



Assam Company Limited



Member
Duncan Macneill Group



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ANNUAL REPORT AND ACCOUNTS 2000



ASSAM COMPANY LIMITED

Member : Duncan Macneill Group, U.K.

Board of Directors

Mr. K. K. Jajodia, Chairman
Mr. M. N. Mehta
Lord Inchcape
Mr. A. K. Jajodia, Sr. Managing Director – Corporate Affairs
Mr. S. N. Srivastava, Managing Director & CEO – Tea
Mr. D. L. Thapar, Director – Marketing
Mr. S. Bhuwalka

Company Secretary

Mr. Amit Halder

Auditors

Lovelock & Lewes, Kolkata

Bankers

Allahabad Bank, Kolkata
Bank of Baroda, Kolkata
State Bank of Bikaner & Jaipur, Kolkata
State Bank of Hyderabad, Kolkata
Oriental Bank of Commerce, Kolkata

Solicitors

Khaitan & Co., Kolkata
Fox & Mandal, Kolkata

Registrars & Share Transfer Agents

M/s. C. B. Management Services Ltd.
P-22, Bondel Road
Kolkata –700 019

Registered Office

Greenwood Tea Estate
P.O. Dibrugarh
Assam

Head Office

Assam Tea House
52, Chowringhee Road
Kolkata–700 071



ASSAM COMPANY LIMITED

Notice

Notice is hereby given that the Twenty-fourth Annual General Meeting of Assam Company Limited will be held at 11.00 A.M. on Friday, 28th September, 2001 at Dibrugarh & District Planters' Club, Lahoal, P.O. Dibrugarh, Assam to transact the following business :

Ordinary Business

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st December, 2000 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. A.K. Jajodia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D.L. Thapar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

Special Business

6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED that Mr. S. Bhuwalka be and is hereby appointed as Director of the Company."

7. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED that the Company do hereby accord its approval and consent under Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 to the appointment of Mr. Shiva Narain Srivastava (Mr. S. N. Srivastava) as Managing Director & CEO-Tea of the Company for a period of seven months effective 1st April, 2001 to 31st October, 2001 on the terms and conditions as approved by the Members at the Annual General Meeting held on 29th June, 1999.

Registered Office :
Greenwood Tea Estate
P.O. Dibrugarh, Assam
10th July, 2001.

By Order of the Board

Amit Halder
Company Secretary

NOTES :

1. The Register of Members of the Company will remain closed from 14th September, 2001 to 28th September, 2001, both days inclusive.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Explanatory Statement pursuant to the Section 173(2) of the Companies Act, 1956 in respect of the items of Special Business is annexed hereto.
4. The dividend, if approved at the meeting, will be paid within the period prescribed under the Companies Act, 1956 to those members whose names shall appear in the Register of Members of the Company on 28th September, 2001 or to their mandatees, subject to the provisions of Section 206A of the Companies Act, 1956.

5. Pursuant to Section 205A of the Companies Act, 1956, all unpaid/unclaimed dividends declared for and upto the Company's financial year ended 31st December, 1994 have been transferred to the General Revenue Account of the Central Government.

Members who have not encashed the Dividend Warrants for the said period are advised to claim the amount from the Registrar of Companies, Assam, Morello Building, Shillong, Meghalaya.

6. All correspondence relating to transfer of shares, transmission, sub-division, issue of duplicate Share Certificate, dividend and any change in the address along with PIN code, Bank mandate and residential status should be addressed to the Company's Registrars and Share Transfer Agents, M/s. CB Management Services Ltd., P-22, Bondel Road, Calcutta-700 019.
7. Members who have multiple accounts in identical names or joint accounts in the same order, are requested to intimate the Company, the ledger folios of such accounts, in order to consolidate all such shareholdings into one account.
8. Trading in Equity Shares of the Company is permitted only in



ASSAM COMPANY LIMITED

Dematerialised Form w.e.f. 24th July, 2000 as per notification issued by the Securities and Exchange Board of India (SEBI).

9. Members are requested to note that the name of the Company has been changed to "Assam Company Limited" from "The Assam Company Limited" with effect from 9th January, 2001.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS :

Item No. 6

Mr. S. Bhuwarka (Mr. Bhuwarka) was appointed Additional Director of the Company on 30th October, 2000. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 106 of the Articles of Association of the Company, he will hold office till the date of the forthcoming Annual General Meeting of the Company. Notice pursuant to Section 257 of the Act has been received from a member of the Company signifying his intention to propose at the next Annual General Meeting that Mr. Bhuwarka be appointed a Director of the Company. Mr. Bhuwarka is eligible for such appointment. Your Directors consider that the appointment of Mr. Bhuwarka will be in the interest of the Company and accordingly recommend acceptance of the Resolution set out in Item No. 6 of the convening Notice.

Mr. Bhuwarka may be deemed to be interested or concerned in the Resolution under Item No. 6. No other Director is interested or concerned in the Resolution.

Item No. 7

At the Annual General Meeting of the Company held on 29th June, 1999, the members had approved the appointment of Mr. S.N. Srivastava as Managing Director & CEO-Tea for the period of two years with effect from 1st April, 1999 to 31st March, 2001. At the meeting of the Board of Directors of the Company held on 28th June, 2001 the Board appointed Mr. S.N. Srivastava as Managing Director & CEO-Tea for a further period of seven months effective 1st April, 2001 to 31st October, 2001 on similar terms and conditions as approved by the members at the meeting held on 29th June, 1999.

Mr. Srivastava deemed to be interested or concerned in the resolution under Item No. 7 of the convening Notice. No other Director of the Company is interested in the resolution.

This may also be treated as an abstract of the terms and conditions of appointment of Mr. S.N. Srivastava, Managing Director & CEO-Tea of the Company pursuant to Section 302 of the Companies Act, 1956.

Registered Office :
Greenwood Tea Estate
P.O. Dibrugarh, Assam
10th July, 2001.

By Order of the Board

Amit Halder
Company Secretary



ASSAM COMPANY LIMITED

Directors' Report

Your Directors have pleasure in submitting their Twenty-fourth Report for the year ended 31st December, 2000 together with the Audited Accounts for the said year.

Financial Results	Year ended 31.12.2000 Rs.	Year ended 31.12.1999 Rs.
Profit before Taxation & Depreciation	10,55,76,085	12,60,59,050
Less: Depreciation	4,10,88,671	4,13,01,434
	<u>6,44,87,414</u>	<u>8,47,57,616</u>
Less: Taxation	23,15,954	79,09,235
Profit after Depreciation and Taxation	6,21,71,460	7,68,48,381
Add: Transfer from Development Allowance Reserve	9,12,000	2,70,000
Contingency Reserve	—	5,00,00,000
Less: Prior year's adjustments	—	1,15,83,392
Provision for diminution in the value of certain investments	62,14,378	87,68,226
Add: Surplus brought forward	13,20,87,939	6,83,59,908
	<u>18,89,57,021</u>	<u>17,51,26,671</u>
Your Directors propose the following appropriation :		
Transfer to Debenture Redemption Reserve	91,43,726	1,57,15,000
Dividend on Equity Shares of 5% (Re. 0.50 per share)	1,11,98,251	2,23,96,502
Corporate Dividend Tax	11,42,222	49,27,230
Balance Carried Forward	16,74,72,821	13,20,87,939

Dividend

Your Directors have recommended an equity dividend of 5% for the year ended 31st December, 2000. Such dividend, when approved by the shareholders, will be paid to those members whose names appear in the Register of Members as on 28th September, 2001.

Performance

Tea Production for the second year in succession registered another sharp decline due to very dry and uncertain weather conditions. The uncertainty in weather conditions resulted in the year witnessing much lower crop in the best months of May and June and again in September. The heavy decline in crop caused severe dent in the Company's operation. However,

redoubled efforts towards better field management and improvement in weather conditions during certain parts of the year enabled the Company to limit the drop in crop. The year closed with total production of 144.5 lac kgs. only (– 4.7% behind 1999.) Tea production in Assam Valley in general registered a drop compared to year 1999.

With changed dynamics in the market place the need was to strategise our resources in improving quality for best realisation of prices. Your Company's performance, both in terms of much improved quality and better price realisation was highly acclaimed in the industry. Notwithstanding the shortfall in crop, your Company continued its zeal in producing highest quality teas during the year – thus establishing a unique place for your Company in the top slot among the best tea producers in the industry.



ASSAM COMPANY LIMITED

Exports

Exports continued to remain sluggish. The slide-down in tea market in the CIS countries resulted in keeping the markets weak. In our main thrust markets – the traditional areas – our efforts were rewarded with success, through larger export volumes. *Your Company continues to explore and seek markets in the non-traditional areas with sustained efforts. Hopefully this should fructify into positive results.*

Prospects

Tea prices in India and more so overseas continue to be fundamentally weak. However, quality teas are relatively better placed than middle and lower end teas which are in poor demand. It is believed that the market for quality teas should hold on and improve in the future. This provides a considerable degree of satisfaction to your Company who will continue their quest to produce better teas for improved price realisations in the coming year. The major problem has been significant cost increases in most areas including wages and input costs all round. Fuel, power and various other costs continue to cause worry and have impacted adversely on the profitability of your Company during the year.

Future Strategy

Your company, after prolonged deliberation, has resolved and is interacting with accredited International Consultants to restructure and reorganize with long and medium term strategies to rejuvenate its inherent strength. The progressive implementation of the developed strategies and policies would ensure **substantial and sustained value addition** and short term sacrifices which are inherent in the interim have to be welcomed. Such crystallized realities are being experienced by numerous Fortune 500 companies and the gains invariably offset such sacrifice substantially. Your company is uniquely placed in terms of heritage, and its supremacy as **world pioneer of Tea** and thrust is being placed from **Commodity Business** to **Brand equity** all round.

Research & Development

The Company's R&D Unit dedicated to scientific Research &

Development programmes functioning in Assam is recognised by the Ministry of Science and Technology, Govt. of India.

Improvement in quality and increased production through use of selected clonal material has been taken up in a big way, quality, productivity, reduction in pest and disease infestation, soil and bush improvements have been provided major thrust.

Towards improving eco-system, your Company has launched heavy re-afforestation programme. The Company has also ventured into large scale organic tea cultivation which has gained international acclaim.

Subsidiary Companies

The Subsidiary Companies had filed legal suit against the Government of Andhra Pradesh for recovery of the expenses incurred on development of projects, damages including loss of profit/opportunity cost arising out of the breach of contract.

Necessary statement u/s. 212 of the Companies Act, 1956, the Reports and Accounts relating to the Company's Subsidiaries have been annexed to the Accounts.

Social Obligations

Despite the changing socio-economic and cultural environment in Assam, the Company has continued to fulfil its social obligation. Actions have been launched to effectively bring about improvement in the areas, viz., housing, hospitals, medical, education and employment opportunities are continued. Resource conservation, pollution control and related afforestation programmes in line with the national policies are continuously under focus.

Auditors' Report

The observations of the Auditors made in paragraph 3(a) & 3(b) of their Report have been fully explained in the Notes on Accounts and hence, are not being separately dealt with here.

Recoverability of certain investments, is dependent upon the outcome of further claim lodged in this regard. Therefore, no accounting adjustment arises at this stage pending settlement of the claim. These have also been fully explained in the Notes on Accounts.



ASSAM COMPANY LIMITED

Directorate

Mr. M.N. Mehta is due to retire at the forthcoming Annual General Meeting. He has expressed his desire to be relieved from the Board for personal reasons. Your Board wishes to place on record its appreciation of valuable services rendered and advice provided during long stint of his association since the year 1991 with the Company.

The tenure of appointment of Mr. S.N. Srivastava as Managing Director & CEO-Tea, expired on March 31, 2001, has been extended upto October 31, 2001 on his existing terms and conditions.

At the Board Meeting held on October 30, 2000, Mr. S. Bhuwala was appointed as a non-executive Additional Director. Pursuant to Article 106 of the Company's Articles of Association read with Section 260 of the Companies Act, 1956, Mr. Bhuwala shall hold office only upto the date of the next Annual General Meeting of the Company. He is eligible for reappointment at the forthcoming Annual General Meeting.

In terms of Clauses 103 & 104 of the Articles of Association of the Company read with Section 255 of the Companies Act, 1956, M/s. A.K. Jajodia and D.L. Thapar will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Corporate Governance

Corporate Governance is concerned with the establishment of a system whereby Directors are entrusted with responsibilities and duties in relation to the direction of corporate affairs. It is concerned with the conduct/behaviour of the Company, its management and accountability of persons who are managing it towards the stakeholders. Your Company is committed in its constant endeavour to practice and follow good corporate governance. Your Company has a code of conduct which is scrupulously followed by every employee.

In terms of Clause 49 of the Listing Agreement, your Company is required to implement the provisions regarding Corporate Governance by 31st March, 2002. The process of implementation has already commenced with the constitution

of the Audit Committee. The remaining provisions would be in place by the current year-end and the detailed Report in relation to Corporate Governance will appear in the next year's Annual Report.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts for the financial year ended 31st December, 2000, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that 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;
- (iv) that the Directors had prepared the accounts for the financial year ended 31st December, 2000 on a 'going concern' basis.

Auditors

The Company's Auditors, Messrs. Lovelock & Lewes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Depository System

As advised by the Securities & Exchange Board of India (SEBI) the equity shares of your Company are available for trading compulsory in electronic mode on and from 24th July, 2000.

**ASSAM COMPANY LIMITED****The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988**

In accordance with the requirement of the above rules, the particulars in respect of conservation of energy, research and development, technology absorption and foreign exchange earnings and outgo have been given in Annexure 'A' forming part of this Report.

Personnel

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the executives, staff and workers of the Company for its success.

Particulars of Employees as required u/s. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'B' forming part of this Report.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Central Government, Government of Assam, Financial Institutions, Banks, Shareholders, Creditors and Suppliers during the year under review and look forward to their continued support in future.

On behalf of the Board of Directors

A.K. Jajodia
S.N. Srivastava
D.L. Thapar
S. Bhuwalka
Directors

Place : Kolkata
Date : 10th July, 2001.

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**ASSAM COMPANY LIMITED****Annexure — 'A' Forming Part of the Directors' Report**

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO IN TERMS OF SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED 31ST DECEMBER, 2000.

FORM "A"**CONSERVATION OF ENERGY**

**Current Year
ended 31.12.2000**

**Previous Year
ended 31.12.1999**

A. Power & Fuel Consumption**1. Electricity****a) Purchased Units (KWH)****11032562****10573198**

Total Amount [Rs.]

50133991**42660234**

Rate per Unit [Rs.]

4.54**4.03****b) Through diesel generator Units (KWH)****3404479****4236667**

Units per Ltr. of diesel

2.32**2.30**

Cost/Unit [Rs.]

6.35**5.21****2. Coal**

Quantity (Tonnes)

—

—

Total Cost [Rs.]

—

—

Average Rate [Rs./Tonne]

—

—

3. Furnace Oil

Quantity in K. Ltrs.

2623**3743**

Total Cost [Rs./KL]

36837491**32844559**

Average Rate [Rs./KL]

14046**8775****4. Gas**

Quantity [Scum]

5507198**6197472**

Total Cost [Rs.]

19621091**16148162**

Rate [Rs./Scum]

3.56**2.61****B. Consumption per Unit of Production**

Production of Tea [Kgs.]

14453883**15354669**

Electricity [KWH] [item 1(a) above]

0.76**0.69**

Furnace Oil [Ltrs.]

0.18**0.24**

Coal [Kgs.]

0.00**0.00**

Gas [Scum]

0.38**0.40**



Annexure to Directors' Report (Contd.)

FORM "B"

RESEARCH & DEVELOPMENT [R&D]

- | | |
|--|--|
| 1. Specific areas in which R&D carried out by the Company | Tea productivity and quality improvement, implementation of low input sources like biofertilisers, biopesticides and other biocontrol agents for pesticide free organic tea production and environment protection. Regular soil status study, exploitation of natural products from tea. |
| 2. Benefits derived as a result of the above R&D | Tea quality improvement, reduction of risk on pest & disease infestation. Adoption of technology from time to time in accordance with the work done by the Tea Research Association, Institute of Market Ecology and in-house R&D. |
| 3. Further plan of action | Development of suitable biocompost, biofertilizers and extensive usage of biological agents to control disease manifestation. Exploitation of natural ingredients in tea. |
| 4. Expenditure on R&D | |
| a] Capital | NIL |
| b] Recurring | Rs. 20,94,312 |
| c] Total | Rs. 20,94,312 |
| d] Total R&D Expenditure as a percentage of total turnover | 14.85% |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|---|---|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation. | Efforts are made to improve indigenous cost effective technology for productivity and quality improvement. Keeping co-ordination with Tea Research Institute, Tea Research Association Laboratories and Company's in-house R&D Units. |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | Product improvement and Tea Quality Improvement. |
| 3. In case of imported technology [imported during the last five years reckoned from the beginning of the financial year], following information may be furnished : | |
| a] Technology imported |) |
| b] Years of import |) |
| c] Has technology been fully absorbed |) NOT APPLICABLE |
| d] If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. |) |