



GODFREY PHILLIPS
—INDIA LIMITED—



ANNUAL REPORT

2010 - 2011



COMMITTED

TO A BETTER WORLD

Our continuous endeavour to create a selfless, compassionate world accompanied by a strong desire to constantly improve, innovate and look ahead, is forever driving us forward. The Godfrey Phillips Bravery Awards reaching the momentous 20th year milestone is yet another example of our deep rooted commitment to help create a better world.

We believe that when the future is envisioned with focus, passion and abiding commitment towards whatever we do, nothing can stop it from becoming a reality.

It is this vision that encompasses every aspect of our business, shapes every decision that we take, encourages us to constantly innovate new products for our consumers and has helped us become one of India's largest tobacco companies.

STRIVING TO BUILD SUPER BRANDS

KEY BRANDS

Our product portfolio extends across industries, from tobacco, confectionery, pan masala to tea. The year has seen the consolidation and growth of most of our brands and new brand launches in several categories. Introduction of brand variants and strong marketing and distribution efforts have also paid rich dividends. Many new territories have been added to our areas of operation and significant growth has been achieved in all markets.



FS1

Two years of meticulous research and development bore fruits with the successful entry of Godfrey Phillips India into the Kings Size and Premium Regular Size segment with the launch of FS1. This brand of premium cigarettes from Four Square was launched in key markets. Its success was the result of good consumer understanding and pack-design effort.



FOUR SQUARE

The year saw substantial strengthening of the franchise across markets through focused brand building initiatives. Leveraging the powerful brand symbol, Four Square launched a new retail identity across markets drawing consumer attention and appreciation.

Keeping true to the brand values of innovations, Four Square introduced tactile packaging with micro-embossing technology. A series of innovative Limited Editions were launched to infuse new energy into the brand.



STELLAR

India's first slim cigarette brand Stellar "Exquisite Taste" saw the addition of two new variants, "Supreme Taste"—the full flavour variant and "Smooth Taste"—the light variant. The Stellar smooth and stylish cigarette variants were successfully launched in Kolkata in October 2010.



RED & WHITE

A brand that has continued its impressive growth, Red & White is one of the most popular offerings in its segment. Red & White is available in different variants such as - R&W Flake, R&W Deluxe and R&W Flake Special, each having its own signature taste. The brand is also known for innovative packaging and product design.



MARLBORO

The iconic Marlboro brand saw a spurt of growth with sales growing by more than 60% over last year's figures. The coverage of the brand has grown to a massive 70,000 retailers and these exclusive cigarettes have been very well received in the market. The launch of Marlboro Compact in the Premium Regular Size segment has further strengthened the brand in India.



CAVANDERS

The year 2010-11 marked the rejuvenation of the Cavander franchise which presented a contemporary face of the brand through newly launched variants. Cavander Gold launched in March 2010, has now become a significant brand in the existing markets and is growing at a healthy pace.

COMMITMENT TO INNOVATION

SONNA BIDI

To fulfill its commitment to constantly seek out new opportunities, Godfrey Phillips India has forayed into the bidi market, which is estimated at Rs. 12000 to 15000 Crores, with a production of 700 billion sticks per annum.

The Sonna brand, targeted at the discerning quality seeker is known for good quality tendu leaves and consistently filled tobacco. The brand has also taken the market by a storm with its various innovations. Sonna Bidi launched a first in the bidi industry—a filter bidi under the umbrella brand and presently has both filter and non-filter variant. The filter bidi, especially, has created a buzz in the market.

PAN VILAS

Godfrey Phillips India's foray in pan masala segment with the premium brand Pan Vilas, has seen success and received accolades. With its exceptional taste and very high quality ingredients, the brand garnered an enviable market share in the first year of the launch itself.

Pan Vilas is manufactured at Baramati, a state-of-the-art plant that employs some of the world's most advanced food processing technologies in providing a high quality, hygienic and impurity free experience. The brand does not contain Magnesium Carbonate, is tobacco free, and thus, goes a step further to ensure quality and establish trust.

Brand and product acceptance was driven through extensive above-the-line advertising and innovative means of trial generation. Consumer response has been encouraging and the regular user base has been growing consistently over the year.

LEVERAGING THE MOST PROMISING TRENDS

TEA

Godfrey Phillips India's Tea City has been ranked as the 8th largest player overall in the Indian retail market, and the 6th largest in modern trade. This in itself speaks volumes about the commitment to strengthen and grow the portfolio of tea business.

The tea brand portfolio has witnessed renewed and extensive marketing, product development and new launch activities to boost growth. Symphony saw its entrance into the institutional channel with the 100 tea bags pack; Super Cup was highly active in the festival season with special festive packs; Samovar's sales grew and special pack saw wide acceptance; Rangoli and Utsav were introduced in a new look for the contemporary times.



Tea City also created inroads into the international market with the launch of Symphony in Kyrgyzstan, Super Cup and Ustav in Singapore. Export grew to an all time high and new markets were added for bulk tea.

MODERN TRADE

Modern Trade represents a very new focus area, which is growing at an exponential rate. Godfrey Phillips India's Modern Trade division in its third year of operation, clocked a robust growth and is opening up new opportunities for every category of products.

Whether it is tea, cigarettes, cigars or confectionery, the Modern Trade business is becoming a high growth area for the entire organisation. It was rated at the 6th slot in Modern Trade Tea Category by A.C. Nielson in 2010. There has been a huge response from a wide range of Modern Trade outlets, especially Big Bazaar, WalMart, Carrefour and Booker's.

RETAIL

Twenty Four Seven plans to grow to 10 company owned stores this year, after proving to be a successful standalone operative model.

Twenty Four Seven has also successfully tied up with Indian Oil Company, for 100 stores across Northern India. The first test pilot retail outlet was launched in February 2010 at the prime location, Delhi Golf Club.

Around 21 sites have been further identified and sent to IOC for them to take approval from the required authority. The next site is scheduled to open in November 2011. As discussed with IOC, we plan to roll out 7 more of the outlets this year. The Twenty Four Seven division has also renewed its "Bites" food packaging which has helped the category grow.

A VISION THAT IS EVER EXPANDING

DOMESTIC BUSINESS

Godfrey Phillips India has consistently expanded into new territories, and made a mark in markets. This growth saga has continued in the Eastern and Southern regions i.e. West Bengal and Tamil Nadu, and is heading for a successful entry in Andhra Pradesh. The success of our growth and expansion into new markets lies in our commitment to focus on consumer initiatives and continuous product improvements. Innovation in merchandising and the constant desire to bring delight to the consumers has also played an important role. The expansion and portfolio development in the last year has resulted in business value growth of 37% and business volume growth of 20%. This year has also witnessed the launch of Cavander Gold in West Bengal and Cavander Special in Tamil Nadu.

INTERNATIONAL BUSINESS

With focus on expanding the product portfolio and entering new markets, Godfrey Phillips India entered six new markets during the year, namely Belize, Eritrea, Gambia, Guatemala, Lebanon, Togo, Trinidad and Tobago and Super Slims were added to the product range. To keep abreast of the dynamic market scenarios, additional managers were recruited for the high potential markets of Latin America and Africa.

BUILDING A FOUNDATION OF TRUST

LEAF DIVISION

Leaf Division is committed to improving quality and productivity of different types of tobaccos and making tobacco cultivation a remunerative proposition for farmers and value for money to the customers. In pursuit of this, Leaf Division focuses on imparting the latest technical know-how to farmers and persuades them to take up good agricultural practices. Several projects were initiated and steps taken to fulfill this objective, including adopting farmers in Karnataka Light Soil, Northern Light Soil and Southern Light Soil regions. Converting the adopted farmers' fields into Model farms has also helped farmers from adjacent villages to emulate and adopt best agricultural practices. NTRM (Non Tobacco Related Material) awareness programmes were also conducted along with programmes on CPA (Crop Protection Agent). Our efforts bore fruit with several awards being conferred on the adopted farmers of Godfrey Phillips India, including Best Grower Award and Recognition Award. A large number of development activities and initiatives were also undertaken in conjunction with Government Agencies like the Tobacco Board and CTRI. We identified potential areas in Andhra Pradesh and carried out L.S. Burley, HDBRG and KFC (varieties of tobacco) development. We also identified growers for Cigar Wrapper in West Bengal in consultation with CTRI (Central Tobacco Research Institute), Dinhata and quality improvement initiatives were taken up along with technical guidance from Agronomist of Universal Leaf Tobacco Company Inc. (ULTCI), Indonesia.



The Leaf Division also made significant contributions to the Social Responsibility Programmes for 2010-11 by conducting training programmes for farmers at PTP/Karedu for the Tobacco Board Field Staff and farmers at CTRI Kandukur and has also done an extensive campaign to discourage child labour, which is a prevalent problem.

A COMMITMENT TO HIGHEST STANDARDS OF QUALITY

ANDHERI FACTORY

At the Andheri manufacturing unit, the focus has always been on achieving constant improvement in quality, environment health and safety, productivity, work-life and eco-sustainability. Numerous initiatives and activities are conducted throughout the year to achieve this.

In the year gone by, the unit saw the upgradation and recertification of ISO 9001:2008, 14001 and OHSAS 18001:2007.

In terms of productivity, the Andheri unit achieved the highest ever production of 8302.09 million for the year 2010 -11, and the highest ever production per month of 852 million in October 2010 and highest productivity of 18732 cigarettes per man hour.

There were a series of awards and recognitions for all of these sustained efforts including the prestigious Greentech Safety Management Gold Award 2011 for 'Outstanding Achievement in Safety Management', Greentech Environment Excellence Silver Award 2010 for 'Outstanding Achievement in Environment Management' and the INSSAN Award for Excellence in Performance of the Suggestion Scheme -2010.

GULDHAR FACTORY

The Guldhar manufacturing unit won a slew of awards and showed real commitment towards improving every aspect of quality, productivity, technology, safety, work-life and eco-sustainability. On the technology front, high speed Make Pack machines were installed and commissioned, the 100 mm super slim cigarettes were manufactured and for the first time in India, a unique two stick Marlboro RSFT pack was successfully manufactured at the Ghaziabad plant and the FS1 RSFT cigarette was launched in the round corner pack segment.

Along with many other achievements, the Guldhar factory saw the installation of the second GD X-6 High Speed cigarette packing machine with square pack manufacturing capability for Marlboro, Decoufle Nano maker, TOFFI ripping machine, Precision Air Conditioners in quality lab for maintaining the precise RH Temp, QTM on shop floor for ensuring complete checking of cigarette quality, pressure reducing valve on cleaning air pipeline to reduce air pressure and a closed loop VFD (Variable Frequency Drive) based control on the low air pressure blower.

The unit also saw the integration of inner frame print registration in X-300 for on-pack marketing, advertising and promotions, upgradation of bundler and wrapper for improvement in efficiency, capacity enhancement and statistical process control implementation.

The Guldhar factory won recognition with a number of national awards, including the Green Tech Environment Gold Award 2010, the Green Tech Safety Gold Award 2010, and the second prize for Excellence in Performance of the Suggestion Scheme 2010 and a merit certificate in the Slogan Contest.

RESEARCH AND DEVELOPMENT

Research and Development has played a vital role in powering Godfrey Phillips India's business growth. There has been a huge thrust on developing and launching new premium brands and research and product development has been the key to their success.

R&D has been instrumental in the development of new premium brands like FS1 in Regular and King Size and Stellar Kings in Full Flavour & Lights variants. Blend enhancement has also been an important component, and we have implemented new improved blends for all the three Regular Size Filter brands.



As a result of our efforts in R&D, we now have premium brands for the domestic market. We have also developed differentiated products for domestic as well as export markets, and have the capability to analyse samples on commercial basis from overseas customers due to our excellent Analytical Testing Infrastructure along with NABL certification.

Likewise, the Foods R&D has also played a key role in the development and launch of various products for the domestic market.

With a commitment to create greater opportunities for the organisation, the R&D efforts of Godfrey Phillips India will be given even greater impetus in the coming year.

COMMITMENT TO PEOPLE, TO EXCELLENCE

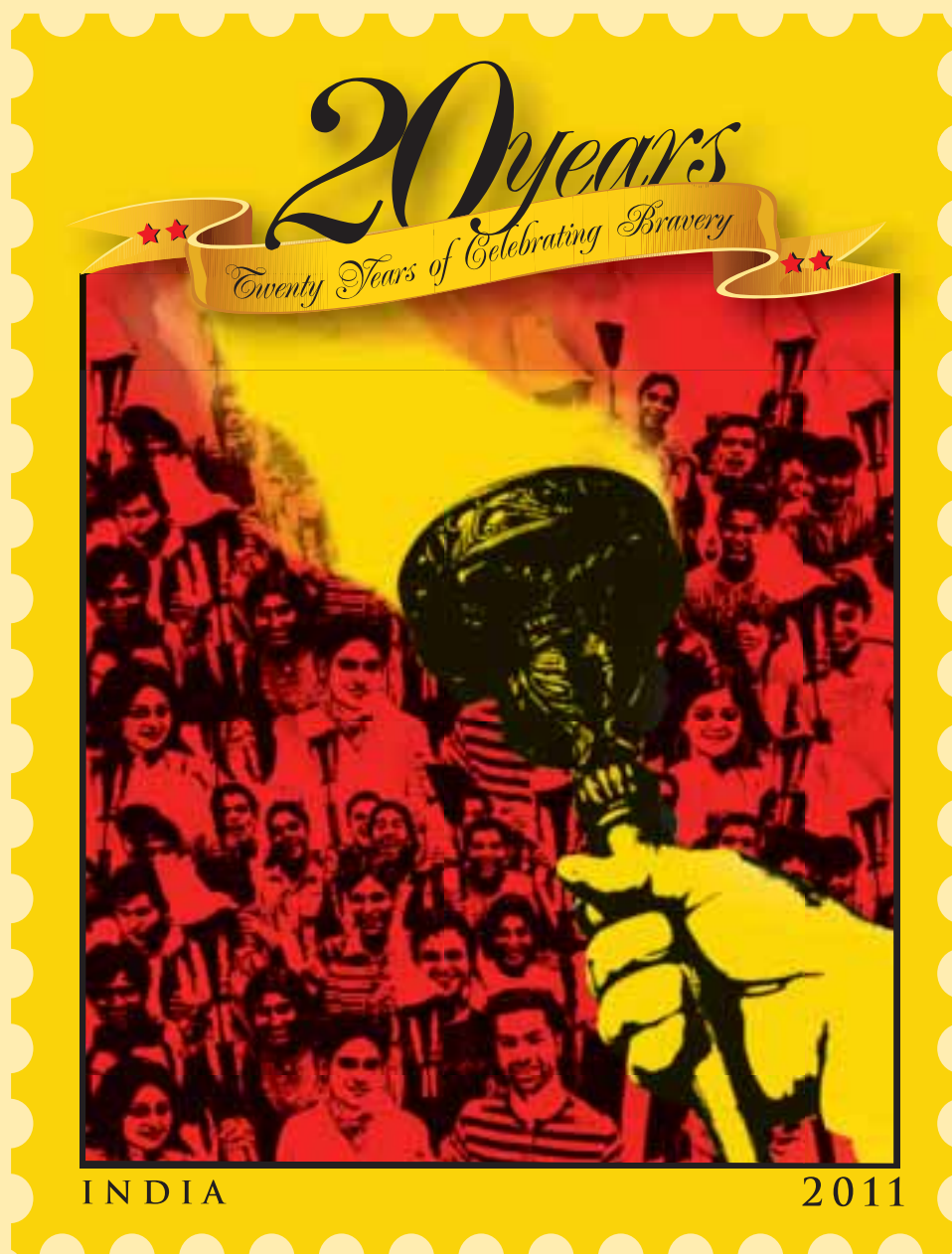
HUMAN RESOURCES

Godfrey Phillips India is committed to empowering employees by aligning them with overall organisational goals and infusing them with the determination to be the best. To give shape to this commitment and to create a cohesive and determined workforce, we have initiated various organisation-wide projects. Targeted People Development initiative, which entailed scientific assessment of the developmental areas and series of Leadership Development Programs, has ensured that potential employees are scientifically assessed and prepared for fast growth.

The company has also inducted young talent from reputed B-schools and is grooming them for managing the current and upcoming business needs. We also conducted various interventions on multiple product handling for our sales force.

Our commitment to our people was recognised with the Greentech Silver Award for Excellence in the Best HR strategy category.





KEEPING THE FLAME OF BRAVERY

ALIVE FOR 20 YEARS

CORPORATE SOCIAL RESPONSIBILITY

The Godfrey Phillips Bravery Awards has been honouring brave men and women of India since its inception in 1990. The year 2011 marked the 20th year of the Awards, and this momentous milestone was celebrated through communication that called upon all Indians to live bravely and take inspiration from the thousands of brave men and women who have been recognised by these Awards.

This Award was instituted in just one state to recognise bravery, but today it has spread across 20 states and has become a nation-wide movement. The 20 years of bravery celebration was marked by a high impact multimedia campaign that saw a sustained burst of commercials on popular television channels, press ads running in national dailies, outdoor renditions and a focused web engagement.

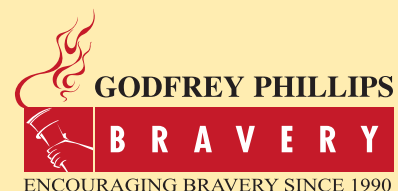
Amodini, women's empowerment initiative of Godfrey Phillips Bravery, is encouraging economically challenged women of rural India to carve a position for themselves, built on a foundation of respect and financial independence. Amodini has partnered with some renowned NGOs like Literacy India, Mann Deshi, AIF and Srijan who are also committed to the cause. Over 7000 women are being benefitted from these programmes.

Amodini together with Literacy India works on Project Karigari Janani, which offers vocational training courses to women that give them basic skills in tailoring, block printing, paper bag making etc.

In yet another initiative with Mann Deshi, Amodini has started a unique mobile business school for rural women of Satara district in Maharashtra. This school helps women in setting up businesses like shops, tailoring, manufacturing disposable plates and bowls, etc. Over 3000 women have benefitted in this programme in 2010-11.

A more robust partnership with AIF and Srijan as the grass root organisation, is promoting Women's Dairy Business Collectives by establishing village level Milk Collection Centers (MCCs) fully managed by women producers, in Tonk district, Rajasthan. Over 4900 women have benefitted through this programme from 2010 till March 2011.

Amodini is Godfrey Phillips India's belief that India can reach its true potential only when the women of our country are empowered.





R. A. SHAH

CHAIRMAN

Dear Shareholder,

In the year 2010, the global economy showed significant signs of improvement by growing at 5% after a decline of 0.6% in 2009. While economic growth in the advanced economies remained modest at around 3% in 2010, emerging and developing economies, led primarily by China and India, are the ones that stole the show by recording a robust growth of over 7%. With emerging markets accounting for almost 40% of global consumption and over 65% of global growth, a slowdown in these economies can seriously disrupt the growth momentum.

Back home, the Indian economy recorded a real GDP growth of 8.6% in 2010-11. Unfortunately, it is showing signs of moderation currently with the policy challenge shifting to taming inflation. In its recently released economic outlook, the Prime Minister's Economic Advisory Council has cut the growth forecast to a maximum of 8.2% for the year 2011-12. Therefore, the need of the hour is to make a strong pitch for bolder reforms, fresh policy initiatives and speedy clearances to boost the investment sentiment in order to place the economy back on a high growth trajectory.

India's growth story of recent past and its prospects of building on this growth momentum in the medium to long term have given it a commanding place in the world order. According to some studies, India is expected to be the third largest economy by the year 2050 and some other studies indicate a near tripling of household disposable incomes and its middle-class growing ten-fold by 2025. These trends, if proved right, could provide tremendous opportunities to the private sector for a sustainable growth.

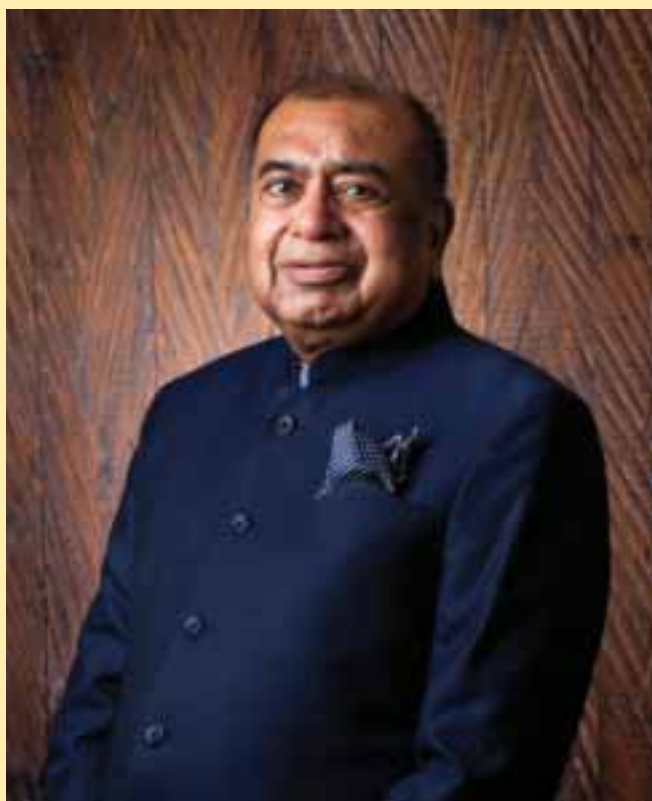
Many countries are now introducing stricter graphic warnings to discourage smoking. Australia is in the process of implementing plain packaging regulation in FY 2011-12, while New Zealand on the other hand has recently adopted a resolution to ban advertising of tobacco products in retail stores. Not to be left behind, the regulators in India are also aiming at stricter norms in tobacco sector, be it related to product, packaging, promotions, distribution, taxation, etc. As a responsible corporate citizen, your Company will comply with all the regulations it is faced with, in true spirit.

India is the second largest producer and exporter of tobacco with 40 Lakh hectares of land used for tobacco cultivation giving rise to 757 million kg. of output. With production policies supporting tobacco in developed countries coming under constant pressure, we are witnessing a gradual shift in focus to emerging economies like India where continued demand is expected for contract manufacturing and cut tobacco. Therefore, the growth in tobacco production and cigarette manufacturing is likely to be driven by developing countries like India.

Your Company is dedicated to reinforce its position in the tobacco segment. We will achieve this with our commitment to innovation, participation and team-work. Our varied strengths, skill sets and exceptional workforce have always put us ahead of others. We are also committed to achieving even higher standards through a socially and morally responsible approach aimed at making the world we live in, a better place. It is this commitment that has helped your Company lead many pioneering initiatives. With every new step, your Company strives to expand its horizon and become one of the most successful organisations.

Warm regards,

R. A. Shah



K. K. MODI

PRESIDENT

Dear Shareholder,

It gives me immense pleasure to share with you yet another year of exemplary performance by your Company. During 2010-11, we achieved a sales growth of 17% over the last year, reaching Rs. 3057 crores with the profit before tax reaching an all-time high at Rs. 241 crores. Your Company has successfully faced the challenges and gained nominal market share. You will be happy to know that the Board of Directors has recommended a dividend of Rs.35 per equity share for the year 2010-11.

With an unflinching commitment to introduce new consumer initiatives and continuous product improvements, we have expanded into new territories and made a mark in different markets. Innovation in merchandising and the constant desire to bring delight to the consumers has also played an important role in the growth of the Company. We continued to demonstrate our business stewardship by building and augmenting new product and process capabilities. Also, we continued to work towards strengthening our long-term fundamentals and competitiveness by adding, replacing and upgrading capacity and technology. Today, our brand portfolio extends across a wide range of industries, from tobacco products, confectionery to tea.

We had a successful foray into the Bidi industry with the launch of 'Sonna' brand. With the overwhelming response in the pilot markets spread across the states of Haryana, Rajasthan and Gujarat, we are gradually expanding our distribution reach. With many firsts in the Bidi industry, from best quality tendu leaves to innovative packaging Sonna Bidi is poised to offer the best smoking experience to the bidi consumers.

Your Company was one of the first to launch its 'Pan Vilas' pan masala in paper based packaging as per the government guidelines. Our ability to quickly respond to the new regulatory requirement by developing the alternative packaging has helped Pan Vilas have an edge over the competitors some of whom are still in the process of optimising their packaging strategies.

The international business of the Company is poised to touch new heights and the focus is on expanding its geographical footprint by entering into new and emerging markets and to enlarge its product portfolio.

These developments clearly point to a brighter future. And the credit must go to those who deserve this the most - our people who have left no stone unturned by their concerted efforts to achieve this remarkable performance.

Apart from commitment to achieving robust financial growth, your Company is conscious of its corporate social responsibilities (CSR). Instituted in 1990, the Godfrey Phillips Bravery Awards is an initiative to honour brave men and women of India. The year 2011 marks the 20th year of the Awards, and is being celebrated with a lot of enthusiasm across the country. Pursuing a purpose of changing the lives of the underprivileged women in our community, our Amodini initiative continued to work on the identified areas of women empowerment.

I assure you that we will remain committed to bringing continuous improvement in all that we do.

Warm regards,

K. K. Modi

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BOARD OF DIRECTORS

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

COMPANY SECRETARY

Sanjay Gupta

AUDITORS

A.F. Ferguson & Co.

INTERNAL AUDITORS

Lodha & Co.

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

REGISTRARS AND TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.
13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai 0 400072

CORPORATE OFFICE

49, Community Centre, Friends Colony
New Delhi - 110025

OTHER OFFICES

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

LEAF DIVISION

Guntur (Andhra Pradesh)

REGISTERED OFFICE

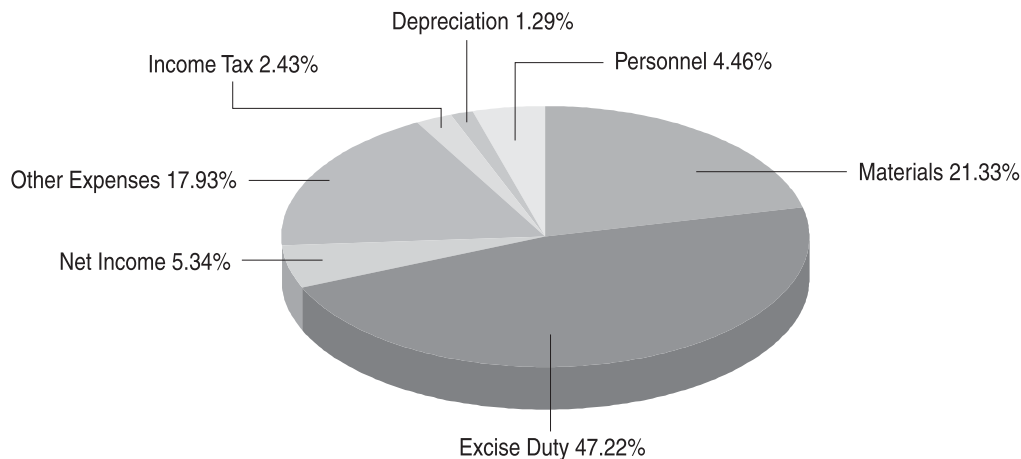
Chakala, Andheri (East), Mumbai - 400099



GODFREY PHILLIPS
—INDIA LIMITED—

FINANCIAL HIGHLIGHTS

Revenue Distribution



Financial Highlights

Rs. in lacs

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
CAPITAL EMPLOYED										
Net Fixed Assets	47387	31896	25980	15337	12655	12984	12920	8732	7413	7037
Investments	32314	19485	20986	32957	24627	21100	19916	14473	15636	12873
Working Capital	21797	26823	20172	12205	10962	9809	4513	6575	5429	8510
Deferred Tax Assets (net)	79	-	236	-	-	-	1576	1239	797	-
Total	101577	78204	67374	60499	48244	43893	38925	31019	29275	28420
FINANCED BY										
Shareholders' Funds	79025	66652	57845	49996	41815	36046	32701	28950	25966	24170
Borrowings	22552	11455	9529	10338	6073	7439	6224	2069	3309	4029
Deferred Tax Liabilities (net)	-	97	-	165	356	408	-	-	-	221
Total	101577	78204	67374	60499	48244	43893	38925	31019	29275	28420
OPERATING PERFORMANCE										
Gross Revenue	310838	267292	232445	187634	163277	145712	132538	120219	109639	96002
Excise Duty	146768	121386	115636	94040	82423	76176	61021	55769	52085	47049
Depreciation	4000	3391	2803	1977	1907	1837	1655	995	913	811
Profit Before Taxation	24147	16740	16591	16974	13523	9969	9995	7649	5690	7184
Profit After Taxation	16603	11839	10890	11222	8810	6013	6360	5218	3791	4780
Dividend	3640	2600	2600	2600	2600	2340	2288	1976	1768	1924
Corporate Dividend Tax	590	432	442	442	442	328	321	258	227	-
Retained Earnings	12373	8807	7848	8180	5768	3345	3751	2984	1796	2856
INVESTORS' DATA										
Earning Per Equity Share (Rs)	159.67	113.84	104.73	107.92	84.73	57.82	61.16	50.18	36.45	45.96
Dividend Per Equity Share (Rs)	35.00	25.00	25.00	25.00	25.00	22.50	22.00	19.00	17.00	18.50
Book Value Per Equity Share (Rs) @	757.67	638.69	553.99	478.52	399.84	344.37	312.20	276.12	247.43	230.15
Number of Shareholders	11242	11364	12350	12824	12740	11261	11719	12539	13068	13198

@ Excluding Revaluation Reserve

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors deem it a privilege to present the Annual Report and Accounts for the year ending March 31, 2011.

GENERAL ECONOMIC ENVIRONMENT

After recessionary phase of 2008-2010, the global economy has shown moderate signs of improvement in 2010-11. Indian economy continued to outperform most emerging markets during 2010-11 retaining its position as the second fastest growing economy, after China, amongst the G-20 countries. China and India contributed nearly a quarter of the incremental world output. As per revised estimates released by Central Statistics Organisation, GDP growth at factor cost at constant prices stood at 8.5% in 2010-11. Agriculture has grown significantly at 6.4%. This high growth rate is accentuated by the fact that 2009-10 was a bad year in terms of agriculture owing to droughts in many parts of the country. Going forward it is expected to maintain the same growth rate if not more. However it will be crucial for the government to rein-in inflationary pressures for the economy to maintain its growth march forward. Inflation in food articles reached as high as 17.7% in 2010-11. High inflation rates is undermining growth leading to RBI raising key policy rates consistently for last 11 reviews since March 2010.

Yet, there are many positives in Indian economy which will help negate the growth constraints. Rising population and a stable incidence rate will bring in volume growth. India's population as of 2010 was 1.215 billion increasing 1.41% from 2009 and is expected to rise 1.38% to 1.232 billion in 2011. Forecasts for 2015 predict that India's population will rise to 1.299 billion, growing about 1.5% per year between 2010 and 2015. Higher urbanisation as seen in the 2011 provisional census numbers should further augment growth. With the rise of the middle class and income levels, newer formats of retail are catching up fast compared to traditional retail formats. Modern trade which has been a 5 year old revolution has already shown promising results registering a 29% growth in 2010. Traditional stores managed a growth of only 6.2%. With Government leaning towards more liberal entry of multinational companies in the retail sector in order to drive efficiencies and reduce middlemen, growth of this segment would have positive impact on economy.

Indian exports which have witnessed a stellar growth of 37% in FY 2010-11 are facing deceleration owing to proposed withdrawal of the DEPB scheme and removal of interest subvention of 2% leading to higher cost of credit. Along with inflation in export bound countries the higher cost at home may further erode competitiveness of Indian exports.

TOBACCO INDUSTRY

Worldwide cigarette volumes showed a decline of 1.46% CAGR over six years. India too had a decline of 1.2% in volumes in FY 2010-11. Tobacco production in India and China declined as compared to countries like Brazil, Zimbabwe and Tanzania. Low grades of tobacco grown in Zimbabwe & Tanzania are cheaper than India. We expect a Global surplus of around 200 to 300 million kg of tobacco leaf in the year 2011.

While the Indian cigarette industry registered a decline in volumes in 2010-11, there is an upward trend in value owing largely to higher prices due to incidence of taxation. Your Company has, however, not only protected itself from contraction in volumes but also marginally improved its market share. The other trend to watch is the shift to higher price points. Premium segment cigarettes are increasingly doing better than before. Brand association, urbanisation and a belief that higher priced cigarettes are less harmful may be supporting this trend.

Regulatory Environment

Regulation will continue to set the direction of tobacco industry, with tighter norms and implementation relating to smoking in public places, retail signage and packaging displays. The WHO is lobbying hard to restrict or ban use of ingredients, flavours and additives in the manufacture of tobacco products. Many countries came up with fresh anti-smoking proposals to tighten public smoking restrictions. Graphic Health Warnings (GHW) on cigarette packs continue to get their share of prominence with many countries preparing to introduce GHWs and some going for bigger sized warnings.

The Ministry of Health and Family Welfare, Government of India, notified on December 20, 2010 that the specified health warnings on tobacco packs shall be rotated every two years. New graphic health warnings have been issued on May 27, 2011 for implementation from 1st December 2011. The Government also released the Global Adult Tobacco Survey 2009-2010 in October 2010, which revealed that out of 35% tobacco consuming adults in the country, 26% adults use chewing tobacco in some form or another. To target the smokeless form of tobacco consumption the Government of India has banned the sale of tobacco, gutka and pan masala in plastic sachets from March 1, 2011.

Taxation

Increasing the price of tobacco products is perceived as one of the most effective ways to reduce tobacco consumption. During the year, many countries increased duty on tobacco products by exceptionally high rates (15% to 40%). In India many of the States have effected steep rise in the rates of VAT. Current rates of VAT on cigarette in India vary between 12.5% to 40%.

After long the Indian Government has inched forward on the issue of the implementation of GST. We are cautiously optimistic that the Government will show resolve in implementing GST, at least by FY 2012-13.

SEGMENTWISE PERFORMANCE IN 2010-2011

Cigarettes

Your Company has continued on a steady growth path with profitability improving significantly during the year. While the Indian cigarette industry registered a decline of 1.2% in FY 2010-11, your Company has successfully faced the challenge and not only has it protected itself from contraction but also gained some market share by focusing on high growth markets in Southern and Eastern India. The domestic sales of the Company's cigarette brands registered increase both in volume and value terms. In value terms, it was higher at Rs. 2627 crore as compared to Rs. 2170 crore in the previous year reflecting an increase of 21.1%. In terms of volume, the Company registered a growth of 1.7% over the preceding year.

During the first quarter of the current financial year the domestic cigarette sales value was higher at Rs. 660 crore compared to Rs. 603 crore during the corresponding quarter last year.

Tea

The tea segment has been marked with continuous growth, riding on the overall corporate strategy of consolidation and expansion along with new portfolio development and product innovations. The domestic tea sales during the year were higher at Rs. 97 crore compared to Rs. 95 crore in the previous year. According to AC Nielsen's Retail Audit, your Company is placed as the 8th largest player in the national packaged tea brands, with a rating as the top 6th player contributing towards modern trade.

During the first quarter of the current financial year the Company has achieved slightly lower sales turnover in the domestic market at Rs.18.3 crore as against Rs. 20.4 crore during the corresponding quarter last year, albeit with better margins. All out efforts are being made to drive volume growth in remaining part of the current financial year by enhancing distribution access in semi-urban and rural chains and in cash-n-carry formats.

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—INDIA LIMITED—

Exports

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

Commodity / Product	2010 - 11 Value (Rs. in crore)	2009 - 10 Value (Rs. in crore)
Cigarette	120.68	71.15
Unmanufactured tobacco	104.42	206.86
Cut tobacco	42.86	33.76
Tea	16.11	3.40

While cigarette exports in terms of value were higher by 70%, the cut tobacco exports increased by 27% over the previous year. Decline in unmanufactured tobacco export is attributable to oversupply of tobacco leaf worldwide and reluctance of foreign buyers seeking Indian tobacco in comparison to cheaper varieties elsewhere. For cigarette and cut tobacco exports, the Company is actively looking at new markets and has recruited new managers for prospecting business in new geographies. The major regions where the Company is currently exporting include South East Asia, Africa, Middle East and Latin America. To augment unmanufactured tobacco exports, the measures taken by the Company include broadening the list of buyers and opening of new markets for direct exports in Middle East and Europe. With a view to enhance fruitful business association, customers and agents are being invited to see the Company's operations and infrastructure.

Tea exports grew to 1222 tons over last year's 166 tons, an all-time high in terms of volume. The Company developed & sustained new buyers in the UAE, UK, Azerbaijan, Turkmenistan, Egypt, Ireland, Kenya & Syria. Various bulk tea & value added formats were supplied. The Company launched its brand "Symphony" in Kyrgyzstan and "Super Cup" & "Utsav" in Singapore with Tea Bags and Packet Tea being retailed in both the Countries under the "TEA CITY" banner. Efforts are also on to extend our brands in various other CIS markets with dedicated resource. Greater thrust is being put on infrastructure and quality control.

During the first quarter of current financial year, the Company has achieved export turnover of Rs. 75 crore which is slightly lower than Rs. 80 crore achieved in the corresponding period of last year. However, the Company is making all out efforts to achieve higher export turnover as compared to the preceding year and hopes to make up in the remaining part of the year to be able to attain reasonable growth.

Chewing Products

Your Company's foray in the chewing business has met with reasonable success in the year with the pan masala brand 'Pan Vilas' garnering an annual average share of 2.9% in its areas of operation. Brand is available in major northern and western markets, namely Uttar Pradesh, Uttaranchal, Delhi, parts of Haryana, Rajasthan, Madhya Pradesh, Gujarat, Maharashtra and the eastern state of Orissa. Product acceptance was driven through extensive above-the-line advertising and innovative means of trial generation. Consumer response has been encouraging and the regular user base has been growing consistently.

The outlook for the year 2011-12 appears promising on following counts:

- Packaging challenge post the ban on use of plastics, has been met successfully and is expected to be one of the key drivers of growth in the coming year.
- Entry into the annual Rs. 450 crore zarda category will further add to business and also give impetus to pan masala business, owing to complimentary consumption of the two by a large user base of mixers.

DIRECTORS' REPORT

- Introduction of gutkha is further expected to drive market presence and volume for the franchise.
- The big market of West Bengal with an annual premium chewing business of Rs. 232 crore will be covered during the year.

TREASURY OPERATIONS

Your Company continues to enjoy the highest rating of 'P1+' for Short-Term Debt Programme, 'AA+/Stable' for Long Term Loan, 'AA+/Stable' for Cash Credit Limit and 'P1+' for Non-fund based limits. With these ratings in place, your Company is able to raise funds at most competitive and attractive 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). Out of the total investment of Rs. 323 crore as at March 31, 2011, investments of Rs. 303 crore stood in debt segment of various mutual funds with major chunk being into highly safe FMPs which are yielding decent tax efficient returns. The Company also continued to park its temporary surpluses in liquid schemes of various mutual funds.

The Company booked an aggregate profit of Rs. 11.55 crore on sale/redemption of investments during the year under review apart from dividends earned on liquid investments from time to time.

FIXED DEPOSITS

At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs. Nil. Presently the Company is not accepting fresh deposits as it is no longer economical for the Company to raise money through this mode of finance.

FINANCIAL PERFORMANCE

FINANCIAL RESULTS	2010-11 Rs. in lacs	2009-10 Rs. in lacs
Gross Profit	28147.66	20130.54
Less : Depreciation	4000.29	3390.97
Profit before taxation	24147.37	16739.57
Less : Provision for Taxation		
- current tax	7720.00	4552.96
- deferred tax	(175.98)	333.04
- fringe benefit tax	-	15.10
Profit after tax for the year	16603.35	11838.47
Profit brought forward	47614.98	40307.99
Available for appropriation	64218.33	52146.46
Appropriations		
Proposed Dividend	3639.57	2599.70
Corporate Dividend Tax	590.43	431.78
Transfer to General Reserve	2000.00	1500.00
Surplus carried to Balance Sheet	57988.33	47614.98
	64218.33	52146.46

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The overall sales turnover was higher at Rs. 3057 crore as against Rs. 2608 crore in the previous year, registering an impressive growth of around 17%. The operating margins improved leading to increase in overall profitability during the year. After providing for tax, the net profit of the Company stood at Rs. 166.03 crore as against Rs. 118.38 crore in the previous year.

Fortunately the Union Budget in February, 2011 did not propose any change in the rates of excise duty on cigarettes, which has provided much needed relief to the Industry.

DIVIDEND

Keeping in view the Company's overall performance for the year under report the Board of Directors of the Company is pleased to recommend a dividend of Rs. 35 per share.

INTERNAL CONTROL SYSTEMS

Your Company has an adequate 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

Our employees are our assets. In order to nurture their ambitions and meet future leadership challenges in the organization, we have embarked upon an initiative called "Targeted People Development". Under this initiative, the developmental needs of a set of key employees have been scientifically assessed, a career orientation is defined and a development plan in sync with organizational goals is being worked upon. We also conducted a series of Leadership Development Programs to support this initiative. On the talent acquisition front, the Company has inducted young talent from reputed B-schools and is grooming them for managing the current and upcoming business needs. The Job evaluation exercise which was started last year, has been completed and we have mapped various job positions relative to their business worth. Also, we have won a Greentech silver award for Excellence in HR for Best HR Strategy category.

CORPORATE DEVELOPMENT AND INFORMATION TECHNOLOGY

Your Company has continued to leverage to its advantage the strong internal systems and processes for business planning and strategy formulation residing in Corporate Development division. On one hand, the division provided regular support and inputs to all the business teams on developments in the industry and business environment, it also drove the efforts to identify key capability development areas in the organization to propel it to growth path. Annual planning process and three year strategy formulation process were well adhered to, along with much deeper and analytic based efforts to identify new growth opportunities. Detailed planning, appropriate methodology, execution and monitoring has helped each of the existing businesses add further to our market reach and in achieving better results in the market place. Automated Management Dashboards and Business Intelligence Tools have enabled the seamless view of all performance parameters for the senior management to action timely. Further, two new corporate initiatives were conceived during the year, focusing on higher level of capabilities in the areas of product offer development and multi-product distribution. All these efforts are expected to have long term positive impact for business of your Company.

CORPORATE SOCIAL RESPONSIBILITY

This year was a milestone for Godfrey Phillips Bravery Awards as it completed 20 years. This unique award system, sustained over two decades, has brought common citizen to limelight and served to provide inspiration to live life with pride and dignity.

Along with recognizing and awarding individual acts of bravery, the Godfrey Phillips Bravery has grown into a movement with Amodini, the women's empowerment initiative under its aegis. In association with renowned NGOs, several major projects for underprivileged women have been underway that help train women to be financially independent. The projects, ranging from skill development in traditional handicraft and handmade products, rural business training to dairy farming, have ensured that the women are not only trained in production, but acquire equal proficiency in marketing the products also. Over 7000 women would have benefitted from the Amodini initiatives during the year.

As a conscientious corporate citizen, the Company is well aware of its responsibility towards the conservation of the environment. Along with the growth of business the Company encourages total commitment towards minimizing the impact of our business on the environment. Over and above the mandatory certifications to maintain standards of environment management, all the manufacturing units have adopted the use of environment friendly measures such as recycling water, rainwater harvesting and using solar power systems, steam heated hot water generator system and various automation and interlocking systems to save power. We won the prestigious Outstanding Achievement in Environment Management award by Greentech Foundation in 2010 for our efforts.

CONSERVATION OF ENERGY

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

1. Panel air conditioner (1050 watts) for Focke cigarette packing machine was replaced with central air conditioning air flow, giving rise to savings of 189 units per annum.
2. Twenty four LED tube lights were installed over GD 121 cigarette making machine on experimental basis resulting in saving of 180 units per annum.
3. After studying light intensity in the passage areas, thirteen tube lights were removed resulting in saving of 3360 units per annum.

TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

1. Installation and commissioning of 'print registration system' on cigarette packing machines for providing printed BOPP packs.
2. Installation and commissioning of RO Plant of 2000 ltrs per hour capacity.
3. Installation of 'acoustic guards' on high speed cigarette making and packing machines to reduce noise pollution.
4. Installation of high performance isopropyl alcohol 'leak detector' to enhance safety standards.
5. Installation of 'wonder ware software' on quality monitoring instruments for the cigarette making machines to enhance final product quality.
6. Installation of 'sifter' in pan masala making process to ensure product consistency.

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RESEARCH & DEVELOPMENT

New Product Development

1. Initiated development work for some differentiated products for domestic markets for creating new consumer base for gaining market share.
2. Developed and implemented low ignition propensity cigarettes and tested the same for overseas customers.
3. Developed various new blends and enhanced current blends, thus creating a library in order to cater to varied buyer base.
4. Developed value added and differentiated products for the Bidi and Chewing categories.
5. Analysed cigarette samples on commercial basis from overseas customers.

Benefits derived as a result of this Development

1. Created premium brands, a category where we have only marginal presence in the domestic cigarette markets.
2. Enhanced capability in creating and analysing differentiated products for domestic as well as export markets.
3. Created a range of products for consumers and thus add potential to both top-line and bottom-line growth.
4. Increased number of variants of blends and cigarettes available for both domestic and export markets.

Future Plan of Action

1. Capability improvement in terms of creating differentiated and innovative products for the cigarette business thus widen the offering base.
2. Standardization of Bidi smoking method on smoking machine.
3. Continuous up-gradation of analytical facility and library to meet future challenges.
4. NABL accreditation of R&D food laboratory.

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. 284 crore (previous year Rs. 317 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 132 crore (previous year Rs. 94 crore).

DIRECTORS

Mr. R. A. Shah, Mr. Lalit Kumar Modi and Mr. Samir Kumar Modi, Directors, will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. Brief resume of these Directors, as stipulated under clause 49 of the Listing Agreement, is annexed in the Corporate Governance Report.

Mr. Lalit Kumar Modi has ceased to be the Director in whole-time employment of the Company with effect from 1st August, 2010.

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;
- (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 30, 2011.

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.

A 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.

A certificate from Mr. K.K. Modi, Managing Director as the Chief Executive Officer (CEO) and Mr. Sunil Agrawal, as the Chief Financial Officer in relation to the financial statements for the year ended March 31, 2011 along with a 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 that 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

A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors, have offered themselves for re-appointment as Auditors for the Head Office as well as branch offices at Ahmedabad, Mumbai, Kolkata, Ghaziabad, Guntur, Hyderabad, Chennai, New Delhi, Chandigarh and Baramati.

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

SUBSIDIARY COMPANIES

The Reports and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them.

GROUP

Pursuant to disclosure received from the Indian Promoter of the Company, the names of the promoters and entities comprising 'Modi Group' are annexed to this Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and otherwise.

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.

THE FUTURE

Your Company continues to be the second largest cigarette manufacturing company in India. Various corporate initiatives like new product development, expansion of distribution in Southern and Eastern Indian markets, strengthening presence in existing markets, multi-product distribution, etc. are being used as drivers for enhancing business value. Steady growth in domestic business, growing international presence and prospects in new product categories like chewing products and bidis, show promise to accelerate growth momentum. Robust sales & distribution network alongwith the best of the manufacturing facilities, including the new plant being built at Thane in Maharashtra will likely ensure sustained growth opportunities. Your Directors, therefore, look forward to the future with confidence and optimism.

Respectfully submitted on behalf of the Board

New Delhi
Dated : July 30, 2011

R.A. SHAH
CHAIRMAN

MODI GROUP

Persons constituting 'Modi group' coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and otherwise, include the following:

- Aar Shyam India Investment Company Limited
- Aarsree Agra Limited
- Amber Chemicals Private Limited
- Ananda Heritage Hotels Private Limited
- Anjney Investments & Trading Company Limited
- Assam Cigarette Company Private Limited
- Beacon Travels Private Limited
- Bina Fashions N Food Private Limited
- Buzzzz TV Private Limited
- Charu Investments Private Limited
- Cindrella Developments Private Limited
- Cindrella Holdings Private Limited
- Cindrella Resources Private Limited
- Colorbar Cosmetics Private Limited
- Criclive.com India Private Limited
- Divya Modi
- Doruka Designs Private Limited
- F Scape Media Private Limited
- Fashion Television India Private Limited
- Gemini Tradelinks Limited
- Good Investment (India) Limited
- H. M. A. Investments Private Limited
- H. M. A. Udyog Private Limited
- Hindustan Leasing Company
- Home Communication Network Limited
- Indo Baijin Chemicals Private Limited
- Indian Cricket League Limited
- Indo Euro Investment Company Private Limited
- Indofil Industries Limited
(Formerly known as Indofil Organic Industries Limited)
- Integrated Technology Solutions Private Ltd
- International Research Park Laboratories Limited
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Factory) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Offices) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Factory) Welfare Trust
- K.K.Modi, Trustee - Indofil Junior Employees (Factory) Benefit Trust & Bina Modi, Trustee
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Offices) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Factory) Benefit Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Offices) Benefit Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Offices) Benefit Trust
- K.K.Modi Family Trust
- K.K.Modi Investment & Financial Services Private Limited
- Kaushambi Industries Private Limited
- Krishan Kumar Modi
- KKM Management Centre Private Limited
(Formerly known as Modi Entertainment Cable Network Private Limited)
- Lalit Kumar Modi
- Longwell Investment Private Limited
- Marketing and Brand Solutions (India) Private Limited
- ME Fashion Mauritius Private Limited
- ME Fashions India Private Limited
- ME India Holding Private Limited
- MEN Interactive Network Limited
- Modern Homecare Products Limited
- Modi Apollo International Group Private Limited
- Modi ATI Education Private Limited
- Modi Brands Private Limited
- Modi Entertainment Limited
- Modi Entertainment Network Limited, BVI
- Modi Entertainment Network Mauritius Limited
- Modi Healthcare Placement India Private Limited
- Modi New World India Private Limited
- Modi Reach Finance and Investment (India) Limited
- Modicare Limited
- Motto Investment Private Limited
- MWC Market Services Private Limited
- N K Textile Industries Limited
- Neena Commercial Private Limited
- Neon Solutions Private Limited
- Oriental Leasing Company
- Premium Bidi Company Limited
- Premium Merchants Limited
- Premium Tradelinks Private Limited
- Priyal Hitay Nidhi
- Quick Investment (India) Limited
- R C Tobacco Private Limited
- Rajputana Developers Limited
- Rajputana Fertilizers Limited
- Ramraj Enterprises Limited
- Real Time Tolling Solutions Private Limited
- Ritika N Rungta
- Samir Kumar Modi
- Sapphire Insurance Agencies Limited
- Serendipity Design Private Limited
- Serendipity Enterprises Private Limited
- Shashank Traders Limited
- Spice Mobiles Limited
- Subhsree Patrochem Industrial Investments Limited
- Success Principles Limited
- Super Investment (India) Limited
- Swasth Investment Private Limited
- Tobacco Holdings
- Touchwood Investment Private Limited
- Twenty Four Seven Retail Stores Private Limited
- Upasana Investment Private Limited
- USG Financial Services Private Limited
- Vandana Dealers Private Limited
- Vinay Kumar Modi, Trustee - Modi Spinning & Weaving Mills Company Limited (Head Office) Employees Welfare Trust
- Voyages Television Private Limited
- Also, any other Subsidiaries and Affiliates of the above entities.

REPORT ON CORPORATE GOVERNANCE

for the year ended March 31, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

The Directors present the Company's Report on Corporate Governance

1. THE COMPANY'S GOVERNANCE PHILOSOPHY

The Company's Corporate Governance initiatives are devised for achieving basic objective of wealth creation for the benefit of all its stakeholders namely the 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 best of their efforts.

The Board of Directors 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.

2. BOARD OF DIRECTORS

(i) Composition

The Board of Directors of the Company consists of executive and non-executive directors and more than half of the Board comprises of non-executive directors. The non-executive directors are independent professionals drawn from amongst persons with experience in business/law/finance. At present the total strength of the Board of Directors is nine out of which six are 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, 2011.

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

Director	Category	No. of Board Meetings attended	Attendance at last AGM	Directorship/Chairmanship of Board of other Companies* as at March 31, 2011	Membership/Chairmanship of other Board Committees** as at March 31, 2011
Mr. R.A. Shah	Non-Executive & Independent	6	Yes	14 (includes 3 as Chairman and 1 as Vice- Chairman)	10 (includes 5 as Chairman)
Mr. K.K. Modi	Executive	6	Yes	12	2 (includes 1 as Chairman)
Mr. R. Ramamurthy	Executive	6	Yes	9	1
Mr. Lalit Bhasin	Non-Executive & Independent	5	Yes	9	8 (includes 1 as Chairman)
Mr. Anup N. Kothari	Non-Executive & Independent	6	Yes	2	None
Mr. Lalit Kumar Modi®	Non-Executive & Non-Independent#	1\$	No	8	1 (as Chairman)
Mr. C.M. Maniar	Non-Executive & Independent	5	Yes	14	8 (includes 1 as Chairman)
Mr. O.P. Vaish	Non-Executive & Independent	6	Yes	5	3
Mr. Samir Kumar Modi®	Executive	5	Yes	9	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 Audit Committee and Shareholders/Investors Grievances Committee (excluding private companies)

Ceased to be Executive director w.e.f. 1st August, 2010

\$ Apart from this, he attended 3(three) more board meetings through tele-conferencing

® Sons of Mr. K. K. Modi



(iii) Board Meetings held during the year

During the year 2010-11, Six Board Meetings were held on the following dates: May 29, 2010, July 31, 2010, August 28, 2010, September 9, 2010, October 30, 2010 and January 29, 2011.

In addition to the regular business items, other information as applicable pursuant to the requirements under the Listing Agreement with the Stock Exchanges were 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.)	41.52	Payment for professional services to Crawford Bayley & Co.
2	Mr. Lalit Bhasin (Proprietor of Bhasin & Co.)	13.83	Payment for professional services to Bhasin & Co.
3	Mr. O.P. Vaish (Relatives of Mr. O.P. Vaish are partners in Vaish Associates)	16.37	Payment for professional services to Vaish Associates

(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 namely Mr. R. A. Shah, Mr. Lalit Kumar Modi & Mr. Samir Kumar Modi) shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders' approval.

Name of the Director	Qualifications	Experience	Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*
1) Mr. R.A. Shah	Solicitor	<ul style="list-style-type: none"> - He is a Solicitor and Senior Partner of Messrs Crawford Bayley & Co. - Specialists 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 of the Managing Committee of Bombay Chamber of Commerce. - Member of Indo German Chamber of Commerce. - President of Society of Indian Law firms (Western Region) 	<ol style="list-style-type: none"> 1. Abbott India Limited (Also member of Audit Committee) 2. ACC Limited 3. Asian Paints (India) Limited 4. BASF India Limited (Also member of Audit Committee) 5. The Bombay Dyeing & Mfg. Co. Limited (Also member of Audit Committee) 6. Century Enka Limited (Also member of Audit Committee) 7. Clariant Chemicals (India) Limited (Also Chairman of Audit Committee) 8. Colgate – Palmolive India Limited (Also Chairman of Audit Committee) 9. Deepak Fertilizers & Petrochemicals Corporation Limited 10. Lupin Limited 11. Pfizer Limited (Also Chairman of Audit Committee) 12. Piramal Healthcare Limited (Also Chairman of Audit Committee) 13. Procter & Gamble Hygiene and Healthcare Limited (Also Chairman of Audit Committee) 14. Wockhardt Limited (Also member of Audit Committee)



Name of the Director	Qualifications	Experience	Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*
2) Mr. Lalit Kumar Modi	Studied Electrical Engineering and Business Administration at Pace University & Duke University, U.S.A. during 1983-86.	<ul style="list-style-type: none"> - Underwent Training with Philip Morris Inc., New York in 1984 and Estee Lauder in 1985. - Management Trainee Finance in the Company in 1986. - President of International Tobacco Company Limited from 1987 to 1991. - Associated with the Company since February, 1992 as an Executive Director and acquired considerable experience in finance, marketing, advertising & administration. 	<ol style="list-style-type: none"> 1. Indian Cricket League Limited 2. Indofil Industries Limited (formerly Indofil Organic Industries Limited) 3. MEN Interactive Network Limited 4. Modern Home Care Products Limited 5. Modi Entertainment Limited (Also chairman of Audit Committee) 6. Modi Reach Finance & Investment (India) Limited 7. Modicare Limited 8. Success Principles Limited

Note: Mr. Lalit Kumar Modi is son of Mr. K. K. Modi, Managing Director of the Company and also brother of Mr. Samir Kumar Modi, Executive Director of the Company

Name of the Director	Qualifications	Experience	Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*
3) Mr. Samir Kumar Modi	<p>B.A. from Hindu College, Delhi University.</p> <p>Executive MBA from Harvard University, USA.</p>	<ul style="list-style-type: none"> - Worked as Management Trainee with Philip Morris Inc. USA from August 1992 to December 1993 and acquired considerable experience in marketing & distribution, development of cigarette brands & retail promotions. - Handled MARLBORO promotion for the years 1993-94 and 1994-95. - Also acquired in depth knowledge of cigarette production in Philip Morris Inc. factories during 1992-93. - Associated with the Company since January 11, 1994 as Whole-time / Executive Director. - Launched first Multi Level Marketing Company in India in 1996. - In 1996, Samir established the Modicare Foundation to prevent the spread of HIV/ AIDS, enhance awareness and erase the myths and misconceptions surrounding the disease. - In 2004, Samir launched ColorBar Cosmetics in retail market. Today ColorBar has a significant market share in premium segment across India. - In 2005, he launched India's first of its kind Convenience retail chain - Twenty Four Seven Retail Stores that are open 24 hours, 7 days a week. 	<ol style="list-style-type: none"> 1. Indian Cricket League Limited 2. Indofil Industries Limited (formerly Indofil Organic Industries Limited) 3. MEN Interactive Network Limited 4. Modern Home Care Products Limited 5. Modi Entertainment Limited 6. Modi Reach Finance & Investment (India) Limited 7. Modicare Limited (Also member of Audit Committee) 8. Modicare Sales & Services Limited (striking off under Easy Exit Scheme, 2011) 9. Success Principles Limited

Note: Mr. Samir Kumar Modi is son of Mr. K. K. Modi, Managing Director of the Company and also brother of Mr. Lalit Kumar Modi, Non-Executive Director of the Company.

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies. Represents membership/ chairmanship of Audit Committee and Shareholders/ Investors Grievances Committee (excluding private companies).

(vi) Legal Compliances

Periodical status of various statutory compliances are put before the Audit Committee and the Board of Directors from time to time and no instances of material non-compliances were noticed during the financial year.

(vii) Code of Conduct

The Company has a Code of business conduct applicable to the Board members and senior management team of the Company. Such Code of conduct is posted on the website of the Company.

All the Board members and senior management team have affirmed compliance with the Code of conduct as above for the financial year ended 31st March, 2011. A declaration signed by Mr. K.K. Modi, President & 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 Board of Directors of the Company have constituted an Audit Committee comprising of three non-executive independent directors namely Mr. O. P. Vaish, Mr. Anup N. Kothari and Mr. Lalit Bhasin, in pursuance of the provisions of Section 292A of the Companies Act, 1956. 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. Audit Committee of the Company consists of members who are financially literate and Mr. O.P. Vaish, Chairman of the Audit Committee possesses accounting and related financial management expertise by virtue of his long experience in the relevant areas. Mr. Sanjay Gupta, Company Secretary acts as the Secretary to the Committee.

The Chairman attended the Annual General Meeting held on 9th September, 2010 to answer the shareholders' queries.

The terms of reference of the Audit Committee are in accordance with clause 49 of the listing agreement entered into with the stock exchanges and provisions of Section 292A of the Companies Act, 1956 and inter-alia include overseeing financial reporting process, reviewing the financial statements before submission to the Board, reviewing internal control systems and internal audit functions, etc. The Audit Committee also reviews the information relating to management discussion and analysis of financial condition, significant related party transactions, letters of internal control weaknesses issued by the statutory auditors and internal audit reports.

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

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

During the financial year 2010-11, the Audit Committee met four times on May 29, 2010, July 31, 2010, October 30, 2010 and January 29, 2011.

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

4. SUBSIDIARY COMPANIES

- (i) Since the Company does not have any material non-listed 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, 2011.
- (iii) Copies of the minutes of the board meetings of all the unlisted subsidiary companies held during the year 2010-11 were placed at the board meeting of the Company held on May 29, 2011. 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 the subsidiaries is material.

5. DISCLOSURES

(A) Basis of related party transactions

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

Transactions with all the related parties referred to in note 10 of the Notes to the Accounts to the Financial Statements for the year ended March 31, 2011 are in the ordinary course of business. These transactions were placed at the Audit Committee meeting held on May 29, 2011.

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

There are no such transactions entered into by the Company with the related parties during the financial year ended March 31, 2011 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 such transactions entered into by the Company with the related parties during the financial year ended March 31, 2011 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, 2011 comply with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006.

(C) Board Disclosures – 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 departmental heads are reasonably alive of 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 and mitigating factors, which was placed before the Board from time to time.

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

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

6. REMUNERATION TO DIRECTORS

(i) Remuneration policy

The Company has not constituted any Remuneration Committee. The remuneration to be 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. The Non-Executive Directors do not draw any remuneration from the Company other than the payment of sitting fee of Rs.20,000/- for each meeting of the Board and the Board Committee attended by them. 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 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	1,20,000	1,20,000
Mr. K.K. Modi ¹	1,20,00,000	39,600	1,00,00,000	Nil	2,20,39,600
Mr. R. Ramamurthy ²	72,00,000	39,600	Nil	Nil	72,39,600
Mr. Lalit Bhasin	Nil	Nil	Nil	2,20,000	2,20,000
Mr. Anup N. Kothari	Nil	Nil	Nil	2,00,000	2,00,000
Mr. Lalit Kumar Modi ³	5,00,000	83,43,352	78,33,330	Nil	1,66,76,682
Mr. C.M. Maniar	Nil	Nil	Nil	1,60,000	1,60,000
Mr. O.P. Vaish	Nil	Nil	Nil	2,00,000	2,00,000
Mr. Samir Kumar Modi ⁴	27,25,000	27,28,248	27,25,000	Nil	81,78,248
Total	2,24,25,000	1,11,50,800	2,05,58,330	9,00,000	5,50,34,130

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

(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, 2009. The notice period is six calendar months by either party. No severance fees is payable to him. Besides fixed salary, Mr. K. K. Modi is also entitled to payment of commission @ 2% of the net profits of the Company computed in the manner laid down under Sections 198, 349 and 350 of the Companies Act, 1956, subject to a ceiling of Rs. 100 lacs per annum.

²The Company has service contract with Mr. R. Ramamurthy, Whole-time Director for a period of three years with effect from 14th August, 2009. 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.

³The Company had service contract with Mr. Lalit Kumar Modi, Executive Director for a period of three years with effect from August 30, 2007. However, he has ceased to be in the whole-time employment of the Company as an Executive Director w.e.f. 1st August, 2010 and thereafter continues as an Ordinary Director. Further, in pursuance to the resolution passed 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.

⁴The Company has service contract with Mr. Samir Kumar Modi, Executive Director for a period of three years with effect from 1st September, 2010. His present tenure would be expiring on 31st August, 2013. His re-appointment as and when made has to be approved by the shareholders at the Annual General Meeting. The notice period is three months by either party. Besides salary, allowances and perquisites, Mr. Samir Kumar Modi is also entitled to payment of commission of Rs. 36 lacs per annum subject to a ceiling of 1% of the net profits of the Company computed in the manner laid down under Sections 198, 349 and 350 and the aggregate amount of salary, commission together with the monetary value of perquisites computed in the manner provided under the Income-tax Act, 1961 or Rules made thereunder shall not exceed Rs. 110 lacs per annum.

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 directors	No. of shares held as on March 31, 2011
1.	Mr. R. A. Shah (shares held jointly with Mrs. A. R. Shah - wife)	4000
2.	Mr. 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	400
6.	Mr. Lalit Kumar Modi	400

7. MANAGEMENT

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

The Management Team comprising of 12 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, 2011 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 before the Board of Directors 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 Mr. 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 regarding transfer of shares, non-receipt of balance sheets and dividends, etc. Mr. Sanjay Gupta, Company Secretary has been acting as the Compliance Officer.

During the financial year 2010-11, 24 complaints were received from the shareholders/investors and same were solved to their satisfaction. There were neither any complaints nor any cases of share transfers pending as on March 31, 2011.

9. GENERAL BODY MEETINGS

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

Financial year	Date of AGM	Time	Location
2007-08	August 28, 2008	3:30 P.M.	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021
2008-09	September 25, 2009	3:30 P.M.	-do-
2009-10	September 9, 2010	3:30 P.M.	-do-

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

A special resolution was put through postal ballot during the year and result thereof declared on April 28, 2011. No other special resolution is proposed to be conducted through postal ballot till the ensuing Annual General Meeting.

S. NO.	POSTAL BALLOT THROUGH WHICH SPECIAL RESOLUTION WAS PASSED	PARTICULARS OF THE RESOLUTION
1.	Postal Ballot	<ul style="list-style-type: none"> Approving the payment of commission, to non-executive director - Mr. Lalit Kumar Modi, not exceeding one percent (1%) per annum of the net profits of the Company computed in the manner laid down in Sections 198, 349 and 350 of the Companies Act, 1956 subject to a ceiling of Rs. 110 lacs per annum for a period of three years w.e.f. 1st August, 2010

During the last three years following special resolutions were passed:

S. NO.	ANNUAL GENERAL MEETING AT WHICH SPECIAL RESOLUTION WAS PASSED	PARTICULARS OF THE RESOLUTION
1.	Seventy First AGM	<ul style="list-style-type: none"> No Special Resolution was passed
2.	Seventy Second AGM	<ul style="list-style-type: none"> Approving the change in the place of keeping the Registers and Records of the Company pursuant to Section 163 of the Companies Act, 1956. Alteration of Articles of Association by way of insertion of Article 88A, Article 102B, Article 105A and Article 149A.
3.	Seventy Third AGM	<ul style="list-style-type: none"> No Special Resolution was passed

10. DISCLOSURES

- i) Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are stated in note 10 of the Notes to the Accounts attached with the financial statements for the year ended March 31, 2011.

The said transactions have no potential conflict with the interest of the Company at large.

- ii) There is no non-compliance of any legal provision of applicable laws and no penalties or strictures have been imposed by the stock exchanges, SEBI or any other statutory authority on any matter related to capital markets during the last three years.



- iii) The Company does not have any Whistle Blower Policy.
- iv) 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.

11. 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 reports 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.

12. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : September 20, 2011 at 11.00 a.m.
Venue : Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021

(ii) Financial Calendar for 2011-12

First Quarter Results : Latest by 14th August, 2011
Second Quarter Results : Latest by 14th November, 2011
Third Quarter Results : Latest by 14th February, 2012
Annual Results : Latest by 29th May, 2012

(iii) Date of Book Closure : September 10, 2011 to September 20, 2011 (both days inclusive)

(iv) Dividend Payment Date : Dividend payments shall be made on or after September 26, 2011 to those shareholders whose names shall appear on the Members' Register as on September 20, 2011.

(v) Listing on the Stock Exchanges:

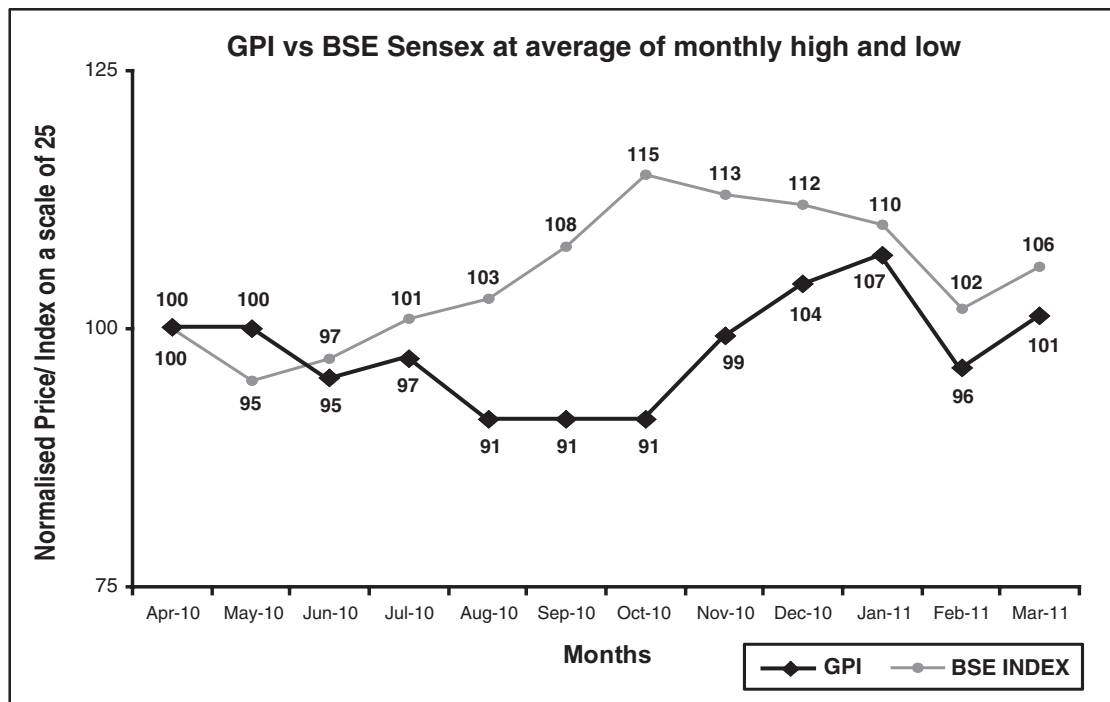
The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP), Bombay Stock Exchange (Stock Code 500163).

vi) Market Price Data of equity shares of the Company

High, Low during each month in the financial year 2010-11, on The Bombay Stock Exchange

Month	High (Rs.)	Low (Rs.)
April 2010	1998.00	1840.00
May 2010	2048.00	1771.25
June 2010	1864.90	1770.00
July 2010	1955.00	1783.00
August 2010	1875.00	1602.10
September 2010	1825.00	1670.00
October 2010	1799.00	1676.10
November 2010	2083.00	1725.00
December 2010	2125.00	1852.00
January 2011	2219.90	1890.00
February 2011	1998.00	1700.00
March 2011	2069.00	1818.00

(vii) Performance in comparison to BSE Sensex



(viii) Registrars and Share Transfer Agent

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., Registrars and Share Transfer Agent (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 and the shares are not under dispute. The share certificates duly endorsed are returned immediately to those who do not opt for simultaneous transfer cum dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories NSDL/CDSL within 21 days.

(x) Distribution of shareholding as on March 31, 2011

Number of equity share holdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-50	5408	48.105	96610	0.929
51-100	2162	19.231	194486	1.870
101-500	3265	29.043	702678	6.757
501-1000	237	2.108	168895	1.624
1001-5000	121	1.077	238914	2.298
5001-10000	10	0.089	70487	0.678
10001 & Above	39	0.347	8926714	85.844
TOTAL	11242	100.000	10398784	100.000



(xi) Categories of Shareholding as on March 31, 2011

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	13,70,783	13.18
Mutual funds/UTI	125	0.00
Financial Institutions/Banks	9,203	0.09
Central Government/State Government(s)	6,000	0.06
Bodies Corporate	1,10,886	1.07
Individuals	14,86,945	14.30
Directors & Relatives	8,038	0.07
NRI and OCBs	18,867	0.18
Total Public Shareholding	30,10,847	28.95
Total Shareholding (A+B)	1,03,98,784	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, 2011, a total of 68,10,962 equity shares of the Company, which forms 65.50% 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 any Convertible Instruments

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

(xiv) Plant Locations

The Company's plants are situated at Andheri (Mumbai) and Baramati and the 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-400099
Guldhar Plant (Cigarette)	:	International Tobacco Company Limited, Delhi-Meerut Road, Guldhar, Ghaziabad -201001
Baramati Plant (Chewing Products)	:	Plot No. A-1/1, MIDC Industrial Area, Baramati, Maharashtra - 413133

Address for Correspondence

Shareholders should address all their correspondence concerning shares to the Company's Registrars and Share Transfer Agent, Sharepro Services (India) Pvt. Ltd. at the address mentioned at S.No.12(viii) above or at:

Sharepro Services (India) Pvt. Ltd., 912, Raheja Centre, Free Press Journal Road, Nariman Point,
Mumbai- 400021

Telephone No : 022-22825163 E-mail : sharepro@shareproservices.com

13. CEO/CFO CERTIFICATION

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

14. COMPLIANCE REPORT ON CORPORATE GOVERNANCE

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.

For and on behalf of the Board

Place : New Delhi
Date : July 30, 2011

R.A. SHAH
Chairman

**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, 2011.

Place : New Delhi
Date : May 29, 2011

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 - 110 025

We, K.K. Modi, Managing Director being the Chief Executive Officer and Sunil Agrawal, Chief Financial Officer of Godfrey Phillips India Limited, to the best of our knowledge and belief, confirm in relation to the financial statements for the year ended March 31, 2011 that:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with 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 which are fraudulent, illegal or violative of the Company's code of 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. Also, during the year we have not come across any significant instances of deficiencies in the design or operation of such internal controls requiring disclosure to the auditors and the Audit Committee.
- d. There were no significant changes in internal control over financial reporting and in accounting policies during the year requiring disclosure to the auditors and the Audit Committee. Also, we have not come across any instances of fraud during the year requiring disclosure to the auditors and the Audit Committee other than the instance of defalcation by an employee reported by the auditors under CARO.

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

SUNIL AGRAWAL
(Chief Financial Officer)

Place: New Delhi
Date : May 29, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

CERTIFICATE

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, 2011, 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

Jaideep Bhargava
Partner
Membership No. 090295

Place : New Delhi
Date : July 30, 2011

AUDITORS' REPORT

To the Members of Godfrey Phillips India Limited



GODFREY PHILLIPS
—INDIA LIMITED—

1. We have audited the attached Balance Sheet of **GODFREY PHILLIPS INDIA LIMITED** ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 Profit and Loss Account 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: New Delhi
Date : May 29, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 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.

(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, no physical verification was due during the current year. 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.
- (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 and have been properly dealt with in the books of account.

(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. 100 lacs to a company during the year. The maximum amount due during the year in respect of the said loan and the year-end balance is Rs. 100 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) As per the terms and conditions of the loan made no principal amount or interest thereon was due during the year.

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 except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (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 are informed that the maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 in respect of the Company's products.
- (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, Employees' State Insurance, Income-tax, Wealth Tax, Customs Duty, Entry tax, 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 and value added tax. 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, 2011, 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	0.83	0.25	1995-96, 2001-02	Sales Tax Tribunal
		77.72	26.54	1998-99 to 1999-00, 2005-06 to 2010-11	Upto Commissioners' Level
		6.48	6.48	2006-07	High court
Central Excise Law	Excise duty	96.72	–	2008-09 to 2010-11	Upto Commissioners' Level
		453.67	–	2002-03 to 2006-07, 2008-09, 2009-10	Customs Excise Service Tax Appellate Tribunal
Income-Tax Law	Income-tax	244.00	244.00	1980 to 1983, 1995-96 to 1997-98	High Court
		301.27	301.27	2000-01, 2002-03 to 2006-07	Income Tax Appellate Tribunal
		316.50	269.85	1999-00, 2004-05 to 2008-09	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	318.42	1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02, 2004-05	High Court
		151.70	2002-03 to 2003-04	Income Tax Appellate Tribunal
		6.07	2000-01	Upto Commissioners' Level
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court
Central Excise Law	Excise duty	2.61	2009-10	Customs Excise Service Tax Appellate Tribunal
Sales Tax Laws	Sales Tax	10.40	2007-08	High Court



GODFREY PHILLIPS
—INDIA LIMITED—

- (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) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, 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, other than defalcation of Rs. 2.47 lacs by an employee, which sum was subsequently recovered from him.

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

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: New Delhi
Date : May 29, 2011

BALANCE SHEET

as at March 31, 2011

Rupees in lacs

	Schedule Number		As at 31.3.2011		As at 31.3.2010
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1	1039.88		1039.88	
Reserves and surplus	2	77985.21	79025.09	65611.86	66651.74
Loan funds	3				
Secured			22551.88		11455.43
Deferred tax liabilities (net)	12		-		97.17
TOTAL			101576.97		78204.34
APPLICATION OF FUNDS					
Fixed assets	4				
Gross block		49910.91		42742.17	
Less: Depreciation and amortization		21574.21		18143.03	
Net block		28336.70		24599.14	
Capital work-in-progress and advances on capital account		19050.68	47387.38	7296.99	31896.13
Investments	5		32314.18		19485.57
Deferred tax assets (net)	12		78.81		-
Current assets, loans and advances					
Inventories	6	34919.54		36014.58	
Sundry debtors	7	4538.60		4929.03	
Cash and bank balances	8	5150.23		3409.96	
Loans and advances	9	11280.04		10041.44	
		55888.41		54395.01	
Less:					
Current liabilities and provisions					
Current liabilities	10	25247.20		20823.19	
Provisions	11	8844.61		6749.18	
		34091.81		27572.37	
Net current assets			21796.60		26822.64
TOTAL			101576.97		78204.34
Notes to the accounts	16				

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

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President

R.N. AGARWAL
Executive Vice President (Finance)

R. RAMAMURTHY
Whole-time Director

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

Directors

New Delhi : May 29, 2011

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary



GODFREY PHILLIPS
—INDIA LIMITED—

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2011

Rupees in lacs

	Schedule Number	For the year ended 31.3.2011	For the year ended 31.3.2010
INCOME			
Gross sales		305732.42	260766.27
Less : Excise duty		145487.54	122378.91
Net sales		160244.88	138387.36
Other income	13	5105.68	6526.02
		165350.56	144913.38
EXPENSES			
Raw and packing materials, manufactured and other goods	14	66293.74	69135.56
Manufacturing and other expenses	15	69628.78	56640.22
Depreciation and amortization	4	4000.29	3390.97
Increase/(decrease) in excise duty on finished goods		1280.38	(992.94)
		141203.19	128173.81
Profit before taxation		24147.37	16739.57
Provision for taxation - current tax		7720.00	4552.96
- deferred tax (credit)/charge		(175.98)	333.04
- fringe benefit tax		-	15.10
Profit after taxation		16603.35	11838.47
Balance brought forward from previous year		47614.98	40307.99
Available for appropriation		64218.33	52146.46
APPROPRIATIONS			
Proposed dividend		3639.57	2599.70
Corporate dividend tax		590.43	431.78
Transferred to general reserve		2000.00	1500.00
Surplus carried to balance sheet		57988.33	47614.98
		64218.33	52146.46
Basic and diluted earnings per share (Face value of share - Rs.10 each)		Rs. 159.67	Rs. 113.84
Notes to the accounts	16		

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

S. SERU
Chief Executive

R.N. AGARWAL
Executive Vice President (Finance)

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
Executive Director

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Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President

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

Directors

New Delhi : May 29, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

CASH FLOW STATEMENT

for the year ended March 31, 2011

Rupees in lacs

		For the year ended 31.3.2011		For the year ended 31.3.2010
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax		24147.37		16739.57
Adjustments for:				
Depreciation and amortization		4000.30		3390.97
Interest income from:				
Subsidiary companies		(400.71)		(387.13)
Debts, deposits, loans, etc.		(303.97)		(252.52)
Dividends from other long term investments		(355.53)		(161.90)
Profit on redemption/sale of other long term investments		(807.50)		(2230.04)
Profit on sale of other current investments		(347.11)		(214.84)
Exchange loss on foreign currency bank balance		0.23		11.01
Exchange gain on foreign currency borrowings		(251.93)		(1119.25)
Provision for wealth-tax		18.00		17.00
Interest expense - fixed loans		961.98		633.64
- others		23.20		56.33
Provision for decline in the value of Investments written back		(146.00)		(166.00)
Fixed assets written off		59.73		124.04
Loss on sale of fixed assets		98.51		100.87
		<u>2549.20</u>		<u>(197.82)</u>
Operating profit before working capital changes		26696.57		16541.75
Adjustments for:				
Trade and other receivables		(906.35)		(3062.92)
Inventories		1095.04		432.87
Trade and other payables		5211.34		(2905.72)
		<u>5400.03</u>		<u>(5535.77)</u>
Cash generated from operations		32096.60		11005.98
Interest received		599.60		532.43
Direct taxes paid		(7561.76)		(4160.46)
		<u>(6962.16)</u>		<u>(3628.03)</u>
Net cash from operating activities		25134.44		7377.95
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(19806.57)		(9675.09)
Proceeds from sale of fixed assets		156.79		142.67
Purchase of investments	(220610.45)		(188769.57)	
Proceeds from sale of investments	209082.45	(11528.00)	192880.58	4111.01
Dividends from long term other investments		355.53		161.90
Loans and deposits given		(100.00)		-
Loans and deposits received back		50.00		50.00
Interest received		98.85		86.16
Net cash used in investing activities		(30773.40)		(5123.35)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Term loans availed		12923.70		5469.60
Repayment of long term borrowings		(1822.16)		(2068.12)
Proceeds from/ (Repayment of) working capital borrowings		246.85		(355.51)
Interest paid		(946.26)		(605.24)
Dividend paid		(2590.89)		(2593.03)
Corporate dividend tax paid		(431.78)		(441.82)
Net cash used in financing activities		7379.46		(594.12)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		1740.50		1660.48
Opening cash and cash equivalents				
- Cash and bank balances*		3409.96		1760.49
Closing cash and cash equivalents				
- Cash and bank balances*		5150.23		3409.96
- Effect of exchange rate changes on exchange earner foreign currency bank balance		0.23		11.01
		<u>5150.46</u>		<u>3420.97</u>

*Includes bank fixed deposits lodged as security with Government Authorities, term deposits and margin money deposits with banks aggregating to Rs.3973.86 lacs as at March 31, 2011 (as at March 31, 2010 Rs. 990.01 lacs and as at March 31, 2009 Rs. 458.94 lacs)

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

S. SERU
Chief Executive

R.N. AGARWAL
Executive Vice President (Finance)

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President

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

Directors

New Delhi : May 29, 2011

SCHEDULES 1 to 16 annexed to and forming part of
the accounts for the year ended March 31, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 1 - 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 PAID UP		
1,03,98,784 Equity shares of Rs.10 each fully paid up	1039.88	1039.88

Of the above equity shares

- (i) 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- (ii) 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

SCHEDULE 2 - Reserves and surplus

REVALUATION RESERVE Per last balance sheet		236.16		236.16
CAPITAL REDEMPTION RESERVE Per last balance sheet		30.00		30.00
GENERAL RESERVE Per last balance sheet	17730.72		16230.72	
Add: Amount transferred from profit and loss account	2000.00	19730.72	<u>1500.00</u>	17730.72
PROFIT AND LOSS ACCOUNT		57988.33		47614.98
		77985.21		65611.86

SCHEDULE 3 - Loan funds

SECURED			
From banks:			
- Term loans secured by way of exclusive charges over specific plant and machinery (payable within 12 months Rs.3266.23 lacs; previous year Rs.1801.71 lacs)		20083.46	9233.85
- Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company		2468.42	2221.58
		22551.88	11455.43

SCHEDULE 4 - Fixed assets

	GROSS BLOCK (AT COST)				DEPRECIATION/AMORTIZATION				NET BLOCK	
	As at	Additions/	Deductions	As at	As at	For the	On	As at	As at	As at
	31.3.2010	adjustments		31.3.2011	31.3.2010	year	deductions	31.3.2011	31.3.2011	31.3.2010
Goodwill	1.20	-	1.20	-	1.20	-	1.20	-	-	-
Patents and trade marks	0.51	-	0.51	-	0.51	-	0.51	-	-	-
Land(leasehold)	437.46	(425.98)**	-	11.48	-	-	-	-	11.48	437.46
Land (freehold)	377.93	565.66**	-	943.59	-	-	-	-	943.59	377.93
Buildings	1612.88*	950.09	-	2562.97*	312.98	66.60	-	379.58	2183.39	1299.90
Leasehold Building improvements	564.27	57.43	-	621.70	18.84	20.76	-	39.60	582.10	545.43
Plant and machinery	33823.28	5803.44	316.64	39310.08	15470.69	3301.28	263.07	18508.90	20801.18	18352.59
Electrical installation and equipments	228.22	50.63	7.01	271.84	74.81	13.21	4.03	83.99	187.85	153.41
Computers and Information technology equipments	1216.73	277.17	123.38	1370.52	741.38	170.87	97.95	814.30	556.22	475.35
Computer software	411.89	98.19	-	510.08	133.54	82.68	-	216.22	293.86	278.35
Furniture, fixtures and office equipments	1538.79	225.28	60.36	1703.71	641.85	97.64	30.76	708.73	994.98	896.94
Motor vehicles	2529.01	450.97	375.04	2604.94	747.23	247.25	171.59	822.89	1782.05	1781.78
Total	42742.17	8052.88	884.14	49910.91	18143.03	4000.29	569.11	21574.21	28336.70	-
Previous year	35220.88	8548.01	1026.72	42742.17	15411.20	3390.97	659.14	18143.03	-	24599.14
Capital work-in-progress and advances on capital account @										
									19050.68	7296.99
									47387.38	31896.13

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

** During the year leasehold land valued at Rs.425.98 lacs has been converted into freehold.

@ Includes pre-operative expenses of Rs. 531.41 lacs (previous year Rs. 147.53 lacs)

Note:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs. 19369.47 lacs (previous year Rs.9067.57 lacs).



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments		
LONG TERM (At cost unless otherwise stated)		
TRADE INVESTMENT - UNQUOTED		
Subsidiary company		
International Tobacco Company Limited 1,00,000 Equity shares of Rs.100 each fully paid up	100.00	100.00
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 (purchased during the year)	110.25	-
OTHER INVESTMENTS - UNQUOTED		
Subsidiary companies:		
Chase Investments Limited 40,010 Equity shares of Rs.100 each fully paid up	40.01	40.01
1,58,490 Equity shares of Rs.100 each Rs.50 paid up	79.24	79.24
City Leasing and Finance Company Limited 4,00,020 Equity shares of Rs.10 each fully paid up	40.00	40.00
15,49,980 Equity shares of Rs.10 each Rs.5.50 paid up	85.25	85.25
Manhattan Credits and Finance Limited 19,50,000 Equity shares of Rs.10 each fully paid up	195.00	195.00
Others:		
Success Principles India Limited 1,99,673 Equity shares of Rs.10 each fully paid up	19.97	19.97
Modi Entertainers Networks Private Limited Nil (Previous year 1,000) Equity shares of Rs.10 each fully paid up (sold during the year)	-	0.10
Franklin Templeton Mutual Fund 1,83,51,130 (Previous year 93,80,234) Units of Templeton India Income Opportunities Fund - Growth of Rs.10 each	1889.88	939.88
(89,70,896 Units purchased during the year)		
27,534 Units of Templeton India Short Term Income Retail Plan-Growth of Rs.1000 each	477.95	477.95
Nil (Previous year 19,55,990) Units of Franklin Asian Equity Fund - Growth Plan of Rs. 10 each (sold during the year)	-	200.00
SBI Mutual Fund 10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each	100.00	100.00
1,00,00,000 Units of SBI Debt Fund Series-370 Days -10-Growth of Rs.10 each (purchased during the year)	1000.00	-
ICICI Prudential Mutual Fund Nil (Previous year 1,62,30,764) Units of ICICI Prudential Institutional Short Term Plan - Cumulative Option of Rs.10 each (sold during the year)	-	3010.44
1,07,98,301 Units of ICICI Prudential FMP Series 53-1 Year Plan A Cumulative of Rs.10 each (purchased during the year)	1079.83	-
2,12,39,014 Units of ICICI Prudential Interval Fund Annual Interval Plan-1 Institutional Cumulative of Rs.10 each (purchased during the year)	2125.39	-
1,00,00,000 Units of ICICI Prudential FMP Series 53-1 Year Plan B Cumulative of Rs.10 each (purchased during the year)	1000.00	-
1,00,00,000 Units of ICICI Prudential FMP Series 55-1 Year Plan B Cumulative of Rs.10 each (purchased during the year)	1000.00	-



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (Continued)		
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 19,51,219) Units of BSL International Equity - Plan B - Growth of Rs.10 each (sold during the year)	-	200.00
Nil (Previous year 1,71,07,721) Units of Birla Sun Life Dynamic Bond Fund -Retail Growth of Rs.10 each (sold during the year)	-	2500.00
1,43,44,047 Units of Birla Sun Life Medium Term Plan - Institutional-Growth of Rs.10 each (purchased during the year)	1500.00	-
1,20,97,777 Units of Birla Sun Life Fixed Term Plan Series CG-Growth of Rs.10 each (purchased during the year)	1209.78	-
Kotak Mahindra Mutual Fund		
1,00,00,000 Units of Kotak FMP Series 34-Growth of Rs.10 each (purchased during the year)	1000.00	-
IDFC Mutual Fund		
50,00,000 Units of IDFC Equity Fund Plan A- Growth of Rs.10 each	500.00	500.00
HDFC Mutual Fund		
24,39,162 (Previous year 22,33,025) Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs.10 each (2,06,137 Units purchased during the year)	244.50	223.30
Nil (Previous year 54,89,729) Units of HDFC Income Fund -Growth of Rs.10 each (sold during the year)	-	1144.12
47,67,482 (Previous year 1,01,79,938) Units of HDFC Short Term Plan -Growth of Rs. 10 each (54,12,456 Units sold during the year)	805.32	1719.59
98,22,484 Units of HDFC 370 Day D July 2010 (1)-Growth-Series XV of Rs.10 each (purchased during the year)	982.25	-
1,00,00,000 Units of HDFC FMP 370 D September 2010 (2)-Growth-Series XV of Rs.10 each (purchased during the year)	1000.00	-
1,23,70,391 Units of HDFC FMP 370 D February 2011 (1)-Growth-Series XVI of Rs.10 each (purchased during the year)	1237.04	-
HSBC Mutual Fund		
1,00,00,000 Units of HSBC Fixed Series 79- Growth of Rs.10 each (purchased during the year)	1000.00	-
Principal Mutual Fund		
Nil (Previous year 38,42,983) Units of Principal Income Fund -Growth Plan of Rs.10 each (sold during the year)	-	400.20
51,96,944 Units of Principal PNB Fixed Maturity Plan (FMP 62) 367 Days Series 1-Sep 10- Regular Growth Plan of Rs.10 each (purchased during the year)	519.69	-
Reliance Mutual Fund		
Nil (Previous year 2,07,96,991) Units of Reliance Short Term Fund - Retail Plan - Growth of Rs.10 each (sold during the year)	-	3441.76
2,06,32,507 Units of Reliance Fixed Horizon Fund -XV-Series 5-Growth Plan of Rs.10 each (purchased during the year)	2063.25	-
1,63,40,035 Units of Reliance Fixed Horizon Fund -XVI Series 3-Growth Plan of Rs.10 each (purchased during the year)	1634.00	-
1,00,00,000 Units of Reliance Fixed Horizon Fund -XVI Series 2-Growth Plan of Rs.10 each (purchased during the year)	1000.00	-
1,00,00,000 Units of Reliance Fixed Horizon Fund -XIX-Series 10-Growth Plan of Rs.10 each (purchased during the year)	1000.00	-
TATA Mutual Fund		
Nil (Previous year 50,00,000) Units of TATA Indo - Global Infrastructure Fund - Growth of Rs.10 each (sold during the year)	-	500.00
1,00,00,000 Units of TATA Fixed Maturity Plan Sereis 31 Scheme B-Growth of Rs.10 each (purchased during the year)	1000.00	-
ING Mutual Fund		
16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each	219.25	219.25
Nil (Previous year 20,00,000) Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each (sold during the year)	-	200.00



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (Continued)		
AIG Mutual Fund		
9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each	100.00	100.00
9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	100.00	100.00
Deutsche Mutual Fund		
26,59,642 Units of DWS Insta Cash Plus Fund - Regular Plan Bonus Option-Bonus of Rs.10 each (1,26,04,936 Units purchased and sold during the year and 26,59,642 Units received as Bonus Units)	261.35	-
BNP Paribas Mutual Fund		
1,00,00,000 Units of BNP Paribas Fixed Term Fund Series 17C Growth of Rs.10 each (purchased during the year)	1000.00	-
Sundaram Mutual Fund		
1,00,00,000 Units of Sundaram Fixed Term Plan AQ 367 Days Growth of Rs.10 each (purchased during the year)	1000.00	-
1,20,00,000 Units of Sundaram Fixed Term Plan AW 366 Days Growth of Rs.10 each (purchased during the year)	1200.00	-
JPMorgan Mutual Fund		
80,00,000 Units of JPMorgan India Fixed Maturity Plan 400D Series1- Growth Plan of Rs.10 each (purchased during the year)	800.00	-
Baroda Pioneer Mutual Fund		
50,00,000 Units of Baroda Pioneer PSU Bond Fund - Growth of Rs.10 each	500.00	500.00
CURRENT (at lower of cost and fair value)		
OTHER INVESTMENTS - UNQUOTED		
Kotak Mahindra Mutual Fund		
Nil (Previous year 1,32,52,295) Units of Kotak Flexi Debt Scheme Institutional - Growth of Rs.10 each (sold during the year)	-	1500.53
Government Securities	0.36	0.36
	32332.18	19649.57
Less: Provision for diminution in the value of other long term investments	18.00	164.00
	32314.18	19485.57
Aggregate amount of unquoted investments:		
- Units of Mutual Funds	31147.85	18429.39
- Others	1166.33	1056.18
	32314.18	19485.57
Net asset value/repurchase price of units of Mutual Funds	33063.44	19982.21

Note:

Details of current/long term investments purchased and sold during the year:

- Kotak Flexi Debt Scheme Institutional - Growth 4,18,90,443 Units of Rs.10 each at cost of Rs. 4750 lacs.
- Reliance Money Manager Fund-Institutional Option-Daily Dividend Plan 9,55,904 Units of Rs.1000 each at cost of Rs.9550 lacs.
- Reliance Liquidity Fund - Growth Option 1,47,14,173 Units of Rs.10 each at cost of Rs.2063 lacs.
- ICICI Prudential Flexible Income Plan Premium -Daily Dividend 2,19,63,564 Units of Rs.100 each at cost of Rs.23150 lacs.
- ICICI Prudential Liquid Super Institutional Plan -Growth 7,10,465 Units of Rs.100 each at cost of Rs.1000 lacs.
- Birla Sun Life Cash Plus Institutional Premium-Daily Dividend - Reinvestment 36,57,65,043 Units of Rs.10 each at cost of Rs.42830 lacs.
- Principal Income Fund Long Term Plan-Growth 31,90,874 Units of Rs.10 each at cost of Rs.519 lacs.
- Birla Sun Life Cash Manager- Institutional Plan -Growth 6,19,00,659 Units of Rs.10 each at cost of Rs.9771 lacs.
- SBI-SHF-Ultra Short Term Fund-Institutional Plan-Growth 25,55,68,777 Units of Rs.10 each at cost of Rs.38145 lacs.
- IDFC Money Manager Fund-Treasury Plan-Super Inst Plan C- Growth 13,44,16,107 Units of Rs.10 each at cost of Rs.15300 lacs.
- IDFC Money Manager Fund-Treasury Plan- Super Inst Plan C- Daily Dividend 13,50,08,584 Units of Rs.10 each at cost of Rs.13450 lacs.
- SBI-SHF-Ultra Short Term Fund-Institutional Plan-Daily Dividend 8,21,88,181 Units of Rs.10 each at cost of Rs.8200 lacs.
- Tata Floater Fund-Growth 4,54,94,817 Units of Rs.100 each at cost of Rs.6650 lacs.
- ICICI Prudential Floating Rate Plan D-Daily Dividend 1,58,62,930 Units of Rs.100 each at cost of Rs.15800 lacs.
- DWS Insta Cash Plus Fund - Regular Plan Bonus Option-Bonus 1,26,04,936 Units of Rs.10 each at cost of Rs.1500 lacs.



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 6 - Inventories		
At cost or under:		
Stores and spare parts	832.01	824.25
At lower of cost and net realisable value:		
Raw and packing materials	22529.28	24114.82
Work-in-process	354.47	319.37
Finished goods - Cigarettes	8848.25	7303.35
- Chewing products	-	24.26
Other goods	1949.84	3022.84
Real estate*	405.69	405.69
	34919.54	36014.58

*Includes land at revalued cost

SCHEDULE 7 - Sundry debtors		
CONSIDERED GOOD		
Over six months - unsecured	10.04	217.90
Others - secured	5.24	32.54
- unsecured	4523.32	4678.59
CONSIDERED DOUBTFUL		
Over six months - unsecured	53.89	53.89
	4592.49	4982.92
Less: Provision for doubtful debts	53.89	53.89
	4538.60	4929.03

SCHEDULE 8 - Cash and bank balances		
Cash on hand	36.51	36.53
Cheques on hand	10.32	125.29
With scheduled banks : On current accounts	1129.54	2258.13
: On margin money accounts	2272.29	988.54
: On term deposit accounts	1700.00	-
: On fixed deposit accounts**	1.57	1.47
	5150.23	3409.96

** Lodged as security with Government Authorities



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 9 - Loans and advances		
Unsecured, considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	5202.62	4259.59
Inter corporate deposits	100.00	50.00
Dues from subsidiary companies **	4951.76	4964.77
With excise and customs on current/cenvat accounts	547.66	174.68
Income-tax recoverable	478.00	592.40
	11280.04	10041.44

*Includes:

i) Rs. 9.10 lacs (previous year Rs.8.08 lacs) due from officer/directors of the Company. Maximum amount due during the year Rs. 9.31 lacs (previous year Rs.11.07 lacs).

ii) Rs. Nil (previous year Rs.0.04 lacs) due from Indofil Industries Limited (formerly Indofil Organic Industries Limited), a company under the same management. Maximum amount due during the year Rs. 1.90 lac (previous year Rs.0.42 lac).

** Dues from subsidiaries represent loans and advances recallable on demand and comprise of:

i) Interest free loans to Kashyap Metal and Allied Industries Limited (given prior to insertion of section 372A on October 31, 1998) Rs.342.65 lacs (previous year Rs.342.65 lacs). Maximum amount due during the year Rs. 342.65 lacs (previous year Rs.342.65 lacs).

ii) Interest bearing loans/advances to:

(a) Loans to Kashyap Metal and Allied Industries Limited Rs.1592.44 lacs including interest (net of tax) for the year (previous year Rs.1592.44 lacs). Maximum amount due during the year Rs. 1592.44 lacs (previous year Rs.1592.44 lacs).

(b) Advances to International Tobacco Company Limited Rs. 3016.67 lacs (previous year Rs.3029.68 lacs). Maximum amount due during the year Rs.3294.51 lacs (previous year Rs.3063.86 lacs).

SCHEDULE 10 - Current liabilities		
Sundry creditors #		
Dues of micro and small enterprises (Refer Note 8)	240.86	117.80
Dues of other than micro and small enterprises	24788.80	20526.76
Interest accrued but not due on loans and deposits	217.54	178.63
	25247.20	20823.19

Sundry creditors do not include any amounts outstanding as on March 31, 2011 which are required to be credited to the Investor Education and Protection Fund.

SCHEDULE 11 - Provisions		
Proposed dividend	3639.57	2599.70
Provision for corporate dividend tax	590.43	431.78
Taxation (net of payments)	802.64	740.80
Provision for compensated absences	3091.73	2669.76
Provision for gratuity	720.24	307.14
	8844.61	6749.18

SCHEDULE 12 - Deferred taxation		
Deferred tax liabilities		
- Accelerated depreciation	1744.21	1625.66
- Capital gains	28.26	44.27
- Others	123.11	39.11
	1895.58	1709.04
Deferred tax assets		
- Accrued expenses deductible on payment	1922.46	1569.40
- Others	51.93	42.47
	1974.39	1611.87
Deferred tax (assets)/liabilities - net	(78.81)	97.17



Rupees in lacs

	For the year ended 31.3.2011	For the year ended 31.3.2010
SCHEDULE 13 - Other income		
Rent and hire charges (gross) from:		
- Subsidiary company	4.80	4.80
- Others	56.82	122.21
Interest (gross) from:		
- Subsidiary companies	400.71	387.13
- Debts, deposits, loans, etc.	303.97	252.52
Income (gross) from other long term investments:		
- Dividends	355.53	161.90
Profit on redemption/sale of other long term investments	807.50	2230.04
Profit on sale of other current investments	347.11	214.84
Liabilities no longer required, written back	209.82	1.06
Doubtful debts and advances written back	-	0.20
Export incentives	1205.57	934.31
Provision made for decline in the value of other long term investments written back	146.00	166.00
Exchange gain	358.03	1203.46
Sundries	909.82	847.55
	5105.68	6526.02
Tax deducted at source:		
Interest income	63.73	53.36
Rent and hire charges	6.17	22.27
Sundries	9.08	6.71

SCHEDULE 14 - Raw and packing materials, manufactured and other goods			
Raw and packing materials consumed		43979.04	35648.45
Manufacturing charges paid to a subsidiary company for cigarettes/tobacco manufactured on our behalf		4221.05	3624.11
Purchases for resale (including transferred from raw and packing materials)		18576.39	29823.50
(Increase)/decrease in work-in-process, finished goods and other goods			
Opening stock:			
- Work-in-process	319.37		271.49
- Finished goods - Cigarettes	7303.35		8042.15
- Cigars	-		299.34
- Chewing products	24.26		-
- Other goods	3022.84		2096.34
- Real estate	405.69		405.69
	11075.51		11115.01
Closing stock:			
- Work-in-process	354.47		319.37
- Finished goods - Cigarettes	8848.25		7303.35
- Chewing products	-		24.26
- Other goods	1949.84		3022.84
- Real estate	405.69		405.69
	11558.25		11075.51
	(482.74)		39.50
	66293.74		69135.56



Rupees in lacs

	For the year ended 31.3.2011	For the year ended 31.3.2010
SCHEDULE 15 - Manufacturing and other expenses*		
Salaries, wages and bonus	11357.89	8638.41
Contribution to provident and other funds (including administrative charges)	744.67	615.00
Workmen and staff welfare expenses	876.34	792.07
Contribution to gratuity and superannuation fund	900.52	540.15
Consumption of stores and spare parts	62.54	58.92
Power and fuel	944.53	872.31
Repairs and maintenance - Buildings	413.82	168.06
- Machinery	634.44	574.83
- Others	411.85	337.35
Rent	1609.58	1269.67
Rates and taxes	4172.61	3005.82
Insurance	336.16	359.88
Freight and cartage	2269.55	1690.95
Legal and professional expenses	4719.23	4146.98
Auditors' remuneration	105.20	91.17
Interest - Fixed loans	961.98	633.64
- Others	23.20	56.33
Cash discount	138.91	127.57
Commission paid to other than sole selling agents	143.53	189.07
Advertising and sales promotion	24193.73	19784.97
Selling and distribution expenses	3846.81	3153.23
Travelling and conveyance	2364.80	2425.80
Donations	212.58	161.97
Bad debts and advances written off	2.77	59.25
Fixed assets written off	59.73	124.04
Loss on sale of fixed assets	98.51	100.87
Technical services fee and royalty	1094.98	883.71
Miscellaneous expenses	6928.32	5778.20
	69628.78	56640.22
(a) Consumption of stores and spare parts has been computed after deducting the amount of spare parts charged to repairs and maintenance - machinery	490.70	413.55
* Excludes pre-operative expenses charged to capital accounts as per details below :		
(i) Salaries, wages and bonus	129.61	55.95
(ii) Contribution to provident and other funds	8.87	3.49
(iii) Workmen and staff welfare expenses	12.88	4.91
(iv) Consumption of stores and spare parts	28.35	6.59
(v) Power and fuel	31.99	15.73
(vi) Rates and taxes	25.82	7.84
(vii) Legal and professional expenses	6.63	24.83
(viii) Travelling and conveyance	62.79	20.85
(ix) Miscellaneous expenses	123.17	48.74



SCHEDULE 16 – Notes to the accounts for the year ended March 31, 2011

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 rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. 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 depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993	95%
Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986	SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

ii) Investments

Long term investments are stated at cost net of provision for permanent diminution, 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. Cost of real estate is determined taking into account revalued cost of land and construction cost incurred thereon. The cost of raw materials, stores and spares and other 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 exclusive of sales 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.

SCHEDULE 16 – Notes to the accounts (contd.)

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 profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the profit and loss account.

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 profit and loss account. 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

	For the year ended 31.3.2011	For the year ended 31.3.2010
2. REMUNERATION OF DIRECTORS		
a) Included in Schedule 15 are:		
Salaries*	224.25	186.55
Monetary value of benefits	111.51	43.22
Commission**	205.58	115.27
Sitting fees	9.00	9.60
	550.34	354.64
* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.		
** includes Rs.73.33 lacs (previous year Rs.Nil) 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 taxation	24147.37	16739.57
Add/(less):		
Directors' remuneration	550.34	354.64
Profit on redemption/sale of other long term investments	(807.50)	(2230.04)
Bad debts and advances written off against provision	-	(13.75)
Provision for doubtful debts and advances written back	-	(0.20)
	23890.21	14850.22
Maximum remuneration to working directors @ 10% of above	2389.02	1485.02
Restricted to	468.01	345.04
Maximum remuneration to non-working directors @ 1% of above	238.90	148.50
Restricted to	73.33	-



SCHEDULE 16 – Notes to the accounts (contd.)

Rupees in lacs

	For the year ended 31.3.2011	For the year ended 31.3.2010
3. AUDITORS' REMUNERATION*		
As auditors		
Audit fee	46.00	40.00
Out of pocket expenses	3.70	5.12
In other capacity for		
Limited review of unaudited financial results	30.00	30.00
Corporate governance, consolidated financial statements and other certification work	4.50	5.05
Tax audit	11.00	11.00
Other services	10.00	-
	105.20	91.17

*Net of service tax

4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT

Revenue expenditure	855.90	789.53
Capital expenditure	148.67	265.36

5. CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31.3.2011	As at 31.3.2010
a) Demands from excise, income tax, sales tax and other authorities disputed by the Company @	2524.93*	448.85*
b) Uncalled liability on shares partly paid	148.99	148.99
c) Surety given to U.P. Trade Tax Authority on behalf of subsidiary company-International Tobacco Company Limited	15.66	15.66
d) Guarantee given to a bank on behalf of subsidiary company – International Tobacco Company Limited	46.79	26.83

* includes Rs.1702.65 lacs (previous year Rs.166.00 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.

6. The following are the particulars of dues on account of sales tax, excise duty and income-tax as at March 31, 2011 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	0.83	0.25	1995-96, 2001-02	Sales Tax Tribunal
		77.72	26.54	1998-99 to 1999-00, 2005-06 to 2010-11	Upto Commissioners' Level
		6.48	6.48	2006-07	High Court
Central Excise Law	Excise duty	96.72	-	2008-09 to 2010-11	Upto Commissioners' Level
		453.67	-	2002-03 to 2006-07, 2008-09, 2009-10	Customs Excise Service Tax Appellate Tribunal
Income Tax Law	Income tax	244.00**	244.00	1980 to 1983, 1995-96 to 1997-98	High Court
		301.27**	301.27	2000-01, 2002-03 to 2006-07	Income Tax Appellate Tribunal
		316.50**	269.85	1999-00 2004-05 to 2008-09	Upto Commissioners' Level

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

** provided for in the accounts to the extent of Rs. 721.23 lacs.

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

SCHEDULE 16 – Notes to the accounts (contd.)

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	318.42	1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02, 2004-05	High Court
		151.70	2002-03 to 2003-04	Income Tax Appellate Tribunal
		6.07	2000-01	Upto Commissioners' Level
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court
Central Excise Law	Excise duty	2.61	2009-10	Customs Excise Service Tax Appellate Tribunal
Sales Tax Laws	Sales tax	10.40	2007-08	High Court

7. 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.
8. Sundry creditors include Rs.240.86 lacs (previous year Rs.117.80 lacs) due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Act, 2006" to the extent such parties have been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.
9. 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 Schedule 15.

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.118.22 lacs (previous year – Rs.122.86 lacs)
- (ii) for periods between later than one year and less than five years – Rs. 216.65 lacs (previous year – Rs.281.26 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 Schedule 13.

SCHEDULE 16 – Notes to the accounts (contd.)

10. 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
City Leasing and Finance Company Limited
Manhattan Credits and Finance Limited
Kashyap Metal and Allied Industries Limited
Unique Space Developers Limited

(b) Subsidiaries of the subsidiary companies:

Rajputana Infrastructure Corporate Limited
Gopal Krishna infrastructure & Real Estate Limited

(c) Associates:

Philip Morris International Finance Corporation, 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
(from March 14, 2011).

(d) Key management personnel:

Mr. K.K.Modi	President and Managing Director
Mr. Lalit Kumar Modi	Executive Director (upto July 31, 2010) and Ordinary Director thereafter
Mr. Samir Kumar Modi	Executive Director
Mr. R.Ramamurthy	Whole-time Director

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

Modicare Limited
Modern Homecare Products Limited
K.K. Modi Investment & Financial Services Private Limited
Beacon Travels Private Limited
Indofil Industries Limited (Formerly Indofil Organic 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
Fashion Television India Private Limited

SCHEDULE 16 – Notes to the accounts (contd.)

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

Rupees in lacs

Nature of transactions	Subsidiary companies		Associates		Key management personnel		Enterprises over which significant influence exists	
	2011	2010	2011	2010	2011	2010	2011	2010
Sale of goods, spare parts, etc.	19.41	10.04	6872.00@	3514.97@	-	-	103.69	440.77
Purchase of goods/services	14.80	7.63	867.60@	1355.96@	-	-	984.39#	914.37#
Sale of assets	-	-	-	-	-	-	0.20	-
Interest income	400.71**	387.13**	15.58@	11.46@	-	-	8.03	19.92
Miscellaneous Income	-	-	62.48@	3.04@	-	-	-	-
Rent and hire charges received	4.80	4.80	-	-	-	-	56.82	122.20
Manufacturing charges paid								
- International Tobacco Company Ltd.	4221.05	3624.11	-	-	-	-	-	-
Rent paid	-	-	-	-	-	-	16.16	31.95
Payments for employees on deputation	-	-	-	-	-	-	79.20	79.20
Donation given	-	-	-	-	-	-	122.70	104.00
Expenses recovered	12.74	7.12	2282.53@	1044.46@	0.30	0.79	21.36	0.33
Expenses reimbursed	97976.11*	84649.08*	-	-	-	-	3.88	4.11
Balance written off	-	-	0.43@	-	-	-	-	0.01
Dividend payment (gross)								
- Philip Morris International Finance Corporation	-	-	652.52	652.52	-	-	-	-
Subscription to equity shares of								
- IPM India Wholesale Trading Private Limited	-	-	-	496.00	-	-	-	-
- KKM Management Centre Private Limited	-	-	110.25	-	-	-	-	-
Managerial remuneration ##								
- K.K. Modi	-	-	-	-	220.39	194.62	-	-
- Lalit Kumar Modi	-	-	-	-	166.77	50.19	-	-
- Samir Kumar Modi	-	-	-	-	81.78	51.97	-	-
- R. Ramamurthy	-	-	-	-	72.40	45.73	-	-
- S.V. Shanbhag	-	-	-	-	-	2.53	-	-
Balance outstanding as at the year end								
- Sundry debtors	-	-	5.29@	33.53@	-	-	-	214.66
- Loans and advances	4951.76	4964.77	68.80@	74.36@	-	-	8.19	18.82
- Sundry creditors	-	-	6.02@	7.20@	-	-	647.41	592.91
- Surety given by International Tobacco Company Ltd. on behalf of the Company to U.P. Trade Tax Authority	357.78	357.78	-	-	-	-	-	-
- Surety given by the Company on behalf of International Tobacco Company Ltd. to U.P. Trade Tax Authority	15.66	15.66	-	-	-	-	-	-
- Guarantees given by the Company to a bank on behalf of International Tobacco Company Ltd.	46.79	26.83	-	-	-	-	-	-

@ Relates to IPM India Wholesale Trading 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.310.06 lacs (previous year Rs.296.48 lacs) from International Tobacco Company Limited and Rs.90.65 lacs (previous year Rs.90.65 lacs) from Kashyap Metal and Allied Industries Limited.

includes Rs.829.78 lacs (previous year Rs. 760.41 lacs) from Beacon Travels Private Ltd.

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



SCHEDULE 16 – Notes to the accounts (contd.)

11. 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:

Rupees in lacs

	Cigarette and tobacco products	Tea and other retail products	Total	Cigarette and tobacco products	Tea and other retail products	Total
	For the year ended March 31, 2011			For the year ended March 31, 2010		
1. Segment revenue						
- External sales (gross)	292020.58	13711.84	305732.42	248748.20	12018.07	260766.27
- Less : Excise duty	145487.54	-	145487.54	122378.91	-	122378.91
- Net sales	146533.04	13711.84	160244.88	126369.29	12018.07	138387.36
- Other income	2761.22	188.64	2949.86	2320.63	77.46	2398.09
- Total	149294.26	13900.48	163194.74	128689.92	12095.53	140785.45
- Unallocable income			2155.82			4127.93
Total revenue			165350.56			144913.38
2. Segment result	23365.45	(159.56)	23205.89	14146.21	(675.50)	13470.71
- Unallocable income net of unallocable expenses			1925.23			3948.95
Profit before interest and taxation			25131.12			17419.66
- Interest expenses			(983.75)			(680.09)
- Provision for taxation			(7544.02)			(4901.10)
Profit after taxation			16603.35			11838.47
3. Other information	As at March 31, 2011			As at March 31, 2010		
a) Segment assets	94326.74	3591.50	97918.24	78550.21	4055.80	82606.01
- Unallocable assets/investments			37750.54			23170.70
Total assets			135668.78			105776.71
b) Segment liabilities	27245.74	1437.68	28683.42	22233.28	1238.79	23472.07
- Share capital and reserves			79025.09			66651.74
- Unallocable liabilities			27960.27			15652.90
Total liabilities			135668.78			105776.71
	For the year ended March 31, 2011			For the year ended March 31, 2010		
c) Capital expenditure including capital work in progress	19763.83	42.74	19806.57	9628.43	46.66	9675.09
d) Depreciation and amortization	3949.07	51.22	4000.29	3338.92	52.05	3390.97
e) Non cash expenditure other than depreciation	386.01	35.96	421.97	284.01	26.87	310.88

SCHEDULE 16 – Notes to the accounts (contd.)

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1 in Schedule 16, 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, interest expense (excluding those relatable to segments), 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, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).

	For the year ended 31.3.2011	For the year ended 31.3.2010
12. Earnings per share has been computed as under:		
(a) Net profit as per profit and loss account (Rs.lacs)	16603.35	11838.47
(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)	159.67	113.84

13. Employee Benefits

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

I. Defined contribution plans and amounts recognized in profit and loss account

Rupees in lacs

	Current year	Previous year
- Employers' contribution to provident fund and employee's pension scheme	749.97	619.86
- Employers' contribution to superannuation fund	180.28	233.01
- Employers' contribution to employee's state insurance	6.49	2.94

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

- Compensated absences – amount recognized in profit and loss account – Rs. 737.23 lacs; previous year Rs. 488.30 lacs.



SCHEDULE 16 – Notes to the accounts (contd.)

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 is 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 	8.10% Management: 9% p.a. for first 3 years & 7% p.a. thereafter Non Management: 7%	8.20% Management: 9% p.a. for first 4 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% 11.41 years 58 years	7.50% 11.01 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 	3551.73 271.32 199.03 (353.78) 545.28 4213.58	3183.26 215.14 192.36 (164.82) 125.79 3551.73
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 	3261.15 226.81 36.46 307.14 (353.78) 3477.78	2611.94 185.23 53.42 575.38 (164.82) 3261.15
D) (Shortfall)/excess of fair value over book value of plan assets	(15.56)	16.56
E) Net liability recognized in the balance sheet (B-C+D)	720.24	307.14
F) Constitution of plan assets		
<ul style="list-style-type: none"> Government Securities Corporate Bonds Special Deposit Scheme Insurer Managed Funds Others Total 	1055.23 1303.93 18.97 1080.14 19.51 3477.78	1191.15 2061.08 18.97 - (10.05) 3261.15
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 	199.03 271.32 (226.81) 508.82 (32.12) 720.24	192.36 215.14 (185.23) 72.37 12.50 307.14

SCHEDULE 16 – Notes to the accounts (contd.)

H) Experience adjustments

(Rupees in lacs)

Particulars	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11
Defined benefit obligation	2610.63	3183.26	3551.73	4213.58
Plan assets	2052.79	2611.94	3261.15	3477.78
Surplus/(deficit)	(557.84)	(571.32)	(290.58)	(735.80)
Experience adjustment on plan liabilities	204.70	294.36	477.31	512.10
Experience adjustment on plan assets	(34.35)	118.12	53.42	36.46

14. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

			For the year ended 31.3.2011	For the year ended 31.3.2010	
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
I. Class of Goods, Capacity and Production					
A. Cigarettes					
Capacity (per annum)					
- Licensed	Million	18750*		18750 *	
- Installed (on a single shift basis)	Million	5160		5160	
Production	Million	8302		6536	
Cigarettes manufactured by the subsidiary company on behalf of the Company	Million	9476		9060	
*Including 25% admissible production over licensed capacity					
Installed capacity has been certified by a director but has not been verified by the auditors as this is a technical matter.					
B. Chewing products - production	Tonne	281		9	
II. Turnover and stocks					
a) Particulars of sales (gross)**					
- Cigarettes	Million	17642	274789.41	15736	224083.96
- Unmanufactured tobacco	Tonne	6424	10455.30	11854	20817.69
- Cigars	'000 Pcs	-	-	6274	382.55
- Chewing products	Tonne	277	2435.51	6	56.38
- Other goods			18052.20		15425.69
			305732.42		<u>260766.27</u>
b) Details of stock-in-trade					
i) Opening stocks					
- Cigarettes	Million	622	7303.35	745	8042.15
- Cigars	'000 Pcs	-	-	5877	299.34
- Chewing products	Tonne	3	24.26	-	-
- Real estate			405.69		405.69
- Other goods			3022.84		2096.34
ii) Closing stocks					
- Cigarettes	Million	725	8848.25	622	7303.35
- Chewing products	Tonne	-	-	3	24.26
- Real estate			405.69		405.69
- Other goods			1949.84		3022.84

** excludes samples, write-offs, etc.



SCHEDULE 16 – Notes to the accounts (contd.)

		For the year ended 31.3.2011		For the year ended 31.3.2010	
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
III. Raw and packing materials consumed					
Unmanufactured & blended tobacco	Tonne	17687	22338.71	16107	18987.40
Cigarette paper	Bobbin	185725	797.58	161385	736.67
Cardboard (shells, slides and others)	Tonne	6992	8165.52	5999	6823.78
Filter rods	Million	3269	4486.89	2746	3802.28
Aluminium foil/Metallised paper	Million Meter	217	1377.68	196	1224.81
Cellulose paper	Tonne	466	871.64	412	753.81
Miscellaneous			5941.02		3319.70
			<u>43979.04</u>		<u>35648.45</u>
IV. Purchases for resale					
Unmanufactured tobacco	Tonne	6424	9155.62	11854	18618.96
Cigars	'000 Pcs	-	-	406	63.18
Cigarette	Million	26	867.60	42	1355.96
Other goods-Tea, etc. (including packing materials and processing charges)			8553.17		9785.40
			<u>18576.39</u>		<u>29823.50</u>
V. Value of imported and indigenous raw and packing materials and spare parts					
	% of total consumption	Rs. in lacs	% of total consumption	Rs. in lacs	
(A) Raw and packing materials					
i) Imported	9.93	4368.92	9.73	3468.83	
ii) Indigenous	90.07	39610.12	90.27	32179.62	
	<u>100.00</u>	<u>43979.04</u>	<u>100.00</u>	<u>35648.45</u>	
(B) Spare parts					
i) Imported	61.67	302.60	50.90	210.48	
ii) Indigenous	38.33	188.10	49.10	203.07	
	<u>100.00</u>	<u>490.70</u>	<u>100.00</u>	<u>413.55</u>	
VI. Earnings in foreign exchange					
a) Export of goods on F.O.B. basis		27776.51		31195.10	
b) Others including freight, etc.		659.52		502.78	
		<u>28436.03</u>		<u>31697.88</u>	
VII. Value of imports on C.I.F. basis (including those in transit)					
i) Raw materials		4163.88		3114.69	
ii) Components and spare parts		264.69		341.98	
iii) Capital goods		5242.46		2746.66	
iv) Purchases for resale - cigars, etc.		-		26.33	
		<u>9671.03</u>		<u>6229.66</u>	



GODFREY PHILLIPS
—INDIA LIMITED—

SCHEDULE 16 – Notes to the accounts (contd.)

	For the year ended 31.3.2011 Rs. in lacs	For the year ended 31.3.2010 Rs. in lacs
VIII. Expenditure in foreign currencies (net of tax, where applicable)		
Technical services fee and royalty	924.40	795.34
Professional /technical consultancy fees	405.30	520.24
Interest	872.54	574.95
Others	650.39	674.13
	<u>2852.63</u>	<u>2564.66</u>
IX. Dividends remittance to non-resident shareholders in foreign currency		
Amount of dividends	652.52	652.52
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)	31.3.2010	31.3.2009

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

Particulars	As at 31.3.2011		As at 31.3.2010	
	Amount in foreign currency (Lacs)	Amount in Rs. Lacs	Amount in foreign currency (Lacs)	Amount in Rs. Lacs
Loan Funds	444.62 USD	20083.46	202.59 USD	9233.85
Sundry debtors	80.89 USD 0.02 EURO 4.36 GBP	3580.19 1.24 307.77	97.57 USD 0.01 EURO	4358.45 0.60
Current liabilities and provisions	23.33 USD 5.04 EURO 0.62 GBP - HKD 0.09 CHF	1053.82 322.16 44.95 - 4.42	13.40 USD 2.52 EURO 0.97 GBP 0.77 HKD -	614.87 150.82 66.87 4.43 -
(b) Derivative instrument outstanding as at year end: Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon	42926 JPY	20083.46	21765.00 JPY	9233.85

16. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

R.N. AGARWAL
Executive Vice President (Finance)

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

SUNIL AGRAWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

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

Directors

New Delhi : May 29, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration Number	8587
State Code	11
Balance Sheet Date	31.03.2011

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	13566878
Total Assets	13566878

Source of Funds:

Paid-up Capital	103988
Reserves and Surplus	7798521
Secured Loans	2255188
Unsecured Loans	Nil

Applications of Funds:

Net Fixed Assets	4738738
Investments	3231418
Net Current Assets	2187541
Misc. Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	31083810
Total Expenditure	28669073
Profit/(Loss) Before Tax	2414737
Profit/(Loss) After Tax	1660335
Earning Per Share (Rs.)	159.67
Dividend Rate (%)	350

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.(ITC Code)	2402.20
Product Description	Cigarettes containing tobacco
Item Code No. (ITC Code)	902.30
Product Description	Tea black in packets
Item Code No. (ITC Code)	2401.20
Product Description	Unmanufactured tobacco

For and on behalf of the Board of Directors

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Chief Executive

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Executive Director

R.A. SHAH
Chairman

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Executive Vice President (Finance)

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

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Chief Financial Officer

SANJAY GUPTA
Company Secretary

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

Directors

New Delhi : May 29, 2011

STATEMENT

pursuant to Section 212 of the Companies Act, 1956



GODFREY PHILLIPS
—INDIA LIMITED—

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	31.3.2011	The entire issued share capital of 100000 Equity Shares of Rs. 100 each fully paid.
2. Chase Investments Limited	31.3.2011	The entire issued share capital of 198500 Equity Shares of Rs. 100 each of which 40010 are fully paid up and 158490 are Rs.50 paid up.
3. City Leasing and Finance Company Limited	31.3.2011	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each of which 400020 are fully paid up and 1549980 are Rs. 5.50 paid up.
4. Manhattan Credits and Finance Limited	31.3.2011	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each fully paid.
5. Kashyap Metal and Allied Industries Limited	31.3.2011	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)
6. Unique Space Developers Limited	31.3.2011	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)
7. Gopal Krishna Infrastructure & Real Estate Limited	31.3.2011	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)
8. Rajputana Infrastructure Corporate Limited	31.3.2011	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 31.3.2011 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	37.33	1099.57
2. Chase Investments Limited	8.95	237.76
3. City Leasing and Finance Company Limited	6.18	118.70
4. Manhattan Credits and Finance Limited	7.10	38.90
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

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 31.3.2011 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	Nil	Nil
2. Chase Investments Limited	Nil	8.16
3. City Leasing and Finance Company Limited	Nil	8.29
4. Manhattan Credits and Finance Limited	Nil	7.20
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

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Executive Vice President (Finance)

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LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

New Delhi : May 29, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the attached Consolidated Balance Sheet of **GODFREY PHILLIPS INDIA LIMITED** ("the Company"), its subsidiaries and associates (the Company, its subsidiaries and associates constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted for on the equity method in accordance with Accounting Standard (AS) - 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, City Leasing and Finance Company Limited, Manhattan Credits and Finance Limited, Kashyap Metal and Allied Industries Limited (including its subsidiary Rajputana Infrastructure Corporate Limited) and Unique Space Developers Limited (including its subsidiary Gopal Krishna Infrastructure & Real Estate Limited) whose financial statements reflect total assets of Rs. 3314.51 lacs as at March 31, 2011, total revenues of Rs. 45.37 lacs and net cash flows amounting to Rs. 53.42 lacs for the year ended on that date and associates viz. Success Principles India Limited and KKM Management Centre Private Limited whose financial statements reflect the Group's share of profit upto March 31, 2011 of Rs. 39.94 lacs and Group's share of profit of Rs. 1.03 lacs for the year ended on that date as considered in the consolidated financial statements and in respect of IPM India Wholesale Private Limited, an associate, whose financial statements reflect the Group's share of loss upto March 31, 2011 of Rs. 496.00 lacs and Group's share of loss of Rs. nil for the year ended as on that date as considered in the consolidated financial statement where the financial statements considered are for the period from January 1, 2010 to December 31, 2010.

These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and associates are based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) - 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and associates and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: New Delhi
Date : May 29, 2011

CONSOLIDATED BALANCE SHEET

as at March 31, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	Schedule Number		As at 31.3.2011		As at 31.3.2010
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1	1039.88		1039.88	
Reserves and surplus	2	79486.37	80526.25	67103.13	68143.01
Minority interests			232.02		257.40
Loan funds					
Secured	3		22551.88		11455.43
Deferred tax liabilities (net)	12		24.93		221.95
TOTAL			103335.08		80077.79
APPLICATION OF FUNDS					
Fixed assets	4				
Gross block		57174.14		49836.58	
Less: Depreciation and amortization		24807.61		21150.51	
Net block		32366.53		28686.07	
Capital work-in-progress and advances on capital account		19237.41	51603.94	7351.03	36037.10
Investments	5		32195.58		19482.50
Current assets, loans and advances					
Inventories	6	35396.11		36535.89	
Sundry debtors	7	4538.60		4929.03	
Cash and bank balances	8	5398.71		3630.37	
Loans and advances	9	9347.45		8058.22	
		54680.87		53153.51	
Less:					
Current liabilities and provisions					
Current liabilities	10	25728.07		21460.37	
Provisions	11	9417.24		7134.95	
		35145.31		28595.32	
Net current assets			19535.56		24558.19
TOTAL			103335.08		80077.79
Notes to the consolidated accounts	16				

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

S. SERU
Chief Executive

R.N. AGARWAL
Executive Vice President (Finance)

SUNIL AGRAWAL
Chief Financial Officer

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President

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

Directors

New Delhi : May 29, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2011

Rupees in lacs

	Schedule Number	For the year ended 31.3.2011	For the year ended 31.3.2010
INCOME			
Gross sales		305732.42	260766.27
Less: Excise duty		145487.54	122378.91
Net sales		160244.88	138387.36
Other income	13	4785.32	6173.06
		165030.20	144560.42
EXPENSES			
Raw and packing materials, manufactured and other goods	14	62071.23	65508.27
Manufacturing and other expenses	15	73151.70	59296.51
Depreciation and amortization	4	4392.07	3756.19
Increase/(decrease) in excise duty on finished goods		1,280.38	(992.94)
		140895.38	127568.03
Profit before taxation		24134.82	16992.39
Provision for taxation - current tax		7745.01	4657.66
- deferred tax (credit)/charge		(197.02)	346.98
- fringe benefit tax		-	15.10
Profit after taxation before share of results of associates and minority interests		16586.83	11972.65
Share of net profit/(loss) of associates		1.03	(495.01)
Profit after taxation before minority interests		16587.86	11477.64
Minority interests		(25.38)	(29.31)
Net profit		16613.24	11506.95
Balance brought forward from previous year		49104.95	42129.48
Available for appropriation		65718.19	53636.43
APPROPRIATIONS			
Proposed dividend		3639.57	2599.70
Corporate dividend tax		590.43	431.78
Transferred to general reserve		2000.00	1500.00
Transferred to statutory reserve fund		4.46	-
Surplus carried to consolidated balance sheet		59483.73	49104.95
		65718.19	53636.43
Basic and diluted earnings per share (Face value of share - Rs.10 each)		Rs. 159.76	Rs.110.66
Notes to the consolidated accounts	16		

In terms of our report attached
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New Delhi : May 29, 2011

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2011



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

		For the year ended 31.3.2011		For the year ended 31.3.2010
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax		24,134.82		16,992.39
Adjustments for:				
Depreciation and amortization		4,392.07		3,756.19
Interest income from debts, deposits, loans, etc.		(323.77)		(256.09)
Dividends from other long term investments		(368.07)		(170.98)
Profit on redemption/sale of other long term investments		(838.39)		(2,243.27)
Profit on sale of other current investments		(347.11)		(214.84)
Exchange loss on foreign currency bank balance		0.23		11.01
Exchange gain on foreign currency borrowings		(251.93)		(1,119.25)
Provision for wealth-tax		18.00		17.00
Interest expense - fixed loans		961.98		633.64
- others		27.55		56.98
Fixed assets written off		77.73		144.01
Loss on sale of fixed assets		105.12		100.88
Provision for decline in the value of Investments written back		(146.00)		(167.23)
		<u>3,307.41</u>		<u>548.05</u>
Operating profit before working capital changes		27,442.23		17,540.44
Adjustments for:				
Trade and other receivables		(1,009.57)		(2,673.29)
Inventories		1,139.78		326.07
Trade and other payables		5,266.04		(2,835.22)
		<u>5,396.25</u>		<u>(5,182.44)</u>
Cash generated from operations		32,838.48		12,358.00
Interest received		304.55		239.51
Dividends received		12.54		9.08
Purchase of investments*	(17.83)		(20.28)	
Proceeds from sale of investments*	64.18	46.35	23.00	2.72
Direct taxes paid		(7,554.73)		(4,243.02)
		<u>(7,191.29)</u>		<u>(3,991.71)</u>
Net cash from operating activities		25,647.19		8,366.29
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(20,306.55)		(10,582.06)
Proceeds from sale of fixed assets		164.79		142.93
Purchase of investments	(220,610.45)		(188,769.57)	
Proceeds from sale of investments	209,183.55	(11,426.90)	192,969.09	4,199.52
Dividends from long term other investments		355.53		161.90
Loans and deposits given		(100.00)		-
Loans and deposits received back		50.00		50.00
Interest received		9.41		6.99
Net cash used in investing activities		(31,253.72)		(6,020.72)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Term loan availed		12,923.70		5,469.60
Repayment of long term borrowings		(1,822.16)		(2,068.12)
Proceeds from/ (Repayment) of working capital borrowings		246.84		(355.51)
Interest paid		(950.62)		(605.88)
Dividend paid		(2,590.88)		(2,593.03)
Corporate dividend tax paid		(431.78)		(441.82)
Net cash used in financing activities		7,375.10		(594.76)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		1,768.57		1,750.81
Opening cash and cash equivalents				
- Cash and bank balances #		3,630.37		1,890.57
Closing cash and cash equivalents				
- Cash and bank balances #		5,398.71		3,630.37
- Effect of exchange rate changes on foreign currency bank balance		0.23		11.01
		<u>5,398.94</u>		<u>3,641.38</u>

* By the subsidiary companies engaged in the business of investments.
Includes bank fixed deposits lodged as security with Government Authorities, term deposits and margin money deposits with banks aggregating to Rs.4056.53 lacs as at March 31, 2011 (as at March 31, 2010 Rs. 1021.69 lacs and as at March 31, 2009 Rs. 505.41 lacs)

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

S. SERU
Chief Executive

R.N. AGARWAL
Executive Vice President (Finance)

SUNIL AGRAWAL
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O.P. VAISH
ANUP N. KOTHARI

Directors

New Delhi : May 29, 2011

SCHEDULES

1 to 16 annexed to and forming part of the consolidated accounts for the year ended March 31, 2011

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 1 - 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 PAID UP		
1,03,98,784 Equity shares of Rs.10 each fully paid up	1039.88	1039.88

Of the above equity shares

- (i) 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- (ii) 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

SCHEDULE 2 - Reserves and surplus

REVALUATION RESERVE				
At commencement of the year		236.16		236.16
CAPITAL REDEMPTION RESERVE				
At commencement of the year		30.13		30.13
STATUTORY RESERVE FUND				
At commencement of the year	-		-	
Add: Amount transferred from profit and loss account	4.46	4.46	-	-
GENERAL RESERVE				
At commencement of the year	17731.89		16231.89	
Add: Amount transferred from profit and loss account	2000.00	19731.89	1500.00	17731.89
PROFIT AND LOSS ACCOUNT		59483.73		49104.95
		79486.37		67103.13

SCHEDULE 3 - Loan funds

SECURED			
From banks:			
- Term loans secured by way of an exclusive charge over specific plant and machinery (payable within 12 months Rs.3266.23 lacs; previous year Rs. 1801.71 lacs)		20083.46	9233.85
- Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the group		2468.42	2221.58
		22551.88	11455.43

SCHEDULE 4 - Fixed assets

	GROSS BLOCK (AT COST)				DEPRECIATION/AMORTIZATION				NET BLOCK	
	As at	Additions/	Deductions	As at	As at	For the	On	As at	As at	As at
	31.3.2010	adjustments		31.3.2011	31.3.2010	year	deductions	31.3.2011	31.3.2011	31.3.2010
Goodwill	166.69*	-	1.20	165.49*	1.20	-	1.20	-	165.49	165.49
Patents and trade marks	0.51	-	0.51	-	0.51	-	0.51	-	-	-
Land(leasehold)	734.52#	(425.98)##	-	308.54#	-	-	-	-	308.54	734.52
Land (freehold)	393.43	565.66##	-	959.09	-	-	-	-	959.09	393.43
Buildings	3305.07**	991.20	1.52	4294.75**	635.40	123.01	0.30	758.11	3536.64	2669.67
Leasehold Building Improvements	564.27	57.43	-	621.70	18.84	20.76	-	39.60	582.10	545.43
Plant and machinery	38106.54	6072.10	438.43	43740.21	17943.18	3598.88	374.33	21167.73	22572.48	20163.36
Electrical installation and equipments	553.82	50.82	8.00	596.64	139.62	28.35	4.64	163.33	433.31	414.20
Computers and information technology equipments	1318.28	288.88	170.23	1436.93	815.52	179.59	139.08	856.03	580.90	502.76
Computer software	411.89	98.19	-	510.08	133.54	82.68	-	216.22	293.86	278.35
Furniture, fixtures and office equipments	1719.78	247.45	76.18	1891.05	705.94	107.37	38.95	774.36	1116.69	1013.84
Motor vehicles	2561.78	474.42	386.54	2649.66	756.76	251.43	175.96	832.23	1817.43	1805.02
Total	<u>49836.58</u>	<u>8420.17</u>	<u>1082.61</u>	<u>57174.14</u>	<u>21150.51</u>	<u>4392.07</u>	<u>734.97</u>	<u>24807.61</u>	<u>32366.53</u>	
Previous year	41389.66	9501.86	1054.94	49836.58	18061.44	3756.19	667.12	21150.51		28686.07
Capital work-in-progress and advances on capital account@									19237.41	7351.03
									51603.94	36037.10

* Includes Rs. 165.49 lacs on consolidation

** 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.448.89 lacs) in respect of lands, titles for which are yet to be registered in the name of the Group. Also, 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 Government of U.P., which notice has been disputed by the Group in a petition filed before the Allahabad High Court.

During the year leasehold land valued at Rs.425.98 lacs has been converted into freehold.

@ Includes pre-operative expenses of Rs.531.41 lacs (previous year Rs. 147.53 lacs)

Note:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs. 19396.46 lacs (previous year Rs. 9163.55 lacs).



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments		
LONG TERM (At cost unless otherwise stated)		
TRADE INVESTMENT - UNQUOTED		
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 (Previous year Nil) Equity Shares of Rs.10 each fully paid up		
Cost of acquisition (including goodwill of Rs. 3.02 lacs)	110.25	-
Others:		
Molind Engineering Limited 3,500 Equity Shares of Rs.10 each fully paid up	0.25	0.25
OTHER INVESTMENTS - QUOTED		
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 15,000 Equity Shares of Rs.10 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



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
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
Maruti Udyog 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 (Previous year 900 Equity Shares of Rs. 2 each)	0.63	0.63
Emami Infrastructure Limited 300 Equity Shares of Rs. 2 each fully paid up (received free of cost)	-	-
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 7,500 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 (Previous year 500) Equity Shares of Re.1 each fully paid up	0.82	0.82
Zee News Limited 226 Equity Shares of Re.1 each fully paid up (received free of cost)	-	-
Zee Learn Limited 137 (Previous year Nil) Equity Shares of Re.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



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Talbro's Automotive Components Limited 1,034 Equity Shares of Rs.10 each fully paid up	1.06	1.06
Infrastructure Development Finance Company 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 3,000 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
Lanco Infratech Limited 1,00,000 Equity Shares of Rs.1 each fully paid up (Previous year 10,000 Equity Shares of Rs.10 each fully paid up)	24.00	24.00
Parsvnath Developers Limited 1,122 Equity Shares of Rs.5 each fully paid up (Previous year 561 Equity Shares of Rs.10 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 (Formerly Reliance Natural Resources Limited i.e. RNRL) 250 Equity Shares of Rs.10 each fully paid up (Previous year 1,000 Equity Shares of Rs.10 each fully paid up in RNRL)	1.01	1.01



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
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 Limited 3,500 Equity Shares of Re.1 each fully paid up	4.73	4.73
ITC Limited 9,000 (Previous year 4,500) 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
Mundra Port & Special Economic Zone Limited 240 Equity Shares of Rs.2 each fully paid up (Previous year 48 Equity Shares of Rs.10 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 (Previous year 16,591) Equity Shares of Rs.10 each fully paid up	19.32	18.88
Steel Authority of India Limited 6,000 Equity Shares of Rs.10 each fully paid up	13.21	13.21
SKF India Limited 1,000 Equity Shares of Rs.10 each fully paid up	4.34	4.34
Tata Motors Limited 1,000 Equity Shares of Rs.10 each fully paid up	6.96	6.96
Tata Power Limited 1,000 Equity Shares of Rs.10 each fully paid up	11.52	11.52
Vishal 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 374 Equity Shares of Rs.10 each fully paid up	0.38	0.38

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Fortis Healthcare Limited 51,176 Equity Shares of Rs.10 each fully paid up	55.27	55.27
Reliance Power Limited 56 Equity Shares of Rs.10 each fully paid up	0.16	0.16
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.10 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 Technologies Limited 500 Equity Shares of Rs.10 each fully paid up	6.56	6.56
Kotak Bank Limited 2,000 Equity Shares of Rs. 5 each fully paid up (Previous year 1,000 Equity Shares of Rs.10 each fully paid up)	7.99	7.99
Oil India Limited 210 Equity Shares of Rs. 10 each fully paid up	2.21	2.21
Coal India Limited 154 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.37	-
Punjab and Sind Bank 50 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.06	-
The Shipping Corporation of India 719 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.01	-
OTHER INVESTMENTS - UNQUOTED		
Associate:		
Success Principles India Limited 1,99,673 Equity Shares of Rs. 10 each fully paid up Cost of acquisition (net of capital reserve of Rs.1.67 lacs) Add: Group's share of profit upto year end	19.97 39.94 59.91	19.97 38.91 58.88
Others:		
Investment under Portfolio Management Service # :		
A) Reliance Portfolio Management Scheme- Trinity Series (Managed by Reliance Capital Asset Management Limited)		
Aries Agro Limited 687 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.88	-



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Patni Computers Limited 167 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	0.78	-
HDFC Bank Limited 66 Equity Shares of Rs.10 each fully paid up	0.59	0.59
Housing Development Finance Corporation 319 (Previous year 90) Equity Shares of Rs.10 each fully paid up	1.01	1.67
Hindustan Petroleum Corporation Limited 418 Equity Shares of Rs.10 each fully paid up	1.10	1.10
ITC Limited Nil (Previous year 569) Equity Shares of Re.1 each fully paid up	-	1.00
KEC International limited Nil (Previous year 260) Equity Shares of Rs.10 each fully paid up	-	1.99
Cipla Limited 212 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	0.65	-
ONGC Corporation Limited 460 (Previous year 107) Equity Shares of Rs.10 each fully paid up	0.82	0.71
Rural Electrification Corporation Limited Nil (Previous year 683) Equity Shares of Rs.10 each fully paid up	-	0.46
Reliance Industries Limited Nil (Previous year 158) Equity Shares of Rs.10 each fully paid up	-	0.17
Zuari Industries Limited 109 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.82	-
Sai Rayalaseema Paper Mills Limited 15,895 Equity Shares of Rs.10 each fully paid up	1.93	1.93
Reliance Mutual Fund 49,539 (Previous year 9,832) Units of Reliance Liquid Fund Institutional Daily Dividend of Rs.10 each	4.96	1.51
Ipca Laboratories Limited Nil (Previous year 895) Equity Shares of Rs.2 each fully paid up	-	1.61
Zensar Technologies Limited 1,004 (Previous year 502) Equity Shares of Rs.10 each fully paid up	1.42	1.42
HEG Limited 68 (Previous year 367) Equity Shares of Rs.10 each fully paid up	0.27	1.38
Tata Consultancy Services Limited 186 (Previous year 141) Equity Shares of Re.1 each fully paid up	1.20	0.85



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Indoco Remedies Limited 253 (Previous year 255) Equity Shares of Rs.10 each fully paid up	1.07	1.02
Bharti Tele Venture Limited Nil (Previous year 311) Equity Shares of Rs.10 each fully paid up	-	0.91
Infosys Technologies Limited Nil (Previous year 37) Equity Shares of Rs.5 each fully paid up	-	0.83
Indian Oil Corporation Limited 308 Equity Shares of Rs.10 each fully paid up	0.65	0.65
Jagran Prakashan Limited Nil (Previous year 674) Equity Shares of Rs.2 each fully paid up	-	0.71
Financial Technologies India Limited Nil (Previous year 50) Equity Shares of Rs.2 each fully paid up	-	0.70
Bank of Baroda Nil (Previous year 115) Equity Shares of Rs.10 each fully paid up	-	0.59
Oil India Limited 131 (Previous year 61) Equity Shares of Rs.10 each fully paid up	1.58	0.73
Aditya Birla Nuvo Limited Nil (Previous year 66) Equity Shares of Rs.10 each fully paid up	-	0.63
United Phosphorous Limited Nil (Previous year 372) Equity Shares of Rs.2 each fully paid up	-	0.36
Balrampur Chini Mills Limited Nil (Previous year 576) Equity Shares of Re.1 each fully paid up	-	0.71
Amara Raja Batteries Limited Nil (Previous year 206) Equity Shares of Rs.2 each fully paid up	-	0.31
Fulford India Limited Nil (Previous year 27) Equity Shares of Rs.10 each fully paid up	-	0.19
Bharat Earth Movers Limited 213 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.24	-
ISMT Limited 2,829 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.54	-
Excel Crop Care Ltd 546 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.26	-
Balmer Lawrie & Co. Ltd. 219 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.47	-



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Larsen and Toubro Limited 65 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.07	-
Deepak Fertilisers and Petrochemicals Corporation Ltd. 625 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.08	-
Standard Chartered IDR 868 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.95	-
Balance with portfolio management scheme	0.74	(0.77)
B) Kotak 2010 Opportunities Portfolio Management Scheme (Managed by Kotak Securities Limited)		
Bharti Airtel Limited 862 Equity Shares of Rs.5 each fully paid up	3.63	3.63
Bharat Electronics Limited 230 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	4.31	-
Cholamandalam DBS Finance Limited Nil (Previous year 2,113) Equity Shares of Rs.10 each fully paid up	-	2.93
Bilcare Limited 447 (Previous year 599) Equity Shares of Re.1 each fully paid up	1.96	2.63
Hindustan Oil Exploration Company Limited 2259 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	5.87	-
IFCI Limited 5245 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	3.17	-
Sentinel Tea And Exports Limited 1601 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.62	-
IRB Infrastructure Developers Limited 1,847 Equity Shares of Rs.10 each fully paid up	2.19	2.19
Network 18 Media & Investments Limited 2,686 Equity Shares of Rs. 5 each fully paid up	6.95	6.95
OnMobile Global Limited 1078 (Previous year 483) Equity Shares of Rs. 10 each fully paid up	4.22	2.56
Sundaram Fasteners Ltd. 4984 (Previous year Nil) Equity Shares of Rs. 10 each fully paid up	3.27	-
Suven Life Sciences Limited Nil (Previous year 5,866) Equity Shares of Re.1 fully paid up	-	2.34



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
United Breweries Limited Nil (Previous year 323) Equity Shares of Rs. 10 each fully paid up	-	0.80
Kotak Mutual Fund 57,569 (Previous year 59,346) Units of Kotak Floater Long Term Growth of Rs.10 each	8.88	8.59
Nagarjuna Fertilizers & Chemicals Limited 8,082 Equity Shares of Rs.10 each fully paid up	2.68	2.68
Motherson Sumi Systems Limited 1,935 Equity Shares of Re.1 each fully paid up	1.55	1.55
Escorts India Limited 765 (Previous year 1,112) Equity Shares of Rs.10 each fully paid up	0.60	0.86
Max India Limited Nil (Previous year 1,330) Equity Shares of Rs.2 each fully paid up	-	2.55
Federal Bank Limited Nil (Previous year 984) Equity Shares of Rs.10 each fully paid up	-	2.66
DCW Limited 10,383 Equity Shares of Rs.2 each fully paid up	2.05	2.05
Areva T&D India Limited 886 (Previous year 840) Equity Shares of Rs.2 each fully paid up	2.66	2.54
Greaves Cotton Limited Nil (Previous year 196) Equity Shares of Rs.10 each fully paid up	-	0.40
Solar Industries India Limited 224 (Previous year 295) Equity Shares of Rs.10 each fully paid up	0.92	1.18
Hindustan Oil Exploration Company Limited Nil (Previous year 1,294) Equity Shares of Rs.10 each fully paid up	-	3.65
National Thermal Power Corporation Nil (Previous year 455) Equity Shares of Rs.10 each fully paid up	-	0.97
Harrisons Malayalam Limited Nil (Previous year 1,719) Equity Shares of Rs.10 each fully paid up	-	1.90
Kotak Mahindra Bank	0.01	0.02
Balance with Port Folio Management Scheme	6.91	-
# 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		



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Others :		
Modi Entertainers Networks Private Limited Nil (Previous year 1,000) Equity Shares of Rs.10 each fully paid up	-	0.10
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
Franklin Templeton Mutual Fund Nil (Previous year 19,55,990) Units of Franklin Asian Equity Fund - Growth Plan of Rs. 10 each	-	200.00
1,83,51,130 (Previous year 93,80,234) Units of Templeton India Income Opportunities Fund - Growth of Rs. 10 each	1889.88	939.88
27,534 Units of Templeton India Short Term Income - Retail Plan - Growth of Rs. 1000 each	477.95	477.95
SBI Mutual Fund 10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each	100.00	100.00
1,00,00,000 (Previous year Nil) Units of SBI Debt Fund Series - 370 Days-10- Growth of Rs.10 each	1000.00	-
ICICI Prudential Mutual Fund 2,44,585 (Previous year 3,18,231) Units of ICICI Prudential Institutional Liquid Plan- Super Institutional Growth of Rs. 100 each	283.82	368.45
1,07,98,301 (Previous year Nil) Units of ICICI Prudential FMP Series 53-1 Year Plan A Cumulative of Rs.10 each	1079.83	-
2,12,39,014 (Previous year Nil) Units of ICICI Prudential Interval Fund Annual Interval Plan-1 Institutional Cumulative of Rs.10 each	2125.39	-
1,00,00,000 (Previous year Nil) Units of ICICI Prudential FMP Series 53-1 Year Plan B Cumulative of Rs.10 each	1000.00	-
1,00,00,000 (Previous year Nil) Units of ICICI Prudential FMP Series 55-1 Year Plan B Cumulative of Rs.10 each	1000.00	-
Nil (Previous year 1,62,30,764) Units of ICICI Prudential Institutional Short Term Plan- Cumulative Option of Rs. 10 each	-	3010.44
Birla Mutual Fund 24,92,990 Units of Birla Income Plus Plan B - Growth of Rs.10 each	616.37	616.37
Nil (Previous year 19,51,219) Units of BSL International Equity - Plan B - Growth of Rs. 10 each	-	200.00
1,43,44,047 (Previous year Nil) Units of Birla Sun Life Medium Term Plan Institutional Growth of Rs.10 each	1500.00	-
1,20,97,777 (Previous year Nil) Units of Birla Sun Life Fixed Term Plan Series CG Growth of Rs.10 each	1209.78	-
39,818 (Previous year 1,27,612) Units of Birla Cash Plus Institutional Plan- Growth of Rs. 10 each	8.27	30.44
Nil (Previous year 1,71,07,721) Units of Birla Sun Life Dynamic Bond Fund -Retail Growth of Rs. 10 each	-	2500.00



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
Kotak Mahindra Mutual Fund 1,00,00,000 (Previous year Nil) Units of Kotak FMP Series 34- Growth of Rs.10 each	1000.00	-
IDFC Mutual Fund 50,00,000 Units of IDFC Equity Fund Plan A - Growth of Rs.10 each	500.00	500.00
HDFC Mutual Fund 24,39,162 (Previous year 22,33,025) Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs. 10 each	244.50	223.30
Nil (Previous year 54,89,729) Units of HDFC Income Fund - Growth of Rs. 10 each	-	1144.12
47,67,482 (Previous year 1,01,79,938) Units of HDFC Short Term Plan- Growth of Rs. 10 each	805.32	1719.59
98,22,484 (Previous year Nil) Units of of HDFC 370 Day D July 2010 (1) -Growth- Series XV of Rs.10 each	982.25	-
1,00,00,000 (Previous year Nil) Units of HDFC FMP 370 D September 2010 (2)-Growth- Series XV of Rs.10 each	1000.00	-
1,23,70,391 (Previous year Nil) Units of HDFC FMP 370 D February 2011 (1)-Growth- Series XVI of Rs.10 each	1237.04	-
27,117 (Previous year 1,50,667) Units of HDFC Cash Management Fund - Treasury Advantage Plan Retail-Growth of Rs. 10 each	5.17	28.75
HSBC Mutual Fund 1,00,00,000 (Previous year Nil) Units of HSBC Fixed Series 79- Growth of Rs.10 each	1000.00	-
Principal Mutual Fund Nil (Previous year 38,42,983) Units of Principal Income Fund - Growth Plan of Rs.10 each	-	400.20
51,96,944 (Previous year Nil) Units of Principal PNB Fixed Maturity Plan (FMP 62) 367 Days Series 1-Sep 10 Growth Plan of Rs.10 each	519.69	-
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 Equity Advantage Fund - Retail Plan - Growth of Rs. 10 each	10.00	10.00
Nil (Previous year 2,07,96,991) Units of Reliance Short Term Fund - Retail Plan - Growth of Rs. 10 each	-	3441.76
2,06,32,507 (Previous year Nil) Units of Reliance Fixed Horizon Fund- XV- Series 5-Growth Plan of Rs.10 each.	2063.25	-
1,63,40,035 (Previous year Nil) Units of Reliance Fixed Horizon Fund-XVI Series 3-Growth Plan of Rs.10 each.	1634.00	-
1,00,00,000 (Previous year Nil) Units of Reliance Fixed Horizon Fund-XVI Series 2-Growth Plan of Rs.10 each.	1000.00	-
1,00,00,000 (Previous year Nil) Units of Reliance Fixed Horizon Fund-XIX- Series 10-Growth Plan of Rs.10 each.	1000.00	-



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
TATA Mutual Fund		
Nil (Previous year 50,00,000) Units of TATA Indo - Global Infrastructure Fund -Growth of Rs.10 each	-	500.00
1,00,00,000 (Previous year Nil) Units of TATA Fixed Maturity Plan Series 31 Scheme B-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
Nil (Previous year 20,00,000) Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each	-	200.00
AIG Mutual Fund		
9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each	100.00	100.00
9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	100.00	100.00
Deutsche Mutual Fund		
26,59,642 (Previous year Nil) Units of DWS Insta Cash Plus Fund- Regular Plan Bonus Option-Bonus of Rs.10 each	261.35	-
BNP Paribas Mutual Fund		
1,00,00,000 (Previous year Nil) Units of BNP Paribas Fixed Term Fund Series 17C Growth of Rs.10 each	1000.00	-
Baroda Pioneer Mutual Fund		
50,00,000 Units of Baroda Pioneer PSU Bond Fund - Growth of Rs. 10 each	500.00	500.00
Sundaram Mutual Fund		
1,00,00,000 (Previous year Nil) Units of Sundaram Fixed Term Plan AQ 367 Days Growth of Rs. 10 each	1000.00	-
1,20,00,000 (Previous year Nil) Units of Sundaram Fixed Term Plan AW 366 Days Growth of Rs. 10 each	1200.00	-
JPMorgan Mutual Fund		
80,00,000 (Previous year Nil) Units of JPMorgan India Fixed Maturity Plan 400D Series1 Growth-Plan of Rs.10 each.	800.00	-
Government Securities (lodged as security with Government Authorities)	0.36	0.36



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 5 - Investments (continued)		
CURRENT INVESTMENTS (At lower of cost or fair value)		
OTHER INVESTMENTS - UNQUOTED		
Kotak Mahindra Mutual Fund		
Nil (Previous year 1,32,52,295) Units of Kotak Flexi Debt Scheme		
Institutional - Growth of Rs. 10 each	-	1500.53
	32260.30	19693.22
Less: Provision for diminution in the value of other long term investments	64.72	210.72
	32195.58	19482.50
Aggregate amount of quoted investments	473.42	542.10
Aggregate amount of unquoted investments		
- Units of Mutual Funds	31478.61	18808.03
- Others	243.55	132.37
	31722.16	18940.40
Market value of quoted investments	1135.09	1022.09
Net asset value/repurchase price of units of Mutual Funds	33457.53	20503.14



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 6 - Inventories		
At cost or under:		
Stores and spare parts	1337.25	1375.69
At lower of cost and net realisable value:		
Raw and packing materials	22529.28	24114.82
Work-in-process	354.47	319.37
Finished goods - Cigarettes	8819.58	7273.22
- Chewing products	-	24.26
Other goods	1949.84	3022.84
Real estate*	405.69	405.69
	<u>35396.11</u>	<u>36535.89</u>
*Includes land at revalued cost		
SCHEDULE 7 - Sundry debtors		
CONSIDERED GOOD		
Over six months - unsecured	10.04	217.90
Others - secured	5.24	32.54
- unsecured	4523.32	4678.59
CONSIDERED DOUBTFUL		
Over six months - unsecured	53.89	53.89
	4592.49	4982.92
Less: Provision for doubtful debts	53.89	53.89
	<u>4538.60</u>	<u>4929.03</u>
SCHEDULE 8 - Cash and bank balances		
Cash on hand	38.05	38.26
Cheques on hand	10.32	125.29
With scheduled banks : On current accounts	1293.81	2445.13
: On margin money accounts	2272.29	988.54
: On term deposit accounts	1700.00	-
: On fixed deposit accounts**	84.24	33.15
	<u>5398.71</u>	<u>3630.37</u>

** Includes Rs. 34.13 lacs (previous year Rs. 32.40 lacs) being lodged as security with Government Authorities



Rupees in lacs

	As at 31.3.2011	As at 31.3.2010
SCHEDULE 9 - Loans and advances		
Unsecured, considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	7689.04	6778.40
Inter corporate deposits	100.00	50.00
With excise and customs on current/cenvat accounts	987.96	488.79
Income-tax recoverable	570.45	741.03
	9347.45	8058.22

*Includes:

- Rs.9.10 lacs (previous year Rs.8.08 lacs) due from officer/directors of the Group. Maximum amount due during the year Rs.9.31 lacs (previous year Rs.11.07 lacs).
- Rs.Nil (previous year Rs.0.04 lac) due from Indofil Industries Limited (formerly Indofil Organic Industries Limited), a company under the same management. Maximum amount due during the year Rs.1.90 lacs (previous year Rs.0.42 lac).

SCHEDULE 10 - Current liabilities		
Sundry creditors #		
Dues of micro and small enterprises	242.37	118.13
Dues of other than micro and small enterprises	25268.16	21163.61
Interest accrued but not due on loans and deposits	217.54	178.63
	25728.07	21460.37

Sundry creditors do not include any amounts outstanding as on March 31, 2011 which are required to be credited to the Investor Education and Protection Fund.

SCHEDULE 11 - Provisions		
Proposed dividend	3639.57	2599.70
Corporate dividend tax	590.43	431.78
Taxation (net of payments)	824.36	786.66
Provision for compensated absences	3506.36	3003.54
Provision for gratuity	856.52	313.27
	9417.24	7134.95

SCHEDULE 12 - Deferred taxation		
<u>Deferred tax liabilities</u>		
- Accelerated depreciation	1978.92	1853.19
- Capital gains	28.26	44.27
- Others	123.11	39.11
	2130.29	1936.57
<u>Deferred tax assets</u>		
- Accrued expenses deductible on payment	2053.43	1672.15
- Others	51.93	42.47
	2105.36	1714.62
Deferred tax (assets)/liabilities - net	24.93	221.95



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	For the year ended 31.3.2011	For the year ended 31.3.2010
SCHEDULE 13 - Other income		
Rent and hire charges (gross)	56.82	122.21
Interest (gross) from debts, deposits, loans, etc.	325.68	256.09
Income (gross) from other long term investments:		
- Dividends	368.07	170.98
Profit on redemption/sale of other long term investments	838.39	2243.27
Profit on sale of other current investments	347.11	214.84
Liabilities no longer required, written back	209.82	1.06
Provision for diminution in the value of investments written back	146.00	167.23
Doubtful debts and advances written back	-	0.20
Export incentives	1205.57	934.31
Exchange gain	360.05	1209.18
Sundries	927.81	853.69
	4785.32	6173.06
Tax deducted at source:		
Interest income	24.51	14.92
Rent and hire charges	5.64	22.17
Sundries	9.08	6.71

SCHEDULE 14 - Raw and packing materials, manufactured and other goods				
Raw and packing materials consumed		43979.04		35648.45
Purchases for resale (including transferred from raw and packing materials)		18576.39		29823.50
(Increase)/decrease in work-in-process, finished goods and other goods				
Opening stock:				
- Work-in-process	319.37		271.49	
- Cigarettes	7273.22		8008.84	
- Cigars	-		299.34	
- Chewing products	24.26		-	
- Other goods	3022.84		2096.34	
- Real estate	405.69		405.69	
	11045.38		11081.70	
Closing stock:				
- Work-in-process	354.47		319.37	
- Cigarettes	8819.58		7273.22	
- Chewing products	-		24.26	
- Other goods	1949.84		3022.84	
- Real estate	405.69		405.69	
	11529.58	(484.20)	11045.38	36.32
		62071.23		65508.27



Rupees in lacs

	For the year ended 31.3.2011	For the year ended 31.3.2010
SCHEDULE 15 - Manufacturing and other expenses *		
Salaries, wages and bonus	12814.09	9739.66
Contribution to provident and other funds (including administrative charges)	850.75	703.14
Workmen and staff welfare expenses	1025.87	897.30
Contribution to gratuity and superannuation fund	1091.79	569.53
Consumption of stores and spare parts	70.19	70.59
Power and fuel	1592.86	1417.13
Repairs and maintenance - Buildings	453.10	186.31
- Machinery	1197.17	1017.89
- Others	447.35	385.90
Rent	1609.58	1269.67
Rates and taxes	4183.19	3016.66
Insurance	357.60	378.82
Freight and cartage	2269.55	1690.95
Legal and professional expenses	4747.01	4193.83
Auditors' remuneration	113.51	98.80
Interest - Fixed loans	961.98	633.64
- Others	27.55	56.98
Cash discounts	138.91	127.57
Commission paid to other than sole selling agents	143.53	189.07
Advertising and sales promotion	24194.13	19785.11
Selling and distribution expenses	3846.81	3153.23
Travelling and conveyance	2409.46	2480.16
Donations	212.58	162.01
Bad debts and advances written off	2.77	59.25
Fixed assets written off	77.73	144.01
Loss on sale of fixed assets	105.12	100.88
Technical services fee and royalty	1094.98	883.71
Preliminary expenses written off	-	2.57
Miscellaneous expenses	7112.54	5882.14
	73151.70	59296.51
(a) Consumption of stores and spare parts has been computed after deducting the amount of spare parts charged to repairs and maintenance - machinery	811.65	818.54
* Excludes pre-operative expenses charged to capital accounts as per details below :		
(i) Salaries, wages and bonus	129.61	55.95
(ii) Contribution to provident and other funds	8.87	3.49
(iii) Workmen and staff welfare expenses	12.88	4.91
(iv) Consumption of stores and spare parts	28.35	6.59
(v) Power and fuel	31.99	15.73
(vi) Rates and taxes	25.82	7.84
(vii) Legal and professional expenses	6.63	24.83
(viii) Travelling and conveyance	62.79	20.85
(ix) Miscellaneous expenses	123.17	48.74

SCHEDULE 16 – Notes to the consolidated accounts

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	
			March 31, 2011	March 31, 2010
International Tobacco Company Limited	India		100.00	100.00
Chase Investments Limited	India		100.00	100.00
City Leasing and Finance Company Limited	India		100.00	100.00
Manhattan Credits and Finance 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:				
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	-

Associate from the current year

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

In respect of IPM India Wholesale Trading Private Limited, the financial statements for the year ended period from December 31, 2010 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 qualifying of 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 rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. 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 depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993	95%
Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986	SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

ii) Investments

Long term investments, other than in associates, are stated at cost. Provision is made for permanent diminution in the value of long term investments, where applicable. Investment in the associate is 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. Cost of real estate is determined taking into account revalued cost of land and construction cost incurred thereon. The cost of raw materials, stores and spares and other 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. Income from investments is recognised on an accrual basis.



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

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 profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the profit and loss account.

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 profit and loss account. 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

For the year ended 31.03.2011	For the year ended 31.03.2010
-------------------------------------	-------------------------------------

3. **REMUNERATION OF DIRECTORS**

Included in Schedule 15 are:

Salaries*	224.25	186.55
Monetary value of benefits	111.51	43.22
Commission**	205.58	115.27
Sitting fees	9.26	9.88
Total	550.60	354.92

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

** including Rs.73.33 lacs (previous year Rs.Nil) payable to a non-working director.



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

	Rupees in lacs	
	For the year ended 31.03.2011	For the year ended 31.03.2010
4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT		
Revenue expenditure	855.90	789.53
Capital expenditure	148.67	265.36
5. AUDITORS' REMUNERATION*		
As auditors		
Audit fee	52.58	45.83
Out of pocket expenses	3.70	5.19
In other capacity for		
Limited review of unaudited financial results	30.00	30.00
Corporate governance, consolidated financial statements and other certification work	4.50	5.05
Tax audit	12.73	12.73
Other services	10.00	-
	113.51**	98.80**

* Net of service-tax where cenvat credit is available

** Including Rs.0.86 lacs (Previous year Rs.0.86 lacs) paid to other auditors of subsidiary companies.

6. CONTINGENT LIABILITIES NOT PROVIDED FOR

- | | | |
|--|----------------|--------|
| a) Demands from excise, sales tax, income tax and other authorities disputed by the Group@ | 2549.42 | 451.59 |
| 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.

7. 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.

8. 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 Schedule 15.

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

- for periods not later than one year – Rs.118.22 lacs (previous year – Rs.122.86 lacs)
- for periods between later than one year and less than five years – Rs. 216.65 lacs (previous year – Rs.281.26 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 Schedule 13.



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

	For the year ended 31.03.2011	For the year ended 31.03.2010
9. Earnings per share has been computed as under:		
a) Net profit as per consolidated profit and loss account (Rs. lacs)	16613.24	11506.95
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)	159.76	110.66
10. Related party disclosures under Accounting Standard 18		
(A) Names of related parties and nature of related party relationships:		
(a) Associates:		
Philip Morris International Finance Corporation, of which Godfrey Phillips India Limited 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:		
Mr. K.K.Modi	President and Managing Director	
Mr. Lalit Kumar Modi	Executive Director (upto July 31, 2010) and Ordinary Director thereafter.	
Mr. Samir Kumar Modi	Executive Director	
Mr. R.Ramamurthy	Whole-time Director	
(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:		
Modicare Limited		
Modern Homecare Products Limited		
K.K. Modi Investment & Financial Services Private Limited		
Beacon Travels Private Limited		
Indofil Industries Limited (Formerly Indofil Organic 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		
Fashion Television India Private Limited		

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

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

Rupees in lacs

Nature of transactions	Associates		Key management personnel		Enterprises over which significant influence exists	
	2011	2010	2011	2010	2011	2010
Sale of goods, spare parts, etc.	6872.00@	3514.97@	-	-	103.69	440.77
Purchase of goods/services	867.60@	1355.96@	-	-	996.34#	923.76#
Sale of assets	-	-	-	-	0.20	-
Interest income	15.58@	11.46@	-	-	8.03	19.92
Miscellaneous Income	62.48@	3.04@	-	-	-	-
Rent and hire charges received	-	-	-	-	56.82	122.20
Rent paid	-	-	-	-	16.16	31.95
Payments for employees on deputation	-	-	-	-	79.20	79.20
Donations given	-	-	-	-	122.70	104.00
Expenses recovered	2282.53@	1044.46@	0.30	0.79	21.36	0.33
Expenses reimbursed	-	-	-	-	3.88	4.11
Balance written off	0.43@	-	-	-	-	0.01
Dividend payment (gross)						
- Philip Morris International Finance Corporation	652.52	652.52	-	-	-	-
Subscription to equity shares of						
- IPM India Wholesale Trading Private Limited	-	496.00	-	-	-	-
- KKM Management Centre Private Limited	110.25	-	-	-	-	-
Managerial remuneration ##						
- K.K.Modi	-	-	220.39	194.62	-	-
- Lalit Kumar Modi	-	-	166.77	50.19	-	-
- Samir Kumar Modi	-	-	81.78	51.97	-	-
- R.Ramamurthy	-	-	72.40	45.73	-	-
- S.V.Shanbhag	-	-	-	2.53	-	-
Balance outstanding as at the year end						
- Sundry debtors	5.29@	33.53@	-	-	-	214.66
- Loans and advances	68.80@	74.36@	-	-	8.19	18.82
- Sundry creditors	6.02@	7.20@	-	-	647.44	592.91

@ Relates to IPM India Wholesale Trading Private Limited

includes Rs.841.73 lacs (previous year Rs. 769.80 lacs) from Beacon Travels Private Limited

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

11. 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.

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

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, 2011				For the year ended March 31, 2010			
1. Segment revenue - External sales (gross)	292020.58	13711.84	-	305732.42	248748.20	12018.07	-	260766.27
- Less: Excise duty	145487.54	-	-	145487.54	122378.91	-	-	122378.91
- Net sales	146533.04	13711.84	-	160244.88	126369.29	12018.07	-	138387.36
- Other income	2485.65	188.64	43.64	2717.93	2034.06	77.46	23.64	2135.16
- Total	149018.69	13900.48	43.64	162962.81	128403.35	12095.53	23.64	140522.52
Unallocable income				2067.39				4037.90
Total revenue				165030.20				144560.42
2. Segment result	23405.19	(159.56)	(54.53)	23191.10	14473.01	(675.50)	(71.72)	13725.79
- Unallocable income net of unallocable expenses				1927.47				3946.69
Profit before interest and taxation				25118.57				17672.48
- Interest expenses				(983.75)				(680.09)
- Provision for taxation				(7547.99)				(5019.74)
Profit after taxation before share of results of an associate and minority interests				16586.83				11972.65
Share of net profit/(loss) of associates				1.03				(495.01)
Profit after taxation before minority interests				16587.86				11477.64
3. Other information	As at March 31, 2011				As at March 31, 2010			
a) Segment assets	96576.89	3591.50	3245.83	103414.22	80691.28	4055.80	3358.94	88106.02
- Unallocable assets/investments				35066.17				20567.09
Total assets				138480.39				108673.11
b) Segment liabilities	28267.01	1437.68	10.51	29715.20	23199.90	1238.79	10.47	24449.16
- Share capital, reserves and minority interests				80758.27				68400.41
- Unallocable liabilities				28006.92				15823.54
Total liabilities				138480.39				108673.11
	For the year ended March 31, 2011				For the year ended March 31, 2010			
c) Capital expenditure including capital work in progress	20263.81	42.74	-	20306.55	10535.40	46.66	-	10582.06
d) Depreciation and amortization	4340.85	51.22	-	4392.07	3704.14	52.05	-	3756.19
e) Non cash expenditure other than depreciation	466.86	35.96	-	502.82	298.29	26.87	-	325.16

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2 in Schedule 16, 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, interest expense (excluding those relatable to segments) and 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, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current and deferred tax).



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

12. Employee Benefits

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

I. Defined contribution plans and amounts recognized in profit and loss account

Rupees in lacs

	For the year ended 31.03.2011	For the year ended 31.03.2010
Employers' contribution to provident fund and employee's pension scheme	856.05	708.00
Employers' contribution to superannuation fund	196.27	256.26
Employers' contribution to employee's state insurance	7.61	3.02

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

- Compensated absences – amount recognized in profit and loss account – Rs.855.24 lacs; previous year Rs.532.69 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 is given below:

	For the year ended 31.03.2011	Gratuity (Funded) For the year ended 31.03.2010
A) Principal Assumptions		
• Discount rate (per annum)	8.10%	8.20%
• Rate of increase in compensation levels	Management: 9% p.a. for first 3 years & 7% p.a. thereafter Non Management: 7%	Management: 9% p.a. for first 4 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	11.41 / 9.43 years	11.01 / 9.97 years
• Retirement age	58 years	58 years
		Rupees in lacs
	For the year ended 31.03.2011	For the year ended 31.03.2010
B) Changes in the present value of obligation		
• Present value of obligation as at the beginning of the year	4226.99	3827.40
• Interest cost	321.68	258.20
• Current service cost	221.60	217.57
• Past service cost	73.42	-
• Benefits paid	(412.56)	(196.06)
• Actuarial (gain)/loss on obligations	635.40	119.88
• Present value of obligation as at the end of the year	5066.53	4226.99
C) Change in the fair value of plan assets		
• Fair value of plan assets as at the beginning of the year	3937.27	3200.57
• Expected return on plan assets	271.27	227.19
• Actuarial gain/ (loss) on plan assets	56.33	66.45
• Contributions received	352.27	639.12
• Benefits paid	(412.56)	(196.06)
• Fair value of plan assets as at the end of the year	4204.58	3937.27
D) (Shortfall)/excess of fair value over book value of plan assets	(5.43)	22.69
E) Excess of book value of plan assets over present value of obligation	-	0.86
F) Net liability recognized in the balance sheet (B-C+D+E)	856.52	313.27

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

Rupees in lacs

	For the year ended 31.03.2011	For the year ended 31.03.2010		
G) Constitution of plan assets				
● Government Securities	1253.22	1390.53		
● Public Sector Bonds	1786.29	2478.17		
● Special Deposit Schemes	18.97	18.97		
● Insurer Managed Funds	1080.14	-		
● Others	65.96	49.60		
● Total	4204.58	3937.27		
H) Expenses recognized in the profit and loss account				
● Current service cost	221.60	217.57		
● Interest cost	321.68	258.20		
● Expected return on plan assets	(271.27)	(227.19)		
● Net actuarial (gain)/ loss	579.07	53.43		
● Past service cost	73.42	-		
● (Shortfall)/excess of fair value over book value of plan assets - incremental	(28.12)	10.40		
● Excess of book value of plan assets over present value of obligation-incremental/(decremental)	(0.86)	0.86		
● Total	895.52	313.27		
I) Experience Adjustments				
Particulars	31-Mar-08	31-Mar-09	31-Mar-10	31-Mar-11
Defined benefit obligation	3171.82	3827.40	4226.99	5066.53
Plan assets	2537.68	3200.57	3937.27	4204.58
Surplus/(Deficit)	(634.14)	(626.83)	(289.72)	(861.95)
Experience adjustment on plan liabilities	312.68	316.68	498.60	605.28
Experience adjustment on plan assets	(21.94)	117.88	66.45	56.33

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

Particulars	As at March 31, 2011		As at March 31, 2010	
	Amount in foreign Currency (Lacs)	Amount in Rs. Lacs	Amount in foreign Currency (Lacs)	Amount in Rs. Lacs
Loan funds	444.62 USD	20083.46	202.59 USD	9233.85
Sundry debtors	80.89 USD 0.02 EURO 4.36 GBP	3580.19 1.24 307.77	97.57 USD 0.01 EURO	4358.45 0.60
Current liabilities and provisions	23.33 USD 5.12 EURO 0.62 GBP 0.11 CHF	1053.82 327.09 44.95 5.26	13.40 USD 2.57 EURO 0.98 GBP 0.77 HKD 0.02 CHF	614.87 153.87 67.33 4.43 0.74
(b) Derivative instrument outstanding as at year end:				
(i) Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon	42926 JPY	20083.46	21765.00 JPY	9233.85

14. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

R.N. AGARWAL
Executive Vice President (Finance)

SUNIL AGRAWAL
Chief Financial Officer

New Delhi : May 29, 2011

SAMIR KUMAR MODI
Executive Director

R. RAMAMURTHY
Whole-time Director

SANJAY GUPTA
Company Secretary

R.A. SHAH
Chairman

K.K. MODI
President

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

Directors



GODFREY PHILLIPS
—INDIA LIMITED—

GODFREY PHILLIPS INDIA LIMITED
Registered Office : Chakala, Andheri (E) Mumbai – 400 099

CORRIGENDUM

27th August, 2011

Dear Shareholder,

The Annual Report for the current financial year 2010-11 has already been mailed to you. After printing and mailing the Annual Report we discovered an inadvertent omission of “Clause D to Statement pursuant to Section 212 of the Companies Act, 1956” - forming part of Annual Report 2010-11 (after page no. 55) which is given below for your reference.

D. Financial details of the subsidiaries for the year ended and as at 31.3.2011									
Name of Subsidiary Company	Share Capital	Reserves	Other Liabilities	Total Assets	Long Term Investments (other than in Subsidiaries)	Turn over/ Total Income	Profit/ (loss) before tax	Rs. In Lacs	
								Provision for tax	Profit/ (loss) after tax
1 International Tobacco Company Ltd.	100.00	1140.37	4161.68	5402.05	-	4260.83	38.77	1.44	37.33
2 Chase Investments Ltd.	119.26	246.61	0.73	366.60	277.07	11.93	9.82	0.87	8.95
3 City Leasing and Finance Company Ltd.	125.25	125.09	0.19	250.53	157.86	6.78	6.44	0.26	6.18
4 Manhattan Credits and Finance Ltd.	195.00	46.13	1.46	242.59	158.22	8.81	8.49	1.39	7.10
5 Kashyap Metal and Allied Industries Ltd.	7.70	676.24	1944.74	2628.68	283.82	16.49	(75.05)	-	(75.05)
6 Unique Space Developers Ltd.	81.96	(7.01)	2.95	77.90	-	1.74	(2.36)	-	(2.36)
7 Gopal Krishna Infrastructure & Real Estate Ltd.	5.00	(2.33)	0.06	2.73	-	-	(0.09)	-	(0.09)
8 Rajputana Infrastructure Corporate Ltd.	5.00	3.09	2320.06	2328.15	-	0.05	(0.04)	-	(0.04)

We sincerely apologise for the inadvertent error despite making all possible efforts to ensure error free Annual Reports. Kindly bear with us.

Thanking you,
Yours sincerely,
For GODFREY PHILLIPS INDIA LIMITED

Sd/-
(Sanjay Gupta)
Company Secretary