit Kumar Modi | Ordinary Director and a relative of Mr.K.K.Modi and Mr.Samir Kumar Modi |
| Mr. R.Ramamurthy | Whole-time Director |

(e) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modicare Limited
Beacon Travels Private Limited
Indofil Industries Limited
Assam Cigarette Company Private Limited
R C Tobacco Private Limited
HMA Udyog Private Limited
Bina Fashion N Food Private Limited
Modicare Foundation
Priyal Hitay Nidhi
Colorbar Cosmetics Private Limited
Gujarmal Modi Science Foundation
Modi Healthcare Placement India Private Limited
Modi Innovative Education Society
International Research Park Laboratories Limited
Rajputana Fertilizers Limited



| Nature of transactions | Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end: | | | | Rupees in lacs | | | |
|--|---|------------|------------|-----------|--|--------|---|----------|
| | Subsidiary companies | | Associates | | Key management personnel and their relatives | | Enterprises over which significant influence exists | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Sale of goods, spare parts, etc. | 11.58 | 23.68 | 16224.08@ | 9899.73@ | - | - | 87.84 | 104.39 |
| Purchase of goods/services | 1.85 | 20.24 | 8849.35@ | 3667.07@ | - | - | 1558.82# | 1750.16# |
| Receipts from secondment of services | - | - | 1428.25@@ | 1171.28@@ | - | - | - | - |
| Interest income | 135.53** | 250.92** | 19.72@ | 19.30@ | - | - | - | - |
| Miscellaneous Income | - | - | 77.67@ | 67.28@ | - | - | - | - |
| Rent and hire charges received | 4.80 | 4.80 | 70.20@@ | 70.20@@ | - | - | 65.80 | 60.07 |
| Manufacturing charges paid | - | - | - | - | - | - | - | - |
| - International Tobacco Company Ltd. | 4039.31 | 4381.70 | - | - | - | - | - | - |
| Rent paid | - | - | - | - | - | - | - | - |
| Payments for professional services availed | - | - | 1764.04@@ | 1310.80@@ | - | - | 14.06 | 12.71 |
| Donation given | - | - | - | - | - | - | - | - |
| Expenses recovered | 3.62 | 8.19 | 3325.90@ | 3016.70@ | - | - | 127.10 | 423.85 |
| Expenses reimbursed | 88990.67* | 96247.26* | 17.65@@ | 16.15@@ | - | - | 1.25 | 1.06 |
| Dividend payment (gross) | - | - | 1044.04 | 913.53 | - | - | 2.14 | 1.53 |
| - Philip Morris Global Brands Inc. | - | - | - | - | - | - | - | - |
| Subscription to equity shares of | - | - | - | - | - | - | - | - |
| - International Tobacco Company Ltd. | - | 3150.00 | - | - | - | - | - | - |
| Managerial remuneration ## | - | - | - | - | - | - | - | - |
| - K.K.Modi | - | - | - | - | 359.38 | 220.39 | - | - |
| - Lalit Kumar Modi | - | - | - | - | 110.00 | 110.00 | - | - |
| - Samir Kumar Modi | - | - | - | - | 114.61 | 109.31 | - | - |
| - R.Ramamurthy | - | - | - | - | 102.72 | 72.40 | - | - |
| Balance outstanding as at the year end | - | - | 1498.60 | 0.01 | - | - | - | - |
| - Trade receivables | 2093.62*** | 2032.93*** | 403.33 | 271.67 | 0.06 | 0.03 | 18.91 | 10.56 |
| - Loans and advances | - | - | 4171.35 | 29.03 | 1.94 | - | 642.29 | 648.59 |
| - Trade payables | - | - | - | - | - | - | - | - |
| - Dues payable | - | - | - | - | - | - | - | - |
| - Surety given by International Tobacco Company Ltd. on behalf of the Company to U.P.Trade Tax Authority | 13.41 | 13.41 | - | - | - | - | - | - |
| - Guarantees given by the Company to a bank on behalf of International Tobacco Company Ltd. | 54.29 | 54.29 | - | - | - | - | - | - |

@relates to IPM India Wholesale Trading Private Limited

@@relates to KKM Management Centre Private Limited

*comprising reimbursement to wholly owned subsidiary, International Tobacco Company Limited for payments made by them for and on behalf of the Company under the contract manufacturing arrangement, out of the funds made available by the Company.

** comprising of Rs.135.53 lacs (previous year Rs.97.58 lacs) from Kashyap Metal and Allied Industries Limited and Rs. Nil (previous year Rs.153.34 lacs) from International Tobacco Company Limited.

***comprising of Rs.1975.48 lacs (previous year Rs.1941.33 lacs) due from Kashyap Metal and Allied Industries Limited and Rs.118.14 lacs (previous year Rs.91.60 lacs) due from International Tobacco Company Limited.

includes Rs.1243.75 lacs (previous year Rs.1460.20 lacs) from Beacon Travels Private Ltd.

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.



40. Segment reporting disclosures under Accounting Standard 17

- (A) Business segments:
Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Company's primary business segments are (a) Cigarette and tobacco products; and (b) Tea and other retail products.
- (B) Geographical segments:
Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

Financial information about the primary business segments is presented in the table below:

| | For the year ended March 31, 2013 | | For the year ended March 31, 2012 | |
|---|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | Cigarette and tobacco products | Tea and other retail products | Cigarette and tobacco products | Tea and other retail products |
| 1. Segment revenue - External sales (gross) | 339190.99 | 20628.90 | 359819.89 | 14798.58 |
| - Less : Excise duty | 154573.44 | - | 154573.44 | 147644.38 |
| - Net sales | 184617.55 | 20628.90 | 205246.45 | 172483.43 |
| - Other operating income | 4032.55 | 368.72 | 4401.27 | 3723.50 |
| - Total | 188650.10 | 20997.62 | 209647.72 | 176206.93 |
| - Unallocable income | | 3060.54 | | 14973.35 |
| Total revenue | | (1564.90) | 212708.26 | 194213.66 |
| 2. Segment result | 25537.59 | | 23972.69 | 28728.21 |
| - Unallocable income net of unallocable expenses | | | 2409.36 | 160.42 |
| Profit before finance costs and tax | | | 26382.05 | 28888.63 |
| - Finance costs | | | (2,691.73) | (3165.14) |
| - Tax expense | | | (6,742.54) | (7587.22) |
| Profit after tax | | | 16947.78 | 18136.27 |
| 3. Other information | As at March 31, 2013 | | As at March 31, 2012 | |
| a) Segment assets | 132550.25 | 9977.99 | 142528.24 | 4850.85 |
| - Unallocable assets/investments | | | 36317.59 | 40394.06 |
| Total assets | | | 178845.83 | 163693.32 |
| b) Segment liabilities | 36663.03 | 1582.87 | 38245.90 | 32668.21 |
| - Share capital and reserves | | | 104172.27 | 92090.91 |
| - Unallocable liabilities | | | 36427.66 | 38934.20 |
| Total liabilities | | | 178845.83 | 163693.32 |
| c) Capital expenditure including capital work in progress | 11415.93 | 2083.15 | 13499.08 | 26656.21 |
| d) Depreciation and amortization | 8516.14 | 283.89 | 8800.03 | 6263.13 |
| e) Non cash expenditure other than depreciation | 821.66 | 61.82 | 883.48 | 40.90 |
| | | | 26361.01 | 109.43 |
| | | | 6153.70 | 533.19 |
| | | | 533.19 | 574.09 |



Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expenses only include items directly attributable to the segment. They do not include investment income, interest income from inter-corporate deposits and loans given, dividend income, profit or loss on sale of investments, provision for diminution in value of investments, finance cost, donations and provision for taxation (current and deferred tax). Since the corporate office of the Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments, inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits' unclaimed interest, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).

41. Employee Benefits

The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in the statement of profit and loss

| | Rupees in Lacs | |
|---|----------------|---------------|
| | Current year | Previous year |
| - Employers' contribution to provident fund and employee's pension scheme | 1119.39 | 923.48 |
| - Employers' contribution to superannuation fund | 210.68 | 186.28 |
| - Employers' contribution to employee's state insurance | 7.81 | 10.04 |

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in the statement of profit and loss– Rs.1249.57 lacs; previous year Rs.842.57 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same are given below:



| | Gratuity (Funded) | |
|---|---|---|
| | Current year | Previous year |
| A) Principal Assumptions | | |
| <ul style="list-style-type: none"> Discount rate (per annum) Rate of increase in compensation levels | 8.05% Management: 9% p.a. for first year & 7% p.a. thereafter Non Management: 7% | 8.30% Management: 9% p.a. for first 2 years & 7% p.a. thereafter Non Management: 7% |
| <ul style="list-style-type: none"> Expected rate of return on plan assets Expected average remaining working lives of employees Retirement age | 7.50% 11.34 years 58 years | 7.50% 11.06 years 58 years |
| | | Rupees in lacs |
| | Current year | Previous year |
| B) Changes in the present value of obligation | | |
| <ul style="list-style-type: none"> Present value of obligation as at the beginning of the year Interest cost Current service cost Benefits paid Actuarial (gain)/loss on obligations Present value of obligation as at the end of the year | 4907.69 395.83 316.89 (259.27) 613.81 5974.95 | 4213.58 326.58 268.71 (279.32) 378.14 4907.69 |
| C) Change in the fair value of plan assets | | |
| <ul style="list-style-type: none"> Fair value of plan assets as at the beginning of the year Expected return on plan assets Actuarial gain/(loss) on plan assets Contributions received Benefits paid Fair value of plan assets as at the end of the year | 4294.69 310.44 144.78 567.71 (259.27) 5058.35 | 3477.78 231.17 144.82 720.24 (279.32) 4294.69 |
| D) (Shortfall)/excess of fair value over book value of plan assets | (6.20) | (45.29) |
| E) Net liability recognized in the balance sheet (B-C+D) | 910.40 | 567.71 |
| F) Constitution of plan assets | | |
| <ul style="list-style-type: none"> Government Securities Corporate Bonds Insurer Managed Funds Others Total | 956.06 996.83 3098.40 7.06 5058.35 | 1036.63 1210.84 2052.39 (5.17) 4294.69 |
| G) Expenses recognized in the profit and loss account | | |
| <ul style="list-style-type: none"> Current service cost Interest cost Expected return on plan assets Net actuarial (gain)/loss (Shortfall)/excess of fair value over book value of plan assets-incremental Total | 316.89 395.83 (310.44) 469.03 39.09 910.40 | 268.71 326.58 (231.17) 233.32 (29.73) 567.71 |



H) Experience adjustments

| Particulars | Rupees in lacs | | | | |
|---|----------------|-----------|-----------|-----------|-----------------|
| | 31-Mar-09 | 31-Mar-10 | 31-Mar-11 | 31-Mar-12 | 31-Mar-13 |
| Defined benefit obligation | 3183.26 | 3551.73 | 4213.58 | 4907.69 | 5974.95 |
| Plan assets | 2611.94 | 3261.15 | 3477.78 | 4294.69 | 5058.35 |
| Surplus/(deficit) | (571.32) | (290.58) | (735.80) | (613.00) | (916.60) |
| Experience adjustment on plan liabilities | 294.36 | 477.31 | 512.10 | 457.77 | 495.91 |
| Experience adjustment on plan assets | 118.12 | 53.42 | 36.46 | 144.82 | 144.78 |

Rupees in lacs

| | | For the year ended | | For the year ended | |
|---|---------|--------------------|------------------|--------------------|-----------|
| | | 31.3.2013 | | 31.3.2012 | |
| 42. Turnover and stocks | | | | | |
| a) Particulars of sales (gross)** | | | | | |
| - Cigarettes | Million | 15185 | 302953.89 | 17120 | 288353.58 |
| - Unmanufactured tobacco* | Tonne | 8970 | 17533.33 | 7948 | 13136.50 |
| - Chewing products | Tonne | 1359 | 14231.95 | 1165 | 12129.30 |
| - Traded goods | | | 25100.72 | | 21307.01 |
| | | | 359819.89 | | 334926.39 |
| *transferred from raw and packing materials | | | | | |
| **excludes samples, write-off, etc. | | | | | |
| b) Details of stock-in-trade | | | | | |
| i) Opening stocks | | | | | |
| - Cigarettes | Million | 574 | 7080.07 | 725 | 8848.25 |
| - Chewing products | Tonne | 31 | 251.00 | - | - |
| - Real estate | | | - | | 405.69 |
| - Traded goods | | | 2555.75 | | 1949.84 |
| ii) Closing stocks | | | | | |
| - Cigarettes | Million | 725 | 13748.61 | 574 | 7080.07 |
| - Chewing products | Tonne | 70 | 619.25 | 31 | 251.00 |
| - Traded goods | | | 4726.16 | | 2555.75 |

43. Value of imported and indigenous raw and packing materials and spare parts

| | % of total consumption | | % of total consumption | |
|-------------------------------|------------------------|-----------------|------------------------|-------------|
| | Rs. in lacs | Rs. in lacs | Rs. in lacs | Rs. in lacs |
| (A) Raw and packing materials | | | | |
| i) Imported | 10.64 | 5057.79 | 10.50 | 5210.98 |
| ii) Indigenous | 89.36 | 42496.88 | 89.50 | 44394.31 |
| | 100.00 | 47554.67 | 100.00 | 49605.29 |
| (B) Spare parts | | | | |
| i) Imported | 44.80 | 185.22 | 44.21 | 262.64 |
| ii) Indigenous | 55.20 | 228.24 | 55.79 | 331.42 |
| | 100.00 | 413.46 | 100.00 | 594.06 |



Rupees in lacs

| | For the year ended 31.3.2013 | For the year ended 31.3.2012 |
|---|---------------------------------|---------------------------------|
| 44. Earnings in foreign exchange | | |
| a) Export of goods on F.O.B. basis | 35253.83 | 31186.33 |
| b) Others including freight, etc. | 804.71 | 696.18 |
| | 36058.54 | 31882.51 |
| 45. Value of imports on C.I.F. basis (including those in transit) | | |
| i) Raw materials | 4304.79 | 4551.86 |
| ii) Components and spare parts | 234.19 | 334.38 |
| iii) Capital goods | 2957.17 | 18618.68 |
| iv) Purchases for resale - cigars, etc. | 191.91 | 75.44 |
| | 7688.06 | 23580.36 |
| 46. Expenditure in foreign currencies (net of tax, where applicable) | | |
| Technical services fee and royalty | 1101.00 | 1073.72 |
| Professional /technical consultancy fees | 1806.26 | 1471.67 |
| Interest | 1177.09 | 1259.75 |
| Others | 833.31 | 700.51 |
| | 4917.66 | 4505.65 |
| 47. Dividends remittance to non-resident shareholders in foreign currency | | |
| Amount of dividends | 1044.04 | 913.53 |
| Number of non-resident shareholders to whom remittances made | 1 | 1 |
| Number of shares on which remittances made | 26,10,095 | 26,10,095 |
| Year for which dividends remitted (year ended) | 31.3.2012 | 31.3.2011 |

48. (a). Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

| Particulars | As at 31.3.2013 | | As at 31.3.2012 | |
|---|---|--|---|---|
| | Amount in foreign currency (Lacs) | Amount in Rs. in Lacs | Amount in foreign currency (Lacs) | Amount in Rs. in Lacs |
| Loan Funds | 450.00 USD | 24430.50 | 580.46 USD | 29911.76 |
| Sundry debtors | 47.49 USD 1.30 EURO 4.82 GBP 10.31 AED | 2577.76 90.47 397.46 152.42 | 27.61 USD 0.01 EURO 6.29 GBP - | 1400.10 0.62 507.98 - |
| Current liabilities and provisions | 15.91 USD 22.04 EURO 0.25 GBP - SGD 0.10 CHF 0.63 AED 2.38 JPY | 863.97 1534.65 20.95 - 5.70 9.32 1.37 | 41.37 USD 8.68 EURO 0.15 GBP 0.01 SGD - CHF - - | 2131.80 599.35 12.39 0.61 - - - |
| (b). Derivative instrument outstanding as at year end: Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon | 39445 JPY | 24430.50 | 51573 JPY | 29515.93 |

49. Previous year's figures have been regrouped/reclassified, wherever considered necessary to conform to the current year's classification/disclosure.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SUNIL AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : May 29, 2013

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GODFREY PHILLIPS INDIA LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **GODFREY PHILLIPS INDIA LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2013;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, Kashyap Metal and Allied Industries Limited, Rajputana Infrastructure Corporate Limited, Unique Space Developers Limited and Gopal Krishna Infrastructure & Real Estate Limited whose financial statements reflect total assets (net) of Rs.3417.22 lacs as at March 31, 2013, total revenues of Rs. 115.76 lacs and net cash flows amounting to Rs. 0.09 lacs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs. 42.42 lacs for the year ended March 31, 2013, as considered in the consolidated financial statements, in respect of associates viz., Success Principles India Limited, KKM Management Centre Private Limited and IPM India Wholesale Trading Private Limited (IPM), whose financial statements have not been audited by us. In case of IPM, the financial statements considered are for the period from January 1, 2012 to December 31, 2012. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For A. F. FERGUSON & CO.
Chartered Accountants
(Firm Registration No. 112066W)

Jaideep Bhargava
Partner
(Membership No. 090295)

Place : New Delhi
Date : May 29, 2013



CONSOLIDATED BALANCE SHEET

as at March 31, 2013

Rupees in lacs

| Particulars | Note No. | As at 31.3.2013 | As at 31.3.2012 |
|--------------------------------|----------|------------------|-----------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 1039.88 | 1039.88 |
| Reserves and surplus | 4 | 104701.91 | 92565.78 |
| | | 105741.79 | 93605.66 |
| Minority interests | | 187.49 | 203.91 |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 16612.74 | 23188.50 |
| Deferred tax liabilities (net) | 14 | 508.16 | - |
| Other long-term liabilities | 6 | 20.60 | 19.50 |
| Long-term provisions | 7 | 4003.28 | 3312.94 |
| | | 21144.78 | 26520.94 |
| Current liabilities | | | |
| Short-term borrowings | 8 | 5925.47 | 3436.69 |
| Trade payables | 9 | 15984.88 | 12152.06 |
| Other current liabilities | 10 | 26302.82 | 23961.51 |
| Short-term provisions | 11 | 6375.75 | 6323.92 |
| | | 54588.92 | 45874.18 |
| TOTAL | | 181662.98 | 166204.69 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| - Tangible assets | 12 | 73382.00 | 56285.09 |
| - Intangible assets | 12 | 590.75 | 231.85 |
| - Capital work-in-progress | 12 | 1633.40 | 13899.79 |
| Goodwill on consolidation | | 165.49 | 165.49 |
| Non-current investments | 13 | 12801.57 | 12669.05 |
| Deferred tax assets (net) | 14 | - | 598.39 |
| Long-term loans and advances | 15 | 4810.37 | 4856.96 |
| | | 93383.58 | 88706.62 |
| Current assets | | | |
| Current investments | 16 | 15796.91 | 19857.33 |
| Inventories | 17 | 54335.12 | 38167.62 |
| Trade receivables | 18 | 7929.67 | 7494.95 |
| Cash and bank balances | 19 | 2447.39 | 2414.82 |
| Short-term loans and advances | 20 | 6226.22 | 8216.79 |
| Other current assets | 21 | 1544.09 | 1346.56 |
| | | 88279.40 | 77498.07 |
| TOTAL | | 181662.98 | 166204.69 |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2013



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

| Particulars | Note No. | Year ended 31.3.2013 | Year ended 31.3.2012 |
|---|----------|----------------------|----------------------|
| INCOME | | | |
| Revenue from operations | 22 | 364332.78 | 338694.14 |
| Less: Excise duty | | 154573.44 | 147644.38 |
| | | 209759.34 | 191049.76 |
| Other income | 23 | 2938.03 | 2966.93 |
| TOTAL REVENUE | | 212697.37 | 194016.69 |
| EXPENSES | | | |
| Cost of materials consumed | 24 | 47554.67 | 49605.29 |
| Purchases of traded goods | 25 | 42342.74 | 26126.59 |
| Changes in inventories of finished goods, work-in-process and traded goods | 26 | (9,400.55) | 939.47 |
| Employee benefits expenses | 27 | 21862.31 | 18041.04 |
| Finance costs | 28 | 2692.66 | 3165.49 |
| Depreciation and amortization expenses | 12 | 9255.46 | 6687.34 |
| Other expenses | 29 | 74706.27 | 63721.63 |
| TOTAL EXPENSES | | 189013.56 | 168286.85 |
| Profit before tax | | 23683.81 | 25729.84 |
| Tax expense: | | | |
| Current tax | | 5890.62 | 8260.11 |
| MAT credit entitlement | | - | (12.07) |
| Deferred tax charge/(credit) | | 1106.55 | (623.32) |
| Current tax expense relating to prior years | | (257.07) | - |
| Profit after tax but before results of associates and minority interests | | 16943.71 | 18105.12 |
| Share of net profit of associates | | 42.42 | 16.63 |
| Profit after tax but before minority interests | | 16986.13 | 18121.75 |
| Minority interests | | (16.42) | (28.11) |
| Net profit | | 17002.55 | 18149.86 |
| Earnings per equity share- basic/diluted (Face value of share - Rs.10 each) | 31 | Rs.163.50 | Rs.174.54 |
| Accompanying notes 1 to 43 form part of the consolidated financial statements | | | |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

Jaideep Bhargava
Partner

S. SERU
Chief Executive

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

For and on behalf of the Board of Directors

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors



CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2013

Rupees in lacs

| | For the year ended 31.3.2013 | | For the year ended 31.3.2012 |
|--|---------------------------------|--------------|---------------------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit before tax | 23,683.81 | | 25,729.84 |
| Adjustments for: | | | |
| Depreciation and amortization | 9,255.46 | | 6,687.34 |
| Interest income from debts, deposits, loans and advances, etc. | (305.43) | | (363.36) |
| Dividends from current and long-term investments | (14.90) | | (113.50) |
| Interest income from long-term investments | (34.74) | | (3.62) |
| Profit on redemption/sale of long-term investments | (2,432.57) | | (2,169.91) |
| Profit on sale of current investments | (372.70) | | (499.88) |
| Exchange (gain)/loss on foreign currency bank balance | - | | (0.14) |
| Exchange (gain)/loss on long-term foreign currency borrowings | 1,646.20 | | 4,208.95 |
| Provision for wealth-tax | 28.00 | | 18.00 |
| Interest expenses - on borrowings | 1,465.01 | | 1,452.09 |
| - others | 3.46 | | 144.53 |
| Provision for decline in the value of investments written back | (6.12) | | (35.64) |
| Fixed assets written off | 166.76 | | 47.57 |
| Loss on sale of fixed assets | 53.02 | | 146.87 |
| | <u>9,451.45</u> | | <u>9,519.30</u> |
| Operating profit before working capital changes | 33,135.26 | | 35,249.14 |
| Adjustments for: | | | |
| Trade receivables, loans and advances and other current assets | 1,376.43 | | (4,040.23) |
| Inventories | (16,167.50) | | (3,177.20) |
| Trade payables, liabilities and provisions | 6,834.28 | | 595.24 |
| | <u>(7,956.79)</u> | | <u>(6,622.19)</u> |
| Cash generated from operations | 25,178.47 | | 28,626.95 |
| Interest received | 260.92 | | 354.09 |
| Dividends received | 14.90 | | 15.78 |
| Purchase of investments* | (214.38) | (85.39) | |
| Proceeds from sale of investments* | 296.62 | 161.67 | 76.28 |
| Direct taxes paid | (6,448.83) | | (8,864.46) |
| | <u>(6,090.77)</u> | | <u>(8,418.31)</u> |
| Net cash from operating activities | 19,087.70 | | 20,208.64 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | (15,248.11) | | (26,082.94) |
| Proceeds from sale of fixed assets | 36.52 | | 166.60 |
| Purchase of current and long-term investments | (147,195.29) | (180,935.01) | |
| Proceeds from sale of current and long-term investments | 153,891.71 | 183,249.99 | 2,314.98 |
| Dividends from current and long-term investments | - | | 97.72 |
| Loans and deposits given | (200.00) | | (100.00) |
| Loans and deposits received back | 200.00 | | - |
| Interest received | 56.61 | | 24.57 |
| Bank balances not considered as cash and cash equivalents | (102.55) | | 3,127.66 |
| Net cash used in investing activities | (8,561.11) | | (20,451.41) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long-term borrowings availed | - | | 8,912.00 |
| Repayment of long-term borrowings | (6,731.62) | | (3,688.49) |
| Proceeds from/(Repayment of) short-term bank borrowings | 2,488.78 | | 968.27 |
| Interest paid | (1,529.52) | | (1,580.49) |
| Dividend paid | (4,149.43) | | (3,634.46) |
| Corporate dividend tax paid | (674.78) | | (590.43) |
| Net cash used in financing activities | (10,596.57) | | 386.40 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (69.98) | | 143.63 |
| Opening cash and cash equivalents | 1,319.53 | | 1,175.76 |
| | <u>1,249.55</u> | | <u>1,319.39</u> |
| Effect of exchange rate changes on exchange earner foreign currency bank balance | - | | 0.14 |
| Closing cash and cash equivalents | <u>1,249.55</u> | | <u>1,319.53</u> |
| * By the subsidiary companies engaged in the business of investments | | | |

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Jaideep Bhargava
Partner

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

S. SERU
Chief Executive

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors

Place : New Delhi
Date : May 29, 2013

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary



NOTES

forming part of the consolidated financial statements
for the year ended March 31, 2013

1. BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)- "Consolidated Financial Statements" and Accounting Standard 23 (AS 23) – "Accounting for Investments in Associates in Consolidated Financial Statements" notified under Rule 3 of the Companies (Accounting Standards) Rules , 2006.

- a) Principles of consolidation
The consolidated financial statements relate to Godfrey Phillips India Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:
- The financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
 - The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements
 - The excess of cost to the Company of its investment in a subsidiary company over the Company's portion of the equity of the subsidiary at the date on which investment in subsidiary is made is recognized in the financial statements as goodwill.
- b) The subsidiaries (which along with Godfrey Phillips India Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

| Name | Country of incorporation | Percentage of voting power as at | |
|--|--------------------------|----------------------------------|-----------------|
| | | 31.03.2013 % | 31.03.2012 % |
| International Tobacco Company Limited | India | 100.00 | 100.00 |
| Chase Investments Limited | India | 100.00 | 100.00 |
| Kashyap Metal and Allied Industries Limited | India | 66.23 * | 66.23 * |
| Unique Space Developers Limited | India | 66.67 * | 66.67 * |
| Gopal Krishna Infrastructure & Real Estate Limited | India | 66.67 ** | 66.67 ** |
| Rajputana Infrastructure Corporate Limited | India | 66.23 *** | 66.23 *** |

* Held through other subsidiaries

** 100% Subsidiary of Unique Space Developers Limited

*** 100% Subsidiary of Kashyap Metal and Allied Industries Limited

- c) The Group's associates are:

| Name | Country of incorporation | Percentage of voting power as at | |
|---|--------------------------|----------------------------------|-----------------|
| | | 31.03.2013 % | 31.03.2012 % |
| Success Principles India Limited | India | 48.89 | 48.89 |
| IPM India Wholesale Trading Private Limited | India | 24.80 | 24.80 |
| KKM Management Centre Private Limited | India | 36.75 | 36.75 |

In respect of IPM India Wholesale Trading Private Limited, the financial statements for the year ended December 31, 2012 have been considered for the purpose of consolidation.

These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and associates, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 23 by each of the aforesaid entities.



2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

i) **Fixed assets and depreciation**

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning.

No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the higher of the rates prescribed under the Companies Act, 1956 or the accelerated rates determined based on their useful lives as per technical estimates of the Management, and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The rates applied are as follows:-

| | |
|---|----------------|
| Buildings - Other than factory | 1.63% |
| - Factory | 3.34% |
| Plant and machinery | 4.75% / 10.34% |
| Furniture and fixtures | 6.33% |
| Computers, information technology equipments and computer software | 16.21% |
| Motor vehicles | 9.50% |

ii) **Investments**

Long term investments, other than in associates, are stated at cost net of provision for diminution, other than temporary, if any. Investments in associates are accounted for using the equity method. Current investments are stated at cost or fair value, whichever is lower.

iii) **Inventories**

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. The cost of raw materials, stores and spares and traded goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) **Revenue recognition**

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty, where applicable but are exclusive of sales tax/value added tax. Income from investments is recognised on an accrual basis.



v) **Employee benefits**

The Group has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund, duly recognised by the Income-tax authorities. The funds are administered through trustees and the group's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

vi) **Income-tax**

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

vii) **Proposed dividends**

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) **Research and development expenditure**

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) **Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the statement of profit and loss. The monetary items are translated at the year end rates and the gains/losses are taken to the statement of profit and loss.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the statement of profit and loss. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.

x) **Investment subsidiaries**

Income recognition, assets classification and provisioning are done in accordance with the prudential norms/guidelines issued by the Reserve Bank of India from time to time for Non-Banking Financial Companies.



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 3. Share capital | | |
| Authorised | | |
| 60,000 Preference shares of Rs. 100 each | 60.00 | 60.00 |
| 2,44,00,000 Equity shares of Rs. 10 each | 2440.00 | 2440.00 |
| | 2500.00 | 2500.00 |
| Issued, subscribed and fully paid up | | |
| 1,03,98,784 Equity shares of Rs.10 each | 1039.88 | 1039.88 |

- (i) There has been no movement in the equity shares in the current and previous year
- (ii) The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.
- The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.
- (iii) Shares held by each shareholder holding more than 5%:

| Name of the shareholder | No. of shares | % held as at 31.03.2013 | No. of shares | % held as at 31.03.2012 |
|---|------------------|----------------------------|---------------|----------------------------|
| a) Philip Morris Global Brands Inc. | 2,610,095 | 25.10% | 2,610,095 | 25.10% |
| b) Indo Euro Investment Co. Pvt. Ltd. | 1,471,782 | 14.15% | 1,471,782 | 14.15% |
| c) K K Modi Investment & Financial Services Pvt. Ltd. | 1,168,759 | 11.24% | 1,168,759 | 11.24% |
| d) Good Investment (India) Ltd. | 796,044 | 7.66% | 796,044 | 7.66% |
| e) Jupiter India Fund | 532,616 | 5.12% | 650,000 | 6.25% |

Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 4. Reserves and surplus | | |
| Capital Redemption Reserve | 30.13 | 30.13 |
| Statutory Reserve | 10.59 | 6.41 |
| General Reserve | 23931.89 | 21931.89 |
| Surplus in Statement of Profit and Loss | 80729.30 | 70597.35 |
| | 104701.91 | 92565.78 |
| Movement in reserves and surplus is as under: | | |
| Revaluation Reserve | | |
| Opening balance | - | 236.16 |
| Less: Utilised for set-off on conversion of real estate stock to fixed assets | - | (236.16) |
| Closing Balance | - | - |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|--------------------|--------------------|
| Statutory Reserve | | |
| Opening balance | 6.41 | 4.46 |
| Add: Transfer from surplus in statement of profit and loss | 4.18 | 1.95 |
| Closing Balance | <u>10.59</u> | <u>6.41</u> |
| General Reserve | | |
| Opening balance | 21931.89 | 19731.89 |
| Add: Transfer from surplus in statement of profit and loss | 2000.00 | 2200.00 |
| Closing Balance | <u>23931.89</u> | <u>21931.89</u> |
| Surplus in Statement of Profit and Loss | | |
| Opening balance | 70597.35 | 59483.73 |
| Add : Net profit for the current year | 17002.55 | 18149.86 |
| Less : Proposed dividend | 4159.51 | 4159.51 |
| Corporate dividend tax | 706.91 | 674.78 |
| Transfer to general reserve | 2000.00 | 2200.00 |
| Transfer to statutory reserve | 4.18 | 1.95 |
| Net surplus in the statement of profit and loss | <u>80729.30</u> | <u>70597.35</u> |
| 5. Long-term borrowings | | |
| Secured | | |
| Foreign currency term loans from banks | 24430.50 | 29515.93 |
| Less : Current maturities of long term borrowings | 7817.76 | 6327.43 |
| | <u>16612.74</u> | <u>23188.50</u> |
| <p><u>Details of security and terms of above loans</u> These loans carry interest ranging between 3.8% to 6.5% per annum and are repayable in half yearly/ yearly instalments ranging between 3 to 5 years. Further, these loans are secured by way of exclusive charges over specific plant and machinery.</p> | | |
| 6. Other long term-liabilities | | |
| Others | | |
| -Security deposits | 20.60 | 19.50 |
| | <u>20.60</u> | <u>19.50</u> |
| 7. Long-term Provisions | | |
| Provision for employee benefits | | |
| -provision for compensated absences | 4003.28 | 3312.94 |
| | <u>4003.28</u> | <u>3312.94</u> |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|------------------------|--------------------|
| 8. Short-term borrowings | | |
| Secured | | |
| - Cash credits from banks* | 3425.47 | 3040.86 |
| Unsecured | | |
| - Foreign currency packing credits from banks | - | 395.83 |
| - Demand loan from banks | 2500.00 | - |
| | <u>5925.47</u> | <u>3436.69</u> |
| *Secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company | | |
| 9. Trade payables | | |
| Trade Payables | | |
| - Micro and small enterprises | 152.31 | 152.54 |
| - Other than Micro and small enterprises | 14422.86 | 10583.50 |
| Employee payables | 1409.71 | 1416.02 |
| | <u>15984.88</u> | <u>12152.06</u> |
| 10. Other current liabilities | | |
| Current maturities of long-term borrowings | 7817.76 | 6327.43 |
| Interest accrued but not due on borrowings | 172.62 | 233.67 |
| Unclaimed dividends | 173.40 | 163.32 |
| Payable to gratuity fund | 953.01 | 567.71 |
| Payables for fixed assets | 3004.33 | 4129.14 |
| Other payables | | |
| - Security deposits | 26.88 | 24.88 |
| - Statutory dues | 11771.54 | 9240.20 |
| - Advances from customers | 2273.08 | 3191.07 |
| - Others | 110.20 | 84.09 |
| | <u>26302.82</u> | <u>23961.51</u> |
| 11. Short-term provisions | | |
| Provision for employee benefits | | |
| - Provision for compensated absences | 1009.75 | 726.48 |
| Others | | |
| - Proposed dividend | 4159.51 | 4159.51 |
| - Provision for corporate dividend tax | 706.91 | 674.78 |
| - Taxation (net of payments) | 499.58 | 763.15 |
| | <u>6375.75</u> | <u>6323.92</u> |

12. Fixed assets

| | GROSS BLOCK (AT COST) | | | | DEPRECIATION/AMORTIZATION | | | | NET BLOCK | |
|---|-----------------------|---------------------------|---------------|------------------|---------------------------|---------------|-----------------|-----------------|-----------|--|
| | As at | Additions/ adjustments | Deductions | As at | For the | On | As at | As at | As at | |
| | 31.3.2012 | | | 31.3.2013 | year | deductions | 31.3.2013 | 31.3.2013 | 31.3.2012 | |
| Tangible Assets: | | | | | | | | | | |
| Land-leasehold | 1723.29* | 6.93 | - | 1730.22* | - | - | - | 1730.22 | 1723.29 | |
| Land-freehold | 982.42@ | - | - | 982.42@ | - | - | - | 982.42 | 982.42 | |
| Buildings | 14542.03# | 3399.42 | 14.60 | 17926.85# | 594.60 | 8.79 | 1799.65 | 16127.20 | 13328.19 | |
| Leasehold building improvements | 670.24 | 6.93 | - | 677.17 | 22.62 | - | 84.71 | 592.46 | 608.15 | |
| Plant and machinery | 61948.07 | 21204.41 | 556.17 | 82596.31 | 7670.54 | 397.59 | 33908.76 | 48687.55 | 35312.26 | |
| Electrical installation and equipments | 664.78 | 117.05 | 5.31 | 776.52 | 35.85 | 2.89 | 224.91 | 551.61 | 472.83 | |
| Computers and information technology equipments | 1705.17 | 1096.95 | 52.35 | 2749.77 | 346.16 | 45.39 | 1314.93 | 1434.84 | 691.01 | |
| Furniture, fixtures and office equipments | 2304.05 | 327.95 | 102.57 | 2529.43 | 137.79 | 61.25 | 951.77 | 1577.66 | 1428.82 | |
| Motor vehicles | 2527.25 | 256.24 | 83.19 | 2700.30 | 255.11 | 41.98 | 1002.26 | 1698.04 | 1738.12 | |
| Total of Tangible assets | 87067.30 | 26415.88 | 814.19 | 112668.99 | 9062.67 | 557.89 | 39286.99 | 73382.00 | 56285.09 | |
| Intangible Assets | | | | | | | | | | |
| Computer softwares | 510.08 | 551.69 | - | 1061.77 | 192.79 | - | 471.02 | 590.75 | 231.85 | |
| Total of Intangible assets | 510.08 | 551.69 | - | 1061.77 | 192.79 | - | 471.02 | 590.75 | 231.85 | |
| Grand Total | 87577.38 | 26967.57 | 814.19 | 113730.76 | 9255.46 | 557.89 | 39758.01 | 73972.75 | 56516.94 | |
| Previous year | 57031.56 | 31341.37 | 795.55 | 87577.38 | 6687.34 | 434.51 | 31060.44 | | | |
| Capital work-in-progress | | | | | | | | 1633.40 | 13899.79 | |
| | | | | | | | | 75606.15 | 70416.73 | |

Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies.

@ Includes Rs. 22.91 lacs (previous year Rs.22.91 lacs) in respect of land, title for which is yet to be registered in the name of the Group.

* Includes Rs.6.69 lacs (previous year Rs.6.69 lacs) in respect of land for which a notice for termination of lease has been received from the Government of U.P., which notice has been disputed by the Group in a petition filed before the Allahabad High Court and is pending disposal.



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|----------------------------|---------------------|
| 13. Non-Current Investments | | |
| LONG TERM (At cost unless otherwise stated) | | |
| TRADE INVESTMENT - UNQUOTED Investments in Equity Instruments | | |
| Associate: | | |
| IPM India Wholesale Trading Private Limited 49,60,000 Equity shares of Rs. 10 each fully paid up | 496.00 | 496.00 |
| Less: Group's share of loss restricted to the original cost of investment | 496.00 - | <u>496.00</u> - |
| KKM Management Centre Private Limited 11,02,500 Equity Shares of Rs.10 each fully paid up Cost of acquisition | 110.25 | 110.25 |
| Add: Group's share of profit upto year end | 56.79 167.04 | <u>15.43</u> 125.68 |
| Others: | | |
| Molind Engineering Limited 3,500 Equity Shares of Rs.10 each fully paid up | 0.25 | 0.25 |
| OTHER INVESTMENTS - QUOTED Investments in Equity Instruments | | |
| Nestle India Limited 93 Equity Shares of Rs.10 each fully paid up | 0.07 | 0.07 |
| Smithkline Beecham Consumer Healthcare Limited 320 Equity Shares of Rs.10 each fully paid up | 0.38 | 0.38 |
| GTC Industries Limited 100 Equity Shares of Rs.10 each fully paid up | 0.01 | 0.01 |
| VST Industries Limited 100 Equity Shares of Rs.10 each fully paid up | 0.11 | 0.11 |
| Hindustan Unilever Limited 290 Equity Shares of Re.1 each fully paid up | 0.07 | 0.07 |
| HDFC Bank Limited 75,000 Equity Shares of Rs.2 each fully paid up | 1.50 | 1.50 |
| Oriental Bank of Commerce 1,000 Equity Shares of Rs.10 each fully paid up | 0.60 | 0.60 |
| Bank of Baroda 1,000 Equity Shares of Rs.10 each fully paid up | 2.30 | 2.30 |
| State Bank of Travancore 14,050 Equity Shares of Rs.10 each fully paid up | 8.43 | 8.43 |
| Bank of India 1,000 Equity Shares of Rs.10 each fully paid up | 1.35 | 1.35 |
| Corporation Bank 3,687 Equity Shares of Rs.10 each fully paid up | 13.58 | 13.58 |
| Punjab Communications Limited 2399 Equity Shares of Rs.10 each fully paid up | 6.00 | 6.00 |
| Narang Industries Limited 40,000 Equity Shares of Rs.10 each fully paid up | 4.00 | 4.00 |
| Circassia Pacific Finance Limited 1,00,000 Equity Shares of Rs.10 each fully paid up | 10.00 | 10.00 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| Maruti Suzuki India Limited 950 Equity Shares of Rs.5 each fully paid up | 1.19 | 1.19 |
| Emami Limited 1800 Equity Shares of Re.1 each fully paid up | 0.63 | 0.63 |
| NTPC Limited 6,544 Equity Shares of Rs.10 each fully paid up | 9.58 | 9.58 |
| Punjab National Bank 1,376 Equity Shares of Rs.10 each fully paid up | 7.13 | 7.13 |
| Reliance Industries Limited 5,176 Equity Shares of Rs.10 each fully paid up | 33.00 | 33.00 |
| Tata Consultancy Services Limited 3,850 Equity Shares of Re.1 each fully paid up | 17.90 | 17.90 |
| Ashok Leyland Limited 15,000 Equity Shares of Re.1 each fully paid up | 2.05 | 2.05 |
| HT Media Limited 1,000 Equity Shares of Rs.2 each fully paid up | 1.06 | 1.06 |
| Andhra Bank 12,379 Equity Shares of Rs.10 each fully paid up | 11.40 | 11.40 |
| ICICI Bank Limited 2,339 Equity Shares of Rs.10 each fully paid up | 18.58 | 18.58 |
| Zee Entertainment Enterprises Limited 1094 Equity Shares of Re.1 each fully paid up | 0.82 | 0.82 |
| Zee News Limited 226 Equity Shares of Rs.1 each fully paid up (received free of cost) | - | - |
| Zee Learn Limited 137 Equity Shares of Rs.1 each fully paid up (received free of cost) | - | - |
| Suzlon Energy Limited 975 Equity Shares of Rs.2 each fully paid up | 0.99 | 0.99 |
| Talbro Automotive Components Limited 1,034 Equity Shares of Rs.10 each fully paid up | 1.06 | 1.06 |
| IDFC Limited 1,500 Equity Shares of Rs.10 each fully paid up | 1.80 | 1.80 |
| Chennai Petroleum Corporation Limited 400 Equity Shares of Rs.10 each fully paid up | 0.96 | 0.96 |
| Dabur India Limited 6,000 Equity Shares of Re.1 each fully paid up | 2.11 | 2.11 |
| SRF Limited 3,200 Equity Shares of Rs.10 each fully paid up | 8.31 | 8.31 |
| State Bank of India 1,000 Equity Shares of Rs.10 each fully paid up | 8.76 | 8.76 |
| Tata Chemicals Limited 1,500 Equity Shares of Rs.10 each fully paid up | 3.74 | 3.74 |
| Union Bank of India 913 Equity Shares of Rs.10 each fully paid up | 1.00 | 1.00 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| Lanco Infratech Limited 1,00,000 Equity Shares of Rs.1 each fully paid up | 24.00 | 24.00 |
| Parsvnath Developers Limited 1,122 Equity Shares of Rs.5 each fully paid up | 1.68 | 1.68 |
| Power Finance Corporation Limited 997 Equity Shares of Rs.10 each fully paid up | 0.85 | 0.85 |
| Idea Cellular Limited 1,637 Equity Shares of Rs.10 each fully paid up | 1.68 | 1.68 |
| Indian Bank Limited 2,096 Equity Shares of Rs.10 each fully paid up | 1.91 | 1.91 |
| Technocraft Industries India Limited 2,350 Equity Shares of Rs.10 each fully paid up | 2.47 | 2.47 |
| Reliance Communication Limited 2,010 Equity Shares of Rs.5 each fully paid up | 2.75 | 2.75 |
| Reliance Capital Limited 75 Equity Shares of Rs. 10 each fully paid up (received free of cost) | - | - |
| Reliance Infrastructure Limited 1,113 Equity Shares of Rs.10 each fully paid up | 9.16 | 9.16 |
| Reliance Power Limited 306 Equity Shares of Rs.10 each fully paid up | 1.17 | 1.17 |
| Axis Bank 1,000 Equity Shares of Rs.10 each fully paid up | 8.27 | 8.27 |
| Deccan Chronicle Holdings Limited 2,000 Equity Shares of Rs.2 each fully paid up | 3.40 | 3.40 |
| GMR Infrastructure Limited 10,000 Equity Shares of Re.1 each fully paid up | 10.63 | 10.63 |
| Industrial Development Bank of India 3,500 Equity Shares of Rs.10 each fully paid up | 4.70 | 4.70 |
| Indian Hotels Company Limited 3,500 Equity Shares of Re.1 each fully paid up | 4.73 | 4.73 |
| ITC Limited 9,000 Equity Shares of Re.1 each fully paid up | 7.39 | 7.39 |
| J.K.Cement Limited 2,000 Equity Shares of Rs.10 each fully paid up | 3.47 | 3.47 |
| Mahanagar Telephone Nigam Limited 1,000 Equity Shares of Rs.10 each fully paid up | 1.65 | 1.65 |
| Adani Port & Special Economic Zone Limited 240 Equity Shares of Rs.2 each fully paid up | 0.21 | 0.21 |
| Omaxe Limited 210 Equity Shares of Rs.10 each fully paid up | 0.65 | 0.65 |
| Power Grid Corporation of India Limited 17,068 Equity Shares of Rs.10 each fully paid up | 19.32 | 19.32 |
| Steel Authority of India Limited 6,000 Equity Shares of Rs.10 each fully paid up | 13.21 | 13.21 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| SKF India Limited 1,000 Equity Shares of Rs.10 each fully paid up | 4.34 | 4.34 |
| Tata Motors Limited 5,000 Equity Shares of Rs.2 each fully paid up | 6.96 | 6.96 |
| Tata Power Limited 10,000 Equity Shares of Re.1 each fully paid up | 11.52 | 11.52 |
| V2 Retail Limited 25 Equity Shares of Rs.10 each fully paid up | 0.07 | 0.07 |
| Wire and Wireless (India) Limited 250 Equity Shares of Re.1 each fully paid up (received free of cost) | - | - |
| Central Bank of India 598 Equity Shares of Rs.10 each fully paid up | 0.61 | 0.61 |
| Fortis Healthcare Limited 51,176 Equity Shares of Rs.10 each fully paid up | 55.27 | 55.27 |
| Bharat Earth Movers Limited 166 Equity Shares of Rs.10 each fully paid up | 1.78 | 1.78 |
| Cipla Limited 1,000 Equity Shares of Rs.2 each fully paid up | 2.14 | 2.14 |
| ICRA Limited 1,000 Equity Shares of Rs.10 each fully paid up | 9.68 | 9.68 |
| Infosys Limited 500 Equity Shares of Rs.5 each fully paid up | 6.56 | 6.56 |
| Kotak Mahindra Bank Limited 2,000 Equity Shares of Rs. 5 each fully paid up | 7.99 | 7.99 |
| Oil India Limited 525 (Previous year 210) Equity Shares of Rs. 10 each fully paid up (315 shares received as bonus shares) | 2.21 | 2.21 |
| Coal India Limited 154 Equity Shares of Rs.10 each fully paid up | 0.37 | 0.37 |
| Punjab and Sind Bank 50 Equity Shares of Rs.10 each fully paid up | 0.06 | 0.06 |
| Shipping Corporation of India Ltd 719 Equity Shares of Rs.10 each fully paid up | 1.01 | 1.01 |
| Investments in Bonds | | |
| Indian Railway Finance Corporation Limited 43,501 Tax Free Secured Redeemable Non-convertible Bonds of Rs.1000 each fully paid up | 435.01 | 435.01 |
| Investments under Portfolio Management Service #: | | |
| A) Reliance Portfolio Management Scheme- Trinity Series (Managed by Reliance Capital Asset Management Limited) | | |
| Aries Agro Limited 687 Equity Shares of Rs.10 each fully paid up | 0.88 | 0.88 |
| HDFC Bank Limited 330 Equity Shares of Rs.2 each fully paid up | 0.59 | 0.59 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| Housing Development Finance Corporation 59 (Previous year 319) Equity Shares of Rs.2 each fully paid up | 0.16 | 1.01 |
| Hindustan Petroleum Corporation Limited Nil (Previous year 418) Equity Shares of Rs.10 each fully paid up | - | 1.10 |
| ONGC Limited 460 Equity Shares of Rs.5 each fully paid up | 0.82 | 0.82 |
| Zuari Industries Limited 109 Equity Shares of Rs.10 each fully paid up | 0.29 | 0.82 |
| Sai Rayalaseema Paper Mills Limited 15,895 Equity Shares of Rs.10 each fully paid up | 1.93 | 1.93 |
| Zensar Technologies Limited Nil (Previous year 619) Equity Shares of Rs.10 each fully paid up | - | 0.35 |
| HEG Limited Nil (Previous year 68) Equity Shares of Rs.10 each fully paid up | - | 0.27 |
| Tata Consultancy Services Limited 140 (Previous year 186) Equity Shares of Re.1 each fully paid up | 0.93 | 1.20 |
| Indoco Remedies Limited Nil (Previous year 253) Equity Shares of Rs.10 each fully paid up | - | 1.07 |
| Bharti Televenture Limited 365 (Previous year 256) Equity Shares of Rs.5 each fully paid up | 1.19 | 0.86 |
| ISMT Limited Nil (Previous year 2,829) Equity Shares of Rs.5 each fully paid up | - | 1.54 |
| Larsen and Toubro Limited 80 (Previous year 88) Equity Shares of Rs.5 each fully paid up | 1.04 | 1.14 |
| Deepak Fertilisers and Petrochemicals Corporation Ltd. Nil (Previous year 149) Equity Shares of Rs.10 each fully paid up | - | 0.24 |
| Standard Chartered IDR 1,070 (Previous year 1,647) Equity Shares of Rs.10 each fully paid up | 1.05 | 1.68 |
| Bajaj Auto Limited Nil (Previous year 16) Equity Shares of Rs.10 each fully paid up | - | 0.24 |
| Bharat Heavy Electricals Limited 276 Equity Shares of Rs.2 each fully paid up | 0.68 | 0.68 |
| Cairn India Limited 225 Equity Shares of Rs.10 each fully paid up | 0.75 | 0.75 |
| Crompton Greaves Limited 418 Equity Shares of Rs.2 each fully paid up | 0.60 | 0.60 |
| Hindustan Zinc Limited 551 Equity Shares of Rs.2 each fully paid up | 0.77 | 0.77 |
| ICICI Bank Limited 137 Equity Shares of Rs.10 each fully paid up | 1.22 | 1.22 |
| Mahindra & Mahindra Limited 129 Equity Shares of Rs.5 each fully paid up | 0.87 | 0.87 |
| Reliance Industries Limited 169 (Previous year 261) Equity Shares of Rs.10 each fully paid up | 1.40 | 2.18 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| Tata Iron and Steel Company Limited 135 Equity Shares of Rs.10 each fully paid up | 0.70 | 0.70 |
| Tata Motors Limited 510 Equity Shares of Rs.2 each fully paid up | 0.86 | 0.86 |
| Infosys Limited 59 (Previous year 48) Equity Shares of Rs.5 each fully paid up | 1.39 | 1.19 |
| Axis Bank 50 Equity Shares of Rs.10 each fully paid up | 0.66 | - |
| CRISIL Ltd 99 Equity Shares of Re.1 each fully paid up | 0.96 | - |
| Divis Laboratories Ltd 83 Equity Shares of Rs.2 each fully paid up | 0.76 | - |
| HCL Technologies Ltd 60 Equity Shares of Rs.2 each fully paid up | 0.28 | - |
| IDFC Limited 662 Equity Shares of Rs.10 each fully paid up | 1.06 | - |
| ING Vysya Bank 179 Equity Shares of Rs.10 each fully paid up | 0.97 | - |
| Jyothi Laboratories Ltd 355 Equity Shares of Re.1 each fully paid up | 0.51 | - |
| Lupin Laboratories Ltd 155 Equity Shares of Rs.2 each fully paid up | 0.92 | - |
| Maruti Suzuki India Ltd 85 Equity Shares of Rs.5 each fully paid up | 1.11 | - |
| NTPC Ltd 366 Equity Shares of Rs.10 each fully paid up | 0.53 | - |
| State Bank of India 56 Equity Shares of Rs.10 each fully paid up | 1.03 | - |
| Wockhardt Ltd 61 Equity Shares of Rs. 5 each fully paid up | 0.99 | - |
| Balance with portfolio management scheme | 0.39 | 3.04 |
| B) Kotak 2010 Opportunities Portfolio Management Scheme (Managed by Kotak Securities Limited) | | |
| Kakinada Fertilizers Limited 7,521 Equity Shares of Rs.10 each fully paid up | 0.53 | 0.53 |
| Balance with portfolio management scheme | 0.01 | - |
| # Investments have been made under the portfolio management agreement entered into between the Group and Portfolio Management schemes and are being held in the name of the Portfolio Manager as envisaged in the aforesaid agreement | | |
| Investments in Mutual Fund | | |
| Franklin Templeton Mutual Fund 1,83,51,130 Units of Templeton India Income Opportunities Fund-Growth of Rs.10 each | 1889.88 | 1889.88 |
| 27,534 Units of Templeton India Short Term Income Retail Plan-Growth of Rs.1000 each | 477.95 | 477.95 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| ICICI Prudential Mutual Fund | | |
| Nil* (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 63-384 Days Plan A-Growth of Rs. 10 each | - | 1000.00 |
| 70,50,405 Units of ICICI Prudential Income Opportunities Fund Growth of Rs. 10 each | 1095.29 | - |
| 13,88,808 Units of ICICI Prudential Income Plus -Growth of Rs.10 each | 500.00 | - |
| Nil (Previous year 2,44,585) Units of ICICI Prudential Institutional Liquid Plan- Super Institutional Growth of Rs.100 each | - | 208.01 |
| 12,64,818 Units of ICICI Prudential Income Opportunities Fund-Regular Plan- Growth of Rs. 10 each | 197.00 | - |
| Birla Mutual Fund | | |
| 24,92,990 Units of Birla Sun Life Income Plus Plan - Growth of Rs.10 each | 616.37 | 616.37 |
| Nil* (Previous year 1,50,00,000) Units of Birla Sun Life Fixed Term Plan Series DP- Growth of Rs.10 each | - | 1500.00 |
| 19,53,831 Units of Birla Sun Life Income Plus Plan-Growth of Rs. 10 each | 1000.00 | - |
| IDFC Mutual Fund | | |
| Nil (Previous year 50,00,000) Units of IDFC Equity Fund Plan A- Growth of Rs.10 each | - | 500.00 |
| 35,78,150 Units of IDFC Super Saver Income Fund Investment Plan-Growth of Rs. 10 each | 1000.00 | - |
| HDFC Mutual Fund | | |
| Nil* (Previous year 1,50,00,000) Units of HDFC FMP 400D February 2012 (1) - Growth -Series XXI of Rs.10 each | - | 1500.00 |
| 80,90,484 Units of HDFC Medium Term Opportunities Fund-Growth of Rs.10 each | 1000.00 | - |
| ING Mutual Fund | | |
| 16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each | 219.25 | 219.25 |
| PineBridge Mutual Fund (Formerly AIG Mutual Fund) | | |
| 9,77,995 Units of PineBridge India Equity Fund Standard Growth (formerly AIG India Equity Fund Regular Growth) of Rs.10 each | 100.00 | 100.00 |
| SBI Mutual Fund | | |
| 1,06,10,005 Units of SBI Dynamic Bond Fund-Growth of Rs. 10 each | 1500.00 | - |
| TATA Mutual Fund | | |
| Nil* (Previous year 1,00,00,000) Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of TATA Fixed Maturity Plan Series 42 Scheme H-Growth (392 Days) of Rs.10 each | 1000.00 | - |
| DSP BlackRock Mutual Fund | | |
| 73,289 Units of DSP BlackRock Strategic Bond Fund-Direct Plan-Growth of Rs.10 each | 1000.00 | - |
| AXIS Mutual Fund | | |
| Nil*(Previous year 1,00,00,000) Units of AXIS Fixed Term Plan-Series 22 (374 Days) -Growth of Rs. 10 each | - | 1000.00 |
| HSBC Mutual Fund | | |
| Nil*(Previous year 1,50,00,000) Units of HSBC Fixed Term Series 86-Growth of Rs.10 each | - | 1500.00 |
| Reliance Mutual Fund | | |
| 20,000 Units of Reliance Equity Opportunity Fund-Growth of Rs.10 each | 2.00 | 2.00 |
| 97,800 Units of Reliance Top 200 Fund -Retail Plan-Growth of Rs.10 each | 10.00 | 10.00 |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|--------------------|--------------------|
| 13. Non Current Investments (Continued) | | |
| OTHER INVESTMENTS - UNQUOTED | | |
| Investments in Equity Instruments | | |
| Associate: | | |
| Success Principles India Limited | | |
| 1,99,673 Equity Shares of Rs. 10 each fully paid up | 19.97 | 19.97 |
| Cost of acquisition (net of capital reserve of Rs.1.67 lacs) | <u>42.20</u> | <u>41.14</u> |
| Add: Group's share of profit upto year end | 62.17 | 61.11 |
| Others: | | |
| Indo Euro Investment Company Private Limited | | |
| 36,750 Equity Shares of Rs.100 each fully paid up | 36.78 | 36.78 |
| Modicare Limited | | |
| 7,20,000 Equity Shares of Rs.10 each fully paid up | 72.00 | 72.00 |
| Investment in Government Securities (Unquoted) | 0.36 | 0.36 |
| | <u>12824.52</u> | <u>12698.12</u> |
| Less: Provision for diminution in the value of investments | <u>22.95</u> | <u>29.07</u> |
| | <u>12801.57</u> | <u>12669.05</u> |
| Aggregate value of quoted investments | <u>12481.92</u> | <u>12397.41</u> |
| Aggregate amount of unquoted investments | <u>319.65</u> | <u>271.64</u> |
| | <u>12801.57</u> | <u>12669.05</u> |
| Market/net asset value of quoted investments | <u>14971.87</u> | <u>14580.43</u> |
| *Transferred to Current Investment in Note 16. | | |

Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 14. Deferred taxation | | |
| Deferred tax assets | | |
| - Accrued expenses deductible on payment | 2271.32 | 1938.14 |
| - Foreign currency fluctuation relating to borrowings | 1120.06 | 904.37 |
| - Others | 113.49 | 131.22 |
| | <u>3504.87</u> | <u>2973.73</u> |
| Deferred tax liabilities | | |
| - Accelerated depreciation | 3947.55 | 2356.13 |
| - Capital gains | 65.48 | 19.21 |
| | <u>4013.03</u> | <u>2375.34</u> |
| Deferred tax (liabilities)/assets-net | <u>(508.16)</u> | <u>598.39</u> |

| | | |
|--|----------------|----------------|
| 15. Long-term loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Capital advances | 460.57 | 1038.45 |
| Security deposits | 1199.35 | 995.14 |
| Other loans and advances | | |
| - Loans given | 2325.00 | 2325.00 |
| - Prepaid expenses | 22.95 | 25.16 |
| - Loans to employees | 602.50 | 473.21 |
| - Inter-corporate deposits | 200.00 | - |
| | <u>4810.37</u> | <u>4856.96</u> |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|--------------------|--------------------|
| 16. CURRENT INVESTMENTS | | |
| Current portion of long-term investments (at cost)# | | |
| Investments in Mutual Fund (Quoted) | | |
| ICICI Prudential Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential Interval Fund Annual Interval Plan-I Institutional Cumulative of Rs.10 each | - | 1000.70 |
| Nil (Previous year 72,30,240) Units of ICICI Prudential Interval Fund Annual Interval Plan-II-Growth of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 60-1 Year Plan F-Growth of Rs. 10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 62-1 Year Plan A-Growth of Rs. 10 each | - | 1000.00 |
| 1,00,00,000* Units of ICICI Prudential FMP Series 63-384 Days Plan A-Growth of Rs. 10 each | 1000.00 | - |
| Birla Mutual Fund | | |
| 1,00,00,000 Units of Birla Sun Life Fixed Term Plan-Series GO Growth of Rs.10 each | 1000.00 | - |
| 1,00,00,000 Units of Birla Sun Life Fixed Term Plan-Series FM Growth of Rs. 10 each | 1000.00 | - |
| 1,50,00,000* Units of Birla Sun Life Fixed Term Plan Series DP- Growth of Rs.10 each | 1500.00 | - |
| 45,649 (Previous year 40,306) Units of Birla Sun Life Saving Fund- Retail - Growth of Rs. 100 each | 90.00 | 79.00 |
| 1,385 Units of Birla Sun Life Saving Fund- Growth of Rs. 100 each | 3.00 | - |
| HDFC Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 13M September 2011(1)-Growth-Series XVIII of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 370D October 2011 (1) - Growth-Series XIX of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of HDFC FMP 370D November 2011 (2) - Growth-Series XIX of Rs.10 each | - | 1000.00 |
| 1,50,00,000* Units of HDFC FMP 400D February 2012 (1) - Growth -Series XXI of Rs.10 each | 1500.00 | - |
| HSBC Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of HSBC Fixed Term Series 82-Growth of Rs.10 each | - | 1000.00 |
| 1,50,00,000* Units of HSBC Fixed Term Series 86-Growth of Rs.10 each | 1500.00 | - |
| Reliance Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XIX-Series 10-Growth Plan of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,50,00,000) Units of Reliance Fixed Horizon Fund -XIX-Series 4 -Growth Plan of Rs.10 each | - | 1500.00 |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XX-Series 22 -Growth Plan of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of Reliance Fixed Horizon Fund -XXI-Series 14 -Growth Plan of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of Reliance Fixed Horizon Fund XXII Series 2-Growth of Rs.10 each | 1000.00 | - |
| 87,75,778 Units of Reliance Income Fund-Growth Bonus Option of Rs.10 each | 1000.00 | - |
| (54,84,861 Units purchased and 32,90,917 Units received as Bonus Units) | | |
| 104 Units of Reliance Liquidity Fund -Direct Daily Dividend Reinvestment Rs.10 each | 1.04 | - |
| TATA Mutual Fund | | |
| Nil (Previous year 1,50,00,000) Units of TATA Fixed Maturity Plan Series 37 Scheme C-Growth of Rs.10 each | - | 1500.00 |
| Nil (Previous year 1,00,00,000) Units of TATA Fixed Maturity Plan Series 34 Scheme B-Growth of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of Tata Fixed Maturity Plan Series 40 Scheme C-Growth of Rs. 10 each | 1000.00 | - |
| 1,00,00,000* Units of TATA Fixed Maturity Plan Series 39 Scheme G-Growth of Rs.10 each | 1000.00 | - |
| Sundaram Mutual Fund | | |
| Nil (Previous year 60,00,000) Units of Sundaram Fixed Term Plan BK 366 Days-Growth of Rs.10 each | - | 600.00 |
| Nil (Previous year 1,00,00,000) Units of Sundaram Fixed Term Plan CA 366 Days-Growth of Rs.10 each | - | 1000.00 |
| Nil (Previous year 1,00,00,000) Units of Sundaram Fixed Term Plan CL 366 Days-Growth of Rs.10 each | - | 1000.00 |
| 1,00,00,000 Units of Sundaram Fixed Term Plan DE 367 Days-Direct Growth of Rs. 10 each | 1000.00 | - |
| Deutsche Mutual Fund | | |
| Nil (Previous year 18,15,538) Units of DWS Ultra Short Term Fund - Regular Plan Bonus of Rs.10 each | - | 177.63 |
| 20,80,081 Units of DWS Money Plus Fund Regular Bonus of Rs.10 each | 202.87 | - |
| (81,73,207 Units purchased and sold during the year and 20,80,081 Units received as Bonus Units) | | |
| DSP BlackRock Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of DSP BlackRock FMP Series 16-12 M-Growth of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of DSP BlackRock FMP Series 47-12M-Growth of Rs. 10 each | 1000.00 | - |
| UTI Mutual Fund | | |
| Nil (Previous year 1,00,00,000) Units of UTI Fixed Term Income Fund-Series X-VII (368 Days)-Growth Plan of Rs. 10 each | - | 1000.00 |
| 1,00,00,000 Units of UTI Fixed Term Income Fund Series XI-VII (365 Days) Growth of Rs.10 each | 1000.00 | - |
| AXIS Mutual Fund | | |
| 1,00,00,000* Units of AXIS Fixed Term Plan -Series 22 (374 Days) -Growth of Rs. 10 each | 1000.00 | - |
| Total | 15796.91 | 19857.33 |
| Aggregate value of quoted investments | 15796.91 | 19857.33 |
| Net asset value of quoted investments | 17161.64 | 20758.48 |
| # Long term investments having a maturity of less than 12 months from the balance sheet date. | | |
| * Transferred from Non Current Investments in Note 13. | | |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|---|----------------------------|--------------------|
| 17. Inventories | | |
| At lower of cost and net realisable value: | | |
| Raw and packing materials* | 32993.76 | 26624.92 |
| Work-in-process | 497.59 | 311.16 |
| Finished goods - Cigarettes | 13741.97 | 7066.51 |
| - Chewing products | 619.25 | 251.00 |
| Traded goods** | 4726.16 | 2555.75 |
| At cost or under: | | |
| Stores and spare parts*** | 1756.39 | 1358.28 |
| | <u>54335.12</u> | <u>38167.62</u> |
| * Includes goods in transit Rs. 684.19 lacs (Previous year Rs.712.79 lacs) | | |
| ** Includes goods in transit Rs. Nil (Previous year Rs.25.41 lacs) | | |
| *** Includes goods in transit Rs. 19.47 lacs (Previous year Rs.16.26 lacs) | | |
| 18. Trade Receivables | | |
| Outstanding for a period exceeding 6 months from the date they are due for payment | | |
| Unsecured - considered good | 211.41 | 27.42 |
| - considered doubtful | 64.22 | 53.89 |
| | <u>275.63</u> | <u>81.31</u> |
| Less: Allowances for doubtful receivables | 64.22 | 53.89 |
| | <u>211.41</u> | <u>27.42</u> |
| Others | | |
| Unsecured-considered good | 7718.26 | 7467.53 |
| | <u>7718.26</u> | <u>7467.53</u> |
| | <u>7929.67</u> | <u>7494.95</u> |
| 19. Cash and bank balances | | |
| Cash and cash equivalents: | | |
| - Cash on hand | 67.08 | 32.19 |
| - Cheques, drafts on hand | 0.28 | 42.91 |
| - Balances with Banks | | |
| - In current accounts | 1182.19 | 1244.43 |
| | <u>1249.55</u> | <u>1319.53</u> |
| Other bank balances: | | |
| - In term deposit accounts | 54.78 | 50.40 |
| - In earmarked accounts for | | |
| - Margin money | 932.34 | 844.97 |
| - Unpaid dividend, fixed deposits interest and preference shares/debentures redemption | 173.75 | 163.67 |
| - Fixed deposit receipts lodged with government authorities | 36.97 | 36.25 |
| | <u>1,197.84</u> | <u>1,095.29</u> |
| | <u>2447.39</u> | <u>2414.82</u> |



Rupees in lacs

| | As at 31.3.2013 | As at 31.3.2012 |
|--|----------------------------|--------------------|
| 20. Short Term Loans and advances | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Loans and advances to related parties | | |
| - Dues from officers/directors of the Company | 5.08 | 6.11 |
| - Dues from associate companies | 403.33 | 271.67 |
| - Dues from other related parties | 18.91 | 10.56 |
| Others | | |
| - Inter-corporate deposits | - | 200.00 |
| - With excise and customs on current/cenvat accounts | 886.47 | 4490.11 |
| - Income-tax recoverable | 1631.38 | 1095.60 |
| - MAT credit entitlement | - | 12.07 |
| - Security deposits | 228.19 | 134.38 |
| - Prepaid expenses | 248.69 | 175.85 |
| - Loans to employees | 148.51 | 125.95 |
| - Others | 2655.66 | 1694.49 |
| | <u>6226.22</u> | <u>8216.79</u> |
| 21. Other Current Assets | | |
| Interest accrued on bank deposits | 46.74 | 24.10 |
| Export incentives accrued/available | 1490.66 | 1318.03 |
| Unbilled revenue and others | 6.69 | 4.43 |
| | <u>1544.09</u> | <u>1346.56</u> |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|---|-------------------------|-------------------------|
| 22. Revenue from operations | | |
| Sale of products | | |
| - Cigarettes | 302953.89 | 288353.58 |
| - Unmanufactured tobacco | 17533.33 | 13136.50 |
| - Chewing products | 14231.95 | 12129.30 |
| - Traded goods | 25100.72 | 21307.01 |
| | 359819.89 | 334926.39 |
| Other operating revenues | | |
| Export incentives | 1270.32 | 1186.56 |
| Rent and hire charges (gross) from: | | |
| - Others | 146.75 | 130.28 |
| Interest income (gross) from: | | |
| - Debts, deposits, loans and advances, etc. | 124.51 | 199.33 |
| Dividend income from long-term investments | 14.90 | 15.78 |
| Net gain on sale of long-term investments | 89.02 | 3.87 |
| Liabilities no longer required, written back | 391.09 | - |
| Receipts from secondment of services | 1428.25 | 1171.28 |
| Scrap sales | 280.67 | 283.80 |
| Sundries | 767.38 | 776.85 |
| | 4512.89 | 3767.75 |
| Total revenue from operations | 364332.78 | 338694.14 |
| Less: Excise duty | 154573.44 | 147644.38 |
| | 209759.34 | 191049.76 |
| 23. Other income | | |
| Interest income (gross) from: | | |
| - Debts, deposits, loans and advances, etc. | 180.92 | 164.03 |
| - Long-term investments | 34.74 | 3.62 |
| Net gain on sale/redemption of: | | |
| - Long-term investments | 2343.55 | 2166.04 |
| - Current investments | 372.70 | 499.88 |
| Dividend income from current and long-term investments | - | 97.72 |
| Provision made for decline in the value of long-term investments written back | 6.12 | 35.64 |
| | 2938.03 | 2966.93 |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|--|-------------------------|-------------------------|
| 24. Cost of materials consumed | | |
| (Raw and packing materials) | | |
| Unmanufactured and blended tobacco | 18653.50 | 21070.18 |
| Cigarette paper | 765.33 | 752.17 |
| Cardboard (shells, slides and others) | 7682.88 | 7965.91 |
| Filter rods | 4878.57 | 4522.53 |
| Aluminium foil/Metallised paper | 1348.77 | 1389.34 |
| Cellulose paper | 822.61 | 825.07 |
| Flavours for chewing products | 3179.07 | 2703.10 |
| Betel nut | 2476.20 | 2096.47 |
| Katha, lime and bulking agent | 1209.60 | 930.63 |
| Paper/Laminate pouches for chewing products | 1681.11 | 1851.60 |
| Miscellaneous | 4857.03 | 5498.29 |
| | <u>47554.67</u> | <u>49605.29</u> |
| 25. Purchases of traded goods | | |
| Unmanufactured tobacco (transferred from raw and packing materials) | 15100.11 | 11075.16 |
| Cigarettes | 8849.34 | 3667.06 |
| Other goods-Tea, etc. (including packing materials and processing charges) | 18393.29 | 11384.37 |
| | <u>42342.74</u> | <u>26126.59</u> |
| 26. Changes in Inventories of Finished goods, Work-in-process and Traded goods | | |
| Opening stock: | | |
| - Work-in-process | 311.16 | 354.47 |
| - Finished goods - Cigarettes | 7066.51 | 8819.58 |
| - Chewing products | 251.00 | - |
| - Traded goods | 2555.75 | 1949.84 |
| - Real estate | - | 405.69 |
| | <u>10184.42</u> | <u>11529.58</u> |
| Closing stock: | | |
| - Work-in-process | 497.59 | 311.16 |
| - Finished goods - Cigarettes | 13,741.97 | 7066.51 |
| - Chewing products | 619.25 | 251.00 |
| - Traded goods | 4,726.16 | 2555.75 |
| | <u>19,584.97</u> | <u>10184.42</u> |
| (Increase)/decrease | (9,400.55) | 1345.16 |
| Less: | | |
| - Real estate stock converted to fixed assets | - | 169.53 |
| - Transfer from revaluation reserve on conversion of real estate stock to fixed assets | - | 236.16 |
| | <u>(9400.55)</u> | <u>405.69</u> |
| | | <u>939.47</u> |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|---|-------------------------|-------------------------|
| 27. Employee Benefits Expenses | | |
| Salaries, wages, bonus, etc. | 18015.86 | 14993.09 |
| Contribution to provident and other funds | 1234.13 | 1038.09 |
| Workmen and staff welfare expenses | 1404.91 | 1203.06 |
| Contribution to gratuity and superannuation fund | 1207.41 | 806.80 |
| | <u>21862.31</u> | <u>18041.04</u> |
| 28. Finance Costs | | |
| Interest expenses on: | | |
| - Borrowings | 1464.08 | 1452.09 |
| - Others | 4.39 | 144.53 |
| Other borrowing costs | 24.12 | 173.59 |
| Foreign currency fluctuations (considered as finance cost) | 1200.07 | 1395.28 |
| | <u>2692.66</u> | <u>3165.49</u> |

| | | | | |
|--|--------------|----------------|-------|-----------|
| 29. Other Expenses | | | | |
| Increase/(decrease) in excise duty on finished goods | | 3203.87 | | (1586.82) |
| Consumption of stores and spare parts* | | 199.15 | | 139.70 |
| Power and fuel | | 2879.32 | | 1889.97 |
| Rent | | 2170.99 | | 1604.18 |
| Repairs and maintenance | | | | |
| - Buildings | | 605.13 | | 378.27 |
| - Machinery | | 1350.28 | | 1377.01 |
| - Others | | 649.51 | | 450.89 |
| Insurance | | 467.60 | | 412.20 |
| Rates and taxes | | 4627.90 | | 4152.50 |
| Freight and cartage | | 3080.22 | | 2966.33 |
| Legal and professional expenses | | 7012.11 | | 5184.73 |
| Auditors' Remuneration** (net of cenvatable service tax) | | | | |
| - Audit fees | 62.21 | | 52.36 | |
| - For tax audit | 14.71 | | 14.50 | |
| - For limited review of unaudited financial statements | 35.08 | | 34.50 | |
| - For corporate governance, consolidated financial statements and other certificates | 5.08 | | 5.00 | |
| - For other services | 5.08 | | - | |
| - Reimbursement of expenses | 6.41 | 128.57 | 6.19 | 112.55 |



Rupees in lacs

| | Year ended 31.3.2013 | Year ended 31.3.2012 |
|---|-------------------------|-------------------------|
| 29. Other Expenses (Contd.) | | |
| Cash discount | 153.62 | 136.50 |
| Commission paid to other than sole selling agents | 193.84 | 194.20 |
| Advertising and sales promotion | 28661.31 | 27409.76 |
| Selling and distribution expenses | 5709.93 | 4397.46 |
| Travelling and conveyance | 3229.41 | 2908.41 |
| Donations | 274.29 | 513.72 |
| Bad debts and advances written off | 18.03 | 35.78 |
| Provision for doubtful debts and advances | 10.33 | - |
| Fixed assets written off | 166.76 | 47.57 |
| Loss on sale of fixed assets | 53.02 | 146.87 |
| Technical services fee and royalty | 1223.33 | 1193.02 |
| Foreign Currency fluctuation | 348.34 | 2339.90 |
| Consumer research activity | 1463.66 | 1475.53 |
| Machine and material handling expenses | 401.48 | 448.58 |
| Miscellaneous expenses | 6424.27 | 5392.82 |
| | <u>74706.27</u> | <u>63721.63</u> |
| *Excludes consumption of stores and spares parts charged to repairs and maintenance-machinery | 801.03 | 994.91 |
| **Includes fees paid to the auditors of subsidiary companies | | |

30. Amounts in Notes 27 and 29 are net of pre-operative expenses charged to capital accounts as per details below:

| | | |
|--|---|--------|
| (i) Salaries, wages, bonus, etc. | - | 216.14 |
| (ii) Contribution to provident and other funds | - | 13.67 |
| (iii) Workmen and staff welfare expenses | - | 23.11 |
| (iv) Consumption of stores and spare parts | - | 156.42 |
| (v) Power and fuel | - | 97.40 |
| (vi) Rates and taxes | - | 31.10 |
| (vii) Legal and professional expenses | - | 3.88 |
| (viii) Travelling and conveyance | - | 5.91 |
| (ix) Miscellaneous expenses | - | 189.13 |

| | For the year ended 31.3.2013 | For the year ended 31.3.2012 |
|---|------------------------------------|------------------------------------|
| 31. Earnings per share has been computed as under: | | |
| a) Net profit as per consolidated statement of profit and loss (Rs. lacs) | 17002.55 | 18149.86 |
| b) Weighted average number of equity shares outstanding | 1,03,98,784 | 1,03,98,784 |
| c) Basic and diluted earnings per share (Rupees) (face value of share-Rs. 10 each) | 163.50 | 174.54 |



Rupees in lacs

| | For the year ended 31.3.2013 | For the year ended 31.3.2012 |
|--------------------------------------|------------------------------------|------------------------------------|
| 32. REMUNERATION OF DIRECTORS | | |
| Included in Expenses are: | | |
| Salaries* | 334.13 | 228.00 |
| Monetary value of benefits | 43.41 | 38.10 |
| Commission** | 309.17 | 246.00 |
| Sitting fees | 7.30 | 8.06 |
| Total | 694.01 | 520.16 |

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

** including Rs.110.00 lacs (previous year Rs.110.00 lacs) payable to a non-working director.

| | | |
|---|----------------|--------|
| 33. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT | | |
| Revenue expenditure | 1049.18 | 973.75 |
| Capital expenditure | 111.44 | 125.41 |

| | | |
|--|----------------|---------|
| 34. CONTINGENT LIABILITIES NOT PROVIDED FOR | | |
| a) Demands from excise, sales tax, income tax and other authorities disputed by the Group@ | 2932.24 | 2482.20 |
| b) Claims against the Group not acknowledged as debts | 1.37 | 1.37 |

@ all these matters are subject to legal proceedings in the ordinary course of business and in the opinion of the Group, these are not expected to have material effect on the financial results of the Group when ultimately concluded.

35. The Group has received various show cause notices from Excise Authorities asking it to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Group does not consider these to constitute a liability of any kind.

36. The estimated amount of contracts remaining to be executed on capital amount and not provided for (net of advances) amount to Rs.5534.81 lacs (previous year Rs.5999.25 lacs).

The Group has other commitments, for purchases/sales orders which are issued after considering requirements per operating cycle for purchase/sale of goods and services and employee benefits including union agreements, in normal course of business. The Group does not have any other long term commitments or material non-cancellable contractual commitments/contracts, which might have material impact on the financial statements.

37. The Group has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Note 29.



The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:

- (i) for periods not later than one year – Rs.165.96 lacs (previous year – Rs.207.85 lacs).
- (ii) for periods between later than one year and less than five years – Rs. 386.79 lacs (previous year – Rs.460.52 lacs).
- (iii) for period later than five years Rs. Nil (previous year Rs.80.73 lacs).

The Group has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges in respect thereof have been accrued as income in Note 22.

38. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Associates:

Philip Morris Global Brands Inc., of which the Company is an associate.

Success Principles India Limited, an associate of the Company.

IPM India Wholesale Trading Private Limited, an associate of the Company.

KKM Management Centre Private Limited, an associate of the Company.

(b) Key management personnel and their relatives:

| | |
|----------------------|--|
| Mr. K.K.Modi | President and Managing Director |
| Mr. Samir Kumar Modi | Executive Director |
| Mr. Lalit Kumar Modi | Ordinary Director and a relative of Mr. K.K. Modi and Mr. Samir Kumar Modi |
| Mr. R.Ramamurthy | Whole-time Director |

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modicare Limited
Beacon Travels Private Limited
Indofil Industries Limited
Assam Cigarette Company Private Limited
R C Tobacco Private Limited
HMA Udyog Private Limited
Bina Fashion N Food Private Limited
Modicare Foundation
Priyal Hitay Nidhi
Colorbar Cosmetics Private Limited
Gujarmal Modi Science Foundation
Modi Healthcare Placement India Private Limited
Modi Innovative Education Society
International Research Park Laboratories Limited
Rajputana Fertilizers Limited



(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

| Nature of transactions | Rupees in lacs | | | | | |
|--|------------------|-----------|--|--------|---|----------|
| | Associates | | Key management personnel and their relatives | | Enterprises over which significant influence exists | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Sale of goods, spare parts, etc. | 16224.08@ | 9899.73@ | - | - | 87.84 | 104.39 |
| Purchase of goods/services | 8849.35@ | 3667.07@ | - | - | 1573.79# | 1766.61# |
| Receipts from secondment of services | 1428.25@@ | 1171.28@@ | - | - | - | - |
| Interest income | 19.72@ | 19.30@ | - | - | - | - |
| Miscellaneous Income | 77.67@ | 67.28@ | - | - | - | - |
| Rent and hire charges received | 70.20@@ | 70.20@@ | - | - | 65.80 | 60.07 |
| Rent paid | - | - | - | - | 14.06 | 12.71 |
| Payments for professional services availed | 1764.04@@ | 1310.80@@ | - | - | - | - |
| Donation given | - | - | - | - | 127.10 | 423.85 |
| Expenses recovered | 3325.90@ | 3016.70@ | - | - | 1.25 | 1.06 |
| Expenses reimbursed | 17.65@@ | 16.15@@ | - | - | 2.14 | 1.53 |
| Dividend payment (gross) | | | | | | |
| - Philip Morris Global Brands Inc. | 1044.04 | 913.53 | - | - | - | - |
| Managerial remuneration ## | | | | | | |
| - K.K.Modi | - | - | 359.38 | 220.39 | - | - |
| - Lalit Kumar Modi | - | - | 110.00 | 110.00 | - | - |
| - Samir Kumar Modi | - | - | 114.61 | 109.31 | - | - |
| - R.Ramamurthy | - | - | 102.72 | 72.40 | - | - |
| Balance outstanding as at the year end | | | | | | |
| - Trade receivables | 1498.60 | 0.01 | - | - | - | - |
| - Loans and advances | 403.33 | 271.67 | 0.06 | 0.03 | 18.91 | 10.56 |
| - Trade payables | 4171.35 | 29.03 | - | - | 642.32 | 650.48 |
| - Dues payable | - | - | 1.94 | - | - | - |

@ relates to IPM India Wholesale Trading Private Limited

@@ relates to KKM Management Centre Private Limited

includes Rs.1258.72 lacs (previous year Rs. 1476.65 lacs) from Beacon Travels Private Limited

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

39. Segment reporting disclosures under Accounting Standard 17

(A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Group's primary business segments are (a) Cigarette and tobacco products; (b) Tea and other retail products and (c) Others (investment and real estate business activities of the subsidiaries).

(B) Geographical segments:

Since the Group's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.



Financial information about the primary business segments is presented in the table below:

Rupees in lacs

| | Cigarette and tobacco products | Tea and other retail products | Others | Total | Cigarette and tobacco products | Tea and other retail products | Others | Total |
|---|--|-------------------------------|----------------|------------------|-----------------------------------|-------------------------------|---------|-----------|
| | For the year ended March 31, 2013 | | | | For the year ended March 31, 2012 | | | |
| 1. Segment revenue - External sales (gross) | 339190.99 | 20628.90 | - | 359819.89 | 320127.81 | 14798.58 | - | 334926.39 |
| - Less: Excise duty | 154573.44 | - | - | 154573.44 | 147644.38 | - | - | 147644.38 |
| - Net sales | 184617.55 | 20628.90 | - | 205246.45 | 172483.43 | 14798.58 | - | 187282.01 |
| - Other income | 4034.53 | 368.72 | 109.64 | 4512.89 | 3568.83 | 174.77 | 24.15 | 3767.75 |
| - Total | 188652.08 | 20997.62 | 109.64 | 209759.34 | 176052.26 | 14973.35 | 24.15 | 191049.76 |
| - Unallocable income | | | | 2938.03 | | | | 2966.93 |
| Total revenue | | | | 212697.37 | | | | 194016.69 |
| 2. Segment result | 25549.08 | (1564.90) | 104.90 | 24089.08 | 29323.52 | (532.08) | 7.89 | 28799.33 |
| - Unallocable income net of unallocable expenses | | | | 2287.39 | | | | 96.00 |
| Profit before finance costs and tax | | | | 26376.47 | | | | 28895.33 |
| - Finance costs | | | | (2692.66) | | | | (3165.49) |
| - Tax expense | | | | (6740.10) | | | | (7624.71) |
| Profit after tax before share of results of associates and minority interests | | | | 16943.71 | | | | 18105.13 |
| Share of net profit of associates | | | | 42.42 | | | | 16.63 |
| Profit after tax before minority interests | | | | 16986.13 | | | | 18121.76 |
| 3. Other information | As at March 31, 2013 | | | | As at March 31, 2012 | | | |
| a) Segment assets | 137983.15 | 9977.99 | 3397.15 | 151358.29 | 123582.98 | 4850.85 | 3379.97 | 131813.80 |
| - Unallocable assets/investments | | | | 30304.69 | | | | 34390.89 |
| Total assets | | | | 181662.98 | | | | 166204.69 |
| b) Segment liabilities | 37559.03 | 1582.87 | 15.65 | 39157.55 | 32026.88 | 1410.33 | 10.87 | 33448.08 |
| - Share capital, reserves and minority interests | | | | 105929.28 | | | | 93809.57 |
| - Unallocable liabilities | | | | 36576.15 | | | | 38947.04 |
| Total liabilities | | | | 181662.98 | | | | 166204.69 |
| | For the year ended March 31, 2013 | | | | For the year ended March 31, 2012 | | | |
| c) Capital expenditure including capital work in progress | 12072.72 | 2083.15 | - | 14155.87 | 26769.91 | 295.20 | - | 27065.11 |
| d) Depreciation and amortization | 8971.57 | 283.89 | - | 9255.46 | 6577.91 | 109.43 | - | 6687.34 |
| e) Non cash expenditure other than depreciation | 918.73 | 61.82 | - | 980.55 | 492.16 | 40.90 | - | 533.06 |

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expense only include items directly attributable to the segment. They do not include income from or loss on investments (other than relatable to the business activity of the investment subsidiaries), interest income from inter-corporate deposits and loans given, finance cost, donations and provision for taxation (current and deferred tax). Since the corporate office of the Parent Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments (other than those held by the investment subsidiaries), inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits, unclaimed interest, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).



40. Employee Benefits

The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in the Statement of profit and loss

Rupees in lacs

| | For the year ended 31.03.2013 | For the year ended 31.03.2012 |
|---|----------------------------------|----------------------------------|
| Employers' contribution to provident fund and employee's pension scheme | 1234.09 | 1038.09 |
| Employers' contribution to superannuation fund | 231.99 | 205.90 |
| Employers' contribution to employee's state insurance | 7.84 | 10.07 |

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in the statement of profit and loss – Rs. 1387.48 lacs; previous year Rs.902.99 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same are given below:

| | Gratuity (Funded) | |
|---|---|--|
| | For the year ended 31.03.2013 | For the year ended 31.03.2012 |
| A) Principal Assumptions | | |
| • Discount rate (per annum) | 8.05%/7.95% | 8.30% |
| • Rate of increase in compensation levels | Management: 9% p.a. for first year & 7% p.a. thereafter Non Management: 7% | Management: 9% p.a. for first 2 years & 7% p.a. thereafter Non Management: 7% |
| • Expected rate of return on plan assets | 7.50% | 7.50% |
| • Expected average remaining working lives of employees | 11.34 / 10.26 years | 11.06 / 10.11 years |
| • Retirement age | 58 years | 58 years |



Rupees in lacs

| | For the year ended 31.03.2013 | For the year ended 31.03.2012 |
|---|----------------------------------|----------------------------------|
| B) Changes in the present value of obligation | | |
| • Present value of obligation as at the beginning of the year | 5706.66 | 5066.53 |
| • Interest cost | 461.75 | 391.24 |
| • Current service cost | 350.89 | 301.52 |
| • Benefits paid | (313.34) | (437.32) |
| • Actuarial (gain)/loss on obligations | 652.13 | 384.69 |
| • Present value of obligation as at the end of the year | 6858.09 | 5706.66 |
| C) Change in the fair value of plan assets | | |
| • Fair value of plan assets as at the beginning of the year | 5133.05 | 4204.58 |
| • Expected return on plan assets | 373.04 | 279.84 |
| • Actuarial gain/(loss) on plan assets | 147.99 | 167.08 |
| • Contributions received | 605.06 | 918.87 |
| • Benefits paid | (313.34) | (437.32) |
| • Fair value of plan assets as at the end of the year | 5945.80 | 5133.05 |
| D) Shortfall/(excess) of fair value over book value of plan assets | (3.38) | (35.06) |
| E) Excess of book value of plan assets over present value of obligation | - | - |
| F) Net liability recognized in the balance sheet (B-C+D+E) | 908.91 | 538.55 |
| G) Constitution of plan assets | | |
| • Government Securities | 1144.35 | 1234.93 |
| • Public Sector Bonds | 1661.51 | 1824.68 |
| • Insurer Managed Funds | 3098.40 | 2052.39 |
| • Others | 41.54 | 21.05 |
| • Total | 5945.80 | 5133.05 |
| H) Expenses recognized in the profit and loss account | | |
| • Current service cost | 350.89 | 301.52 |
| • Interest cost | 461.75 | 391.24 |
| • Expected return on plan assets | (373.04) | (279.84) |
| • Net actuarial (gain)/loss | 504.14 | 217.61 |
| • (Shortfall)/excess of fair value over book value of plan assets - incremental | 31.68 | (29.63) |
| • Total | 975.42 | 600.90 |



I) Experience Adjustments

Rupees in lacs

| Particulars | 31-Mar-09 | 31-Mar-10 | 31-Mar-11 | 31-Mar-12 | 31-Mar-13 |
|---|-----------|-----------|-----------|-----------|------------------|
| Defined benefit obligation | 3827.40 | 4226.99 | 5066.53 | 5706.66 | 6858.09 |
| Plan assets | 3200.57 | 3937.27 | 4204.58 | 5133.05 | 5945.80 |
| Surplus/(Deficit) | (626.83) | (289.72) | (861.95) | (573.61) | (912.29) |
| Experience adjustment on plan liabilities | 316.68 | 498.60 | 605.28 | 476.80 | 510.96 |
| Experience adjustment on plan assets | 117.88 | 66.45 | 56.33 | 167.08 | 147.99 |

41. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

| Particulars | As at March 31, 2013 | | As at March 31, 2012 | |
|------------------------------------|--|---|--|--|
| | Amount in foreign Currency (lacs) | Amount in Rs. lacs | Amount in foreign Currency (lacs) | Amount in Rs. lacs |
| Loan funds | 450.00 USD | 24430.50 | 580.46 USD | 29911.76 |
| Sundry debtors | 47.49 USD 1.30 EURO 4.82 GBP 10.31 AED | 2577.76 90.47 397.46 152.42 | 27.61 USD 0.01 EURO 6.29 GBP | 1400.10 0.62 507.98 |
| Current liabilities and provisions | 15.91 USD 22.08 EURO 0.25 GBP 0.12 CHF - 2.38 JPY 0.63 AED | 863.97 1537.72 20.95 6.68 - 1.37 9.32 | 41.37 USD 8.69 EURO 0.152 GBP 0.017 CHF 0.01 SGD - - | 2131.80 600.01 12.55 0.99 0.61 - - |

(b) Derivative instrument outstanding as at year end:

Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon

39445 JPY 24430.50 51573 JPY 29515.93



42. The details of subsidiary companies as at March, 31 2013, considered in the preparation of Consolidated Financial Statements are as under:

Rupees in lacs

| Particulars | International Tobacco Company Limited | Chase Investments Limited | Kashyap Metal and Allied Industries Limited | Unique Space Developers Limited | Gopal Krishna Infrastructure & Real Estate Limited | Rajputana Infrastructure Corporate Limited |
|--|---------------------------------------|---------------------------|---|---------------------------------|--|--|
| Share Capital | 300.00 | 280.45 | 7.70 | 81.96 | 5.00 | 5.00 |
| Reserves | 4,131.99 | 607.55 | 544.24 | (4.83) | (2.22) | 3.27 |
| Other Liabilities | 1,162.64 | 0.28 | 1,989.58 | 1.08 | 0.11 | 2,320.07 |
| Total Liabilities | 5,594.63 | 888.28 | 2,541.52 | 78.21 | 2.89 | 2,328.34 |
| Total Assets | 5,594.63 | 888.28 | 2,541.52 | 78.21 | 2.89 | 2,328.34 |
| Investments (other than in Subsidiaries) | - | 634.64 | 197.00 | - | - | - |
| Turnover/ Total Income | 4,053.88 | 16.93 | 86.98 | 5.05 | 0.42 | 0.25 |
| Profit/(loss) before tax | 11.08 | 21.02 | (48.73) | 2.80 | 0.26 | 0.12 |
| Less: Provision for tax | (3.50) | 0.09 | - | 0.86 | 0.08 | 0.01 |
| Profit/(loss) after tax | 14.58 | 20.93 | (48.73) | 1.94 | 0.18 | 0.11 |
| Proposed Dividend | - | - | - | - | - | - |

43. Previous year's figures have been regrouped/reclassified, wherever considered necessary to conform to the current year's classification/disclosure.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SUNIL AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : May 29, 2013

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President & Managing Director

C.M. MANIAR
O.P. VAISH
LALIT BHASIN
ANUP N. KOTHARI

Directors

Godfrey Phillips India Limited

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Tel: +91 11 -2683 2155, 2631 8400. Fax: +91 11-2684 0775, 2683 5803

Registered Office: Godfrey Phillips India Limited, Chakala, Andheri East, Mumbai- 400 099.
For more information, log on to www.godfreyphillips.com