

# ARCUTTIPORE TEA COMPANY LIMITED

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their 144<sup>th</sup> Annual Report and the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2013.

### FINANCIAL RESULTS

<u>Particulars</u>	For the year ended 31 <sup>st</sup> March 2013 Rs.	For the Year ended 31 <sup>st</sup> March 2012 Rs.
Profit/ (Loss) before depreciation	(17,14,875)	(7,33,948)
Provision for depreciation	(13,78,695)	(5,01,875)
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Profit/ (Loss) after depreciation	(30,93,570)	(12,35,823)
Provision for Taxation	-----	-----
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Profit / (Loss) after tax	(30,93,570)	(12,35,823)
(Loss) Brought forward from previous year	(12,02,70,440)	(11,90,34,617)
Transfer to Balance Sheet	(12,33,64,010)	(12,02,70,440)
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<b>Profit available for appropriation</b>	<b>NIL</b>	<b>NIL</b>
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### DIVIDEND

In view of accumulated losses, no dividend is recommended for the Financial Year.

### CROP & MADE TEA

Your directors report that since last five years, the company had not been producing made tea due to acute shortage of working capital fund in the garden, and had been selling the entire green leaf production over the years due to acute shortage of funds . During the year under review, the company however, has managed to induct considerable amount of funds in the operation from private parties & internal cash accruals from green leaf operations. The company has re-stored

electricity supply from the Grid, the Assam Power Distribution Co. Ltd., Guwahati after payment of huge electricity dues, payments of old statutory dues, payments to suppliers, and has also made considerable amount of capital investment in machineries in order to re-commence production of tea at the factory.

As a result, with effect from 26<sup>th</sup> May, 2012, the company has rejuvenated the operating system and re-started production of tea although there has been continued sale of green leaf 8,90,275 kg during the year as against 1,91,6325 kg production of green leaf, at reasonable and realizable price for meeting funds requirements for labour payments, amenities to employees and garden overheads.

During the current season, it is our endeavor that the company's tea production activities should be continued and carried out through out the year so that the company could reap reasonable margins on sale of its tea product in this competitive domestic as well as international market.

## **PERFORMANCE**

Your Directors report that the Company has incurred net loss of Rs.30,93,570/- (Previous year Rs.12,35,823/-) for the year which includes loss Rs.25,64,320/- on sale of shares during the year. The company has written back liabilities amounting Rs.14,28,082/- during the year, though there has been certain sundry balances written off amounting Rs.6,87,164/- in the statement of account. The recovery of losses in tea business as compared to last year has been registered on account of increased production of green leaf by 48,686 kg. as compared to last year's production during the year though there had been erratic climate and undistributed rain that had caused fall in green leaf production against budgeted production of 21,00,000 kg for the year under report. Against 10,26,050 kg of green leaf production, the company has made 2,45,076 kgs. of tea during the year.

## **FUTURE PROSPECTS**

Your Directors stipulate that there has been improvement in demand of tea in the domestic market as well as in overseas markets in the present year. However, the company has not come out completely from unfavourable financial situation and persisting circumstances at the garden due to continued losses. During the current season too, the company has been facing erratic climate and undistributed rain that has been causing lower production of green leaf against the

estimations for the year, resulting in lower production of tea made. The Company has taken steps for manuring the garden and has taken repairs works of machineries and factory buildings in anticipation that the company would improve production of green leaf as well as tea made with improvement in quality of tea. Under such circumstances, it is visualized that your company would be able to reap good margins on made tea in the current season.

As there has been continuous erosion in net worth of the company, the company is however contemplating to show positive results in the current season year provided there would have been favourable enhanced production of green leaf against the estimations followed by the company's firm footing in the tea market with its quality of product and better realization.

Your directors, to the best of their endeavors and the consultations, are intending to revive the company's operations in full swing, so that there should be generation of considerable amount of internal accruals from the operations and that may take the company out from the persisting circumstances and situations.

## **DEPOSITORY SYSTEM**

The Company's equity shares are listed on the Regional Stock Exchanges at Bombay and, Kolkata, for transactions of shares in demat form. The shares of the company are tradable in demat form. During the year, the amount paid to the Bombay Stock Exchange Ltd. for restoration of listing of the company's shares, and to the Registrar, have been charged to the statement of profit & loss account during the year under review. The company has regularly been meeting the compliances with the Exchange. It is stated that such action has boosted the shareholders confidence. However, the trading of shares in the company is suspended at Calcutta Stock Exchange.

## **INDUSTRIAL RELATION**

During the year under review, your Company has been maintaining cordial and mutually helpful relationship with its employees. The Board takes on the records its deep appreciation of the co-operation and support extended by employees at all levels and looks forward to their total involvement and in pertaining the over all improvement of the Company.

## **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act 1956, your Directors state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departure.
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year.
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and.
- (d) the Directors had prepared the annual accounts on the going concern basis.

## **AUDITORS REPORT**

The Notes on Financial Statements referred to in the Auditors 'Report are self explanatory and need no further explanations in this regard.

## **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS**

A separate Report on 'Corporate Governance' along with Auditor's Certificate on its compliance and "Management Discussion & Analysis" are annexed hereto.

## **DIRECTORS**

Mr. Shalakya Bajoria retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Harsh Kumar Bajoria, the Managing Director of the company, has informed that in view of continued losses and persisting financial shortage even in the year, he has forgone his basic remuneration for the year and has decided to continue rendering his services as Managing Director as he had so been rendering in earlier years even without remuneration.

The company took on record the appreciation of services rendered Mr. Harsh Kumar Bajoria during the year and his continued support. However, renewal of the letter of appointment and remuneration of Mr. Harsh Kumar Bajoria as Managing director of the company and the requisites compliances in this regard with the Registrar of Companies, West Bengal, are pending

## **AUDITORS**

M/s Gora & Company, Chartered Accountants, Statutory Auditor of the company, retired at the forthcoming Annual General Meeting and offer themselves for re-appointment at the remuneration to be mutually agreed upon. The company has received letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the Said Act together with a confirmation that they are not covered with the ongoing cycle of the peer review process as required by the “Statement on Peer Review” issued by The Institute of Chartered Accountants of India.

## **CASH FLOW ANALYSIS**

The Cash Flow Statement for the year under review in terms of the Listing Agreement with the Bombay Stock Exchange i.e. BSE is annexed.

## **ENERGY, TECHNOLOGY & FOREIGN EXCHANGE**

The information required under Section 217(1) (e) of the Companies Act read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988 are set out in an annexure hereto forming part of the report. There were no foreign exchange earnings but outgo during the year under review and the same are stated in Statement of Profit & Loss.

## **PARTICULAR OF EMPLOYEES**

Particulars as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) are not given, as no employee of the Company falls under the prescribed category.

## **APPRECIATION**

Your Directors wish to place on record their appreciation of the support, which the Company continues to receive from the Government, lenders, bankers and business associates. Your Directors also place on record their appreciation of the wholehearted support extended by the shareholders and the employees & workers of the company.

Kolkata

Date: 30.05.2013

HARSH KUMAR BAJORIA

Managing Director

## REPORT ON CORPORATE GOVERNANCE

### The Company's Governance Philosophy

The Company believes and its essence that the core values of the Company's Corporate Governance are transparency, Professionalism, Accountability, Fairness and social responsibility. It is continuous endeavor of the Company to fulfill these objectives and enhance the wealth generating capacity, keeping in mind long term interest of the shareholder.

### Board of Directors: -

i) The Board consisted of 4 (Four) Directors as on 31.3.2013 with one Executive Managing Director, one Executive Director and 2 (two) Non-Executive Directors. Their particulars and attendance at Board Meetings and AGM are given below:

Sl No	Name	Status	No. of Board Meetings Attended	Attendance at the Last EGM/AGM	Other Company			
					Board of Directors		Board Committee	
					Chairman	Member	Chairman	Member
1	Mr. H.K.Bajoria	Executive Managing Director/Promoter	8	Yes	-	8	-	-
2	Mr. Shalakya Bajoria	Executive Director	8	Yes	-	4	-	-
3	Mr. C.P.Poddar	Director	Nil	Nil		5		
4	Mr. Naresh Shah	Director	5	Yes		12		

### ii) Information placed before the Board of Directors

As required under the clause 49 all the information were placed before the Board.

### iii) Code of Conduct

The Board framed Code of Conduct for the Company. The Board designated the Managing Director as Chief Executive Officer (CEO) for the purpose of Corporate Governance. A declaration signed by the Managing Director as CEO in this regard is annexed at the end of this Report.

**iv) Board Meetings held during the year: -**

Sl N0	Date of Meeting	Board Strength	No. of Directors Present
1	July 30, 2012	4	3
2	August 27, 2012	4	3
3	September 17, 2012	4	3
4	October 5, 2012	4	3
5	October 31, 2012	4	3
6	January 31 2013	4	3
7	April 26, 2013	4	3
8	May 13 , 2013	4	3

**2. AUDIT COMMITTEE**

**i) Terms of Reference & Composition**

The terms of reference of the committee cover the matters specified for Audit Committee under Clause 49 of the listing Agreement as well as in Section 292A of the Companies Act, 1956.

The Audit Committee presently consists of the under noted persons as its members. All of the members are non Executive Directors and independent directors

Name of Director	No of Meeting	No. of Meetings attended
<b>Sri C.P.Poddar</b>	<b>4</b>	<b>4</b>
<b>Sri Naresh Shah</b>	<b>4</b>	<b>4</b>

Four meetings on 24.05.2012, 30.07.2012, 31.10.2012 and 31.01.2013 were held during the Financial Year ended 31<sup>st</sup> March, 2013.

**ii) Brief Description of Terms of Reference**

The role of the Audit Committee and its Terms of reference comprised review of the operations, financial Management, Audit Plan, audited quarterly / half- yearly / annual returns, findings of internal / statutory auditors and compliance of the policy decisions of the company with all the powers and authorities as mentioned in Clause 49 of Listing Agreement with the Stock Exchange and / or SEBI guidelines from time to time. The Audit Committee also acts as a link between the Board of Directors and the Statutory / Internal Auditors.

**iii) Remuneration Committee**

Presently there is no Remuneration Committee and as such, no meeting of the Remuneration committee was held during the year.

**iv) Remuneration Policy**

The Remuneration Policy of the Company rewards performance based on achievement and existing industry benchmarks. The remuneration of the Managing Director is governed by the terms and conditions approved by the Board of Directors, the shareholders and the Centre Government, if required. The remuneration structure comprises of salary, perquisites and allowances, contribution to Provident Fund and gratuity as per Schedule XII and other applicable provisions of the Companies Act, 1956.

**v) Remuneration of Directors**

Name of Director	Category	Sitting fee Paid Meeting		Salary & Perks	Total
		For Board	For Committee		
Mr.H.K.Bajora	Executive Director	-	-	-	-
Mr. C.P.Poddar,	Non Executive Director	-	-	-	-
Mr. Shalakya Bajoria	Executive Director	-	-	-	-
Mr. Naresh Shah	Non Executive Director	-	-	-	-

\* Includes perquisites

1. The Agreement with Mr. H.K.Bajoria, Managing Director is a period of 5 years which is pending for renewal.
2. The Company does not have any employee Stock Option scheme.
3. The Company has not paid any remuneration to non – executive directors

**vi) Shareholders/ Investor's Grievance Committee: -**

**The Committee presently consists of two persons one of whom is Sri C. P. Poddar, a Director and the other is Sri Monoranjan Pal. The grievances received from the shareholders were dealt with at its meetings. Sri Naresh Shah is the Compliance Officer of the Company. During the year, one complaint was received from the shareholder and the**



same was resolved. All others have been resolved to date. The Company has no transfer pending at the close of the financial year.

**vii) Annual General Meeting**

The last 3 (Three) Annual General Meetings were held as follows. .

<b>Year Ended</b>	<b>Date of meeting</b>	<b>Time</b>	<b>Venue</b>
31.3.2012 (143rd AGM)	27.9.2012	3.00P.M.	MMS Chamber 4A Council House Street Kolkata—700001
31.3.2011 (142nd AGM)	29.9.2011	3.00P.M.	MMS Chamber 4A Council House Street Kolkata—700001
31.3.2010 (141st AGM)	29.9.2010	3.00.P.M.	MMS Chamber 4A Council House Street Kolkata—700001

All the resolutions set out in the respective notices were passed by the shareholders.

No postal ballots were used for voting at these meetings.

At the forthcoming Annual General Meeting, there is no item on the agenda that needs approval by postal ballot.

**3) Management Discussions and Analysis Report**

Pursuant to Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is given below:

**(a) Industry Structure and Developments**

The tea industry is improving situation of supply over demand. With the sale volume remaining moderate with moderate realization, the margins are reasonably remunerative. The Company has re started producing made tea after induction of borrowed fund into the system and has stopped selling green leaf since margins on sale of made tea are comparatively moderate. The steps taken for cost control, quality up gradation as well as marketing policy are improving the margins in future and in the current season 2013, the company is contemplating its tea production in full swing.

**(b) Opportunities and Threats**

As your company's produce is presently not exported, it is not exposed to the vagaries of the export market.

**(c) Segment-wise or product-wise performance**

In spite of the industry continuing to operate under unfavourable conditions, the performance of your company has somewhat sustained due to its producing tea and selling green leaf also during the year review.

**(d) Outlook**

It is hoped that the industry has been improving, with the demand for exports picking-up in due course. The Company is penetrating and contemplating to strong its footings in the domestic tea market.

**(e) Risks and concerns**

The availability of new land for cultivation continues to be a constraint. The steps taken for increasing the yield as well as the replantation programme pursued by the Company will enable the company to revive and sustain its manufacturing capacities provided the company gets the needed financial support from the concerned institutions as well as from the intending lenders.

**(f) Internal control systems and their adequacy**

The system of internal control is commensurate with the size and nature of the business of the Company. The systems are regularly reviewed to ensure its effectiveness.

**(g) Discussion on financial performance with respect to operational performance**

These have been covered in the Director's Report specifically under the section on Financial Results and operations. The statement of accounts shows that the net worth of the company has eroded due to losses in operational activities including repairs and replacement works of factory buildings and machineries and as a result the company has recommenced its tea production in the year under review after re-storation of electricity