

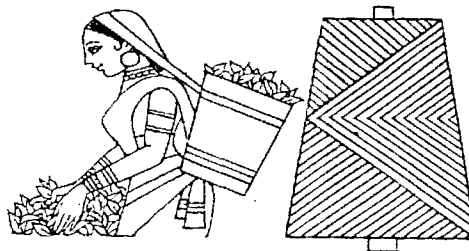
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Fourteenth
Annual Report
&
Accounts
1996-97

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BENGAL TEA & FABRICS LIMITED



Report  junction.com



Bengal Tea & Fabrics Limited

BOARD OF DIRECTORS

Sri B D Kanoria
Chairman & Managing Director

Sri U Kanoria
Jt. Managing Director

Sri A Kanoria
Jt. Managing Director

Sri R S Saraogi
Executive Director

Sri M V Badrinath
IDBI-Nominee Director

Sri S P Sengupta

Sri G Momen

Sri M D Almal

Sri S K Hada

Sri H Khaitan

COMPANY SECRETARY

Sri D Arya

AUDITORS

M/s. Jain & Co.
Chartered Accountants

BRANCH AUDITORS

M/s. Dalal & Shah
Chartered Accountants

COST AUDITORS

M/s. N D Birla & Co.
Cost Accountants

BANKERS

State Bank of India
Punjab National Bank

REGISTERED OFFICE

9, Biplabi Trailokya Maharaj Sarani
(Formerly Brabourne Road), 5th Floor
Calcutta 700 001, India

TEA DIVISION

Ananda Tea Estate

P.O. Pathalipam
Dist. North Lakhimpur (Assam)

Mackeypore Tea Estate

P.O. Nazira
Dist. Sibsagar (Assam)

Pallorbund Tea Estate

P.O. Banskandi
Dist. Cachar (Assam)

Poloi Tea Estate

P.O. Poloi
Dist. Cachar (Assam)

TEXTILE DIVISION

Asarwa Mills

Asarwa Road
Ahmedabad 380 016 (Gujarat)

Industrial Yarn Unit

1402, GIDC Estate, Dholka
Dist. Ahmedabad (Gujarat)

Asarwa Overseas

Vill. Walthera, Taluka : Dholka
Dist. Ahmedabad (Gujarat)

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Bengal Tea & Fabrics Limited



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of BENGAL TEA & FABRICS LIMITED will be held at "KALAKUNJ", 48, Shakespeare Sarani, Calcutta 700 017 on Saturday, the 20th day of September, 1997 at 11.30 A.M. for the following purposes :

1. To receive and adopt the Balance Sheet as at 31st March, 1997, Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. G. Momen, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S. K. Hada, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass, with or without modifications, the following as Special Resolution :

"RESOLVED THAT the re-appointment by the Board of Directors in accordance with the Schedule XIII of the Companies Act, 1956 (The Act), of Mr. B. D. Kanoria, as Managing Director with effect from January 01, 1998 for a period of five years on terms and conditions contained in the Agreement of Service entered into by the Company with the said Managing Director, be and is hereby approved by the members."

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

"RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors at Head Office, as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and fix their remuneration, for the audit of accounts of its Textile Division at Ahmedabad for the financial year ending 31st March, 1998".

Report Junction.com

Calcutta,
31st day of July, 1997

By Order of the Board

D. ARYA
Company Secretary

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. The Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is appended below.
3. The Register of Members of the Company will be closed from September 15, 1997 to September 20, 1997 (both days inclusive).
4. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Registered Office enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
5. The Shareholders are informed that the dividends which were declared upto and for the Financial Year ended March 31, 1993 and which remained unpaid/unclaimed have been transferred by the Company to the General Revenue Account of the Central Government in accordance with the Section 205(A) of the Companies Act, 1956.
6. Shareholders are requested to bring their copy of the Annual Report to the meeting.

**NOTICE OF ANNUAL GENERAL MEETING (Contd.)****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 5**

The Board of Directors at its meeting held on July 31, 1997 has re-appointed Mr B.D. Kanoria as Managing Director in accordance with the Section 269 of and Schedule XIII and all other enabling provisions of the Companies Act, 1956 ('The Act'). The said re-appointment is subject to approval of the members of the Company by way of a special resolution and the relevant details thereof are appended below for your perusal :

Tenure

Mr B. D. Kanoria's re-appointment as Managing Director is for five years and shall be effective from January 01, 1998.

Remuneration

He shall be entitled to the following remuneration :

- I. **Salary** : Rs.50,000 (Rupees Fifty Thousand) only per month.
- II. **Commission** : Nil
- III. **Perquisites** : Perquisites shall be restricted to an amount equal to the annual salary.
 - (i) **Housing** :
 - a) The expenditure incurred by the Company on hiring furnished accommodation will be subject to a ceiling of 60% of the salary; or
 - b) In case the accommodation is owned by the Company, ten percent of the salary shall be deducted by the Company; or
 - c) In case no accommodation is provided by the Company, the said Managing Director shall be entitled to house rent allowance as per (a) above.

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to a ceiling of ten percent of the salary.
 - (ii) **Medical Reimbursement** : Reimbursement of the expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of every three years.
 - (iii) **Leave Travel Concession** : Leave Travel Concession for self and family once in a year, incurred in accordance with the rules of the Company.
 - (iv) **Earned Leave** : On full pay and allowances and perquisites as per rules of the Company. Encashment of leave at the end of service shall not be included in the computation of the aforesaid ceiling on perquisites and/or salary.
 - (v) **Personal Accident Insurance** : The annual premium not to exceed Rs. 4,000.
 - (vi) **Club Fees** : Fees of Club, subject to a maximum of two Clubs provided no Life Membership Fee or Admission Fee is paid.
 - (vii) **Provision of the Company's car with Driver** for use of Company's business. He will be billed by the Company for use of car for private purpose, if any.
 - (viii) **Free Telephone facility** at residence. Personal long distance call, if any, will be billed by the Company to him.
 - (ix) The Managing Director will also be entitled to reimbursement of the entertainment expenses actually and properly incurred for the Company and such payment shall not form part of his remuneration.
 - (x) **Retirement Benefits** : Company's contribution towards Provident Fund and Superannuation Fund and Gratuity, as per the rules of the Company.

The aforesaid comprising retirement benefits shall not be included in the computation of ceiling on perquisites mentioned elsewhere in this statement of disclosure, to the extent these either singly or collectively are not taxable under the Income Tax Act, 1961.

In the event of loss or inadequacy of Profits

In the event of loss or inadequacy of Profits, the said Managing Director shall be paid a monthly remuneration not exceeding the applicable ceiling laid down in the Schedule XIII.

Termination of Agreement

The Managing Director and the Company shall have the right to terminate the agreement by giving the other party six months' clear notice in writing.

Memorandum of Interest of Directors

None of the Directors of the Company except Mr B. D. Kanoria, Managing Director is concerned or interested in the above.

A copy of the resolution appointing the said Managing Director passed by the Board of Directors at its meeting held on July 31, 1997 and relevant Agreement of Appointment may be inspected at the Registered Office of the Company on any working day during 11 A.M. to 1 P.M.

The above disclosure of interest is also in accordance with the Section 302 of the Companies Act, 1956.

Item No. 6

The Company has been appointing Branch Auditors other than the Auditors appointed for Head Office for carrying out audit of the accounts of its Textile Division in Gujarat. The resolution seeks to obtain the members' consent as required by Section 228 of the Companies Act, 1956. The Directors commend the resolution for acceptance.

None of the Directors is concerned or interested in the said resolution.

Bengal Tea & Fabrics Limited



Annual Report & Accounts 1996-97

DIRECTORS' REPORT

Dear Shareholders,

The Directors present their Fourteenth Annual Report and Audited Accounts for the year ended on March 31, 1997.

FINANCIALS

The Company's financial performance during the year under review, recorded improvement as compared to the last financial year :

		1996-97	(Rs. in lacs)	1995-96
Profit before Interest, Depreciation and Tax		2,177.80		1,254.57
Less : Interest		1,344.06		1,035.77
Gross Profit for the year		833.74		218.80
Less : Depreciation	752.43		641.93	
: Taxation	0.26	752.69	0.35	642.28
Profit/ (Loss) for the year		81.05		(423.48)
Adjustments/Appropriations :				
Add / (Less) : Excess Provision for Depreciation written back	4.58		-	
: Adjustment in respect of earlier years (Net)	19.59		(39.43)	
: Profit/Loss on Sale of Stock of Tea Seasons 1994-95 & 1995-96	0.58	24.75	27.08	12.35
		105.80		411.13
Less/Add : Short Provision of Bonus for earlier years	53.72		46.90	
: Short Provision of Income Tax for earlier years	36.18		0.04	
: Balance brought from last year	454.47	544.37	(3.60)	43.34
Debit Balance carried to Balance Sheet		438.57		454.47

DIVIDEND

In the absence of available surplus, your Directors regret their inability to recommend any dividend for the year under review.

OPERATIONS

Tea Division

As reported last year, the Division has been able to make a record crop of 42.77 lac kgs as against last year's production of 38.92 lac kgs. This has been achieved mainly from improved field management practices and favourable weather conditions throughout the season. Your Directors are pleased to report that despite the adverse weather conditions during the first quarter of the current season, crop at your Estates is at par with the last year's figure. Crop at your Poloi Tea Estate has been affected on account of severe hail damage in the month of April, 1997.

The production of quality tea has paid rich dividend as a result of which teas of both Assam and Cachar have maintained encouraging levels. This has helped in achieving higher sales realisation compared to the previous season despite common tea prices for the year being lower than the previous year due to lower exports to CIS countries.

Sale realisations for the current year are much higher than last year's in line with general market conditions. This trend is expected to continue right through the year. Hence, this Division is likely to give improved results.

Your Company continues to bring more areas under tea by way of new planting and for the year under review 52 hectares were planted.

Textile Division

(a) General Review : Keeping in view the general condition of textile industry as a whole, the working of Textile Division was satisfactory. The highlights of the year was the higher utilisation of expanded capacity together with major thrust to export. During the year under review, sales turnover has been maintained despite the decrease in raw material cost as raw material contributes about 60% to the cost of sales. However, other input costs have been rising continuously such as power & fuel and dearness allowance which kept margins of this Division under strain. The Dholka Unit of your Textile Division is under lock out since July 9, 1997.

(b) Export : Your Directors have immense pleasure to inform you that during the year under review, your Company has received the EXPORT HOUSE status. As reported earlier, your Company's major thrust area is export. Export of Textile Division for the year under review has yielded turnover to the extent of Rs.6681 lacs as against Rs.3580 lacs of the previous year, i.e. 87% higher over the previous year and it accounted for almost 42% of the Division's turnover. This could be possible by keeping pace of modernisation and improved quality monitoring system.

Bengal Tea & Fabrics Limited**Annual Report & Accounts 1996-97****DIRECTORS' REPORT (Contd.)**

During the first quarter of current year, export of yarn and cloth have been effected to Rs. 1990.30 lacs including direct export worth Rs.1475 lacs and export orders worth Rs. 1425 lacs are on hand.

(c) **Modernisation** : As reported earlier, in order to keep pace with the technological developments in the textile industry, the Division has received financial assistance for modernising its spindles and rotors with its preparatory at Ahmedabad and Dholka units together with addition of D.G. Sets in both the units. Modernisation in both the units of the Division has successfully completed in the end of first quarter of the current year with the buildings and its infrastructures.

(d) **Future Prospects** : This Division will show improved working results in the following year on account of the modernisation done in the Ahmedabad and Dholka units.

Also with growth of exports and more focus on quality products, sales realisation and value addition will be higher. The Company will reduce its financing costs by availing of higher EPC limits and by converting its Working Capital Demand Loan to FCNR (B) loans.

The raw material situation is expected to be comfortable and all reports available till date point towards a good cotton crop.

FIXED DEPOSITS

The amount outstanding on account of Fixed Deposits accepted from public was Rs.209.41 lacs, out of which a sum of Rs.3.04 lacs relating to 50 depositors remained unclaimed upto March 31, 1997 although these had matured for repayment.

COMPARATIVES PURSUANT TO CLAUSE 43

The comparative figures of projections made in the Prospectus/Letter of Offer against that achieved are given pursuant to the Clause 43 of the Listing Agreement.

Financial Year ended March 31, 1997
(Rs. in lacs)

	<u>Actuals</u>	<u>Projected</u>
Turnover	18358	15046
Profit Before Depreciation, Interest and Tax	2178	2417
Gross Profit	834	1673

— The variance in profitability is mainly due to increase in interest cost and strain on margins of yarn and cloth, the main products of the Textile Division.

— Acute power shortage and low frequency power supply coupled with frequent tripping resulted in loss of production at Textile Division in Gujarat.

SUBSIDIARY

The Annual Report and Accounts of Kanoria Exports Limited, a subsidiary of the Company for the financial year ended 31st March, 1997 are annexed to this Report.

DIRECTORS

Sri G. Momen and Sri S. K. Hada retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Sri M.V. Badrinath was appointed as Nominee Director on the Board by Industrial Development Bank of India w.e.f. 9th June, 1997 in place of Sri A.A. Khanolkar.

The Directors wish to express their appreciation of the valuable counsel extended by Sri A.A. Khanolkar during his tenure.

AUDITORS

Messrs Jain & Company, Auditors of the Company retire at the conclusion of the 14th Annual General Meeting and express their willingness to continue if so appointed.

AUDITORS' REPORT

As regards the Auditors' comments, the Note No.18 in the Notes on Accounts covered under Schedule 'P' are self-explanatory.

PERSONNEL

The Board expresses its appreciation of the contribution of employees at all levels. A statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required pursuant to 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 is annexed forming part of this Report.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the Banks'/Participating Financial Institutions' co-operation and timely assistance.

For and on behalf of the Board

Calcutta,
31st day of July, 1997

B. D. KANORIA
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information as per 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 and forming part of the Directors' Report for the financial year ended 31st March, 1997.

CONSERVATION OF ENERGY

(a) Energy Conservation measures taken :

In order to stop wastage of energy, the Company has given a great deal of importance for conserving energy which could keep the energy cost of our manufacturing process under a tight control. The Textile Division has taken various steps to reduce consumption of energy like use of synthetic tapes, and light weight bobbins, etc. However, reduction in per unit consumption of energy has been effected in the following manners.

During the year under review :

- (i) The process of installing spindles having less diameter of spindle wharve in Ring Frames is continued this year also. Further more spindles having less wharve diameter were also installed. These spindles consume comparatively less energy. These ring spindles have proven in energy saving and quality. In view of this further steps are being taken to install energy saving spindles which will consume 15% less energy.
- (b) Additional investments and proposals, if any, are being implemented for reduction of consumption of energy : The measures mentioned above are part of the continued efforts of the Company to conserve energy. Proposals are under consideration to install certain energy saving and pollution control equipments at the Company's Textile Units.
- (c) In order to save energy the Company has installed energy saving device for lighting, D.C. Drive on sizing machines at the Company's Textile Units.
- (d) In its Textile Division, one Diesel Generating Set "SKODA" 1525 KVA was installed for increasing our power generating capacity.
- (e) At Textile Division, one Electrical Power Distributor sub-station was also installed.
- (f) In its Tea Division, energy audit was conducted and initiatives were taken to replace old motors with new motors to get better efficiency.
- (g) Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM - A

Particulars with respect to Conservation of Energy

	TEA		TEXTILE	
	Current Year	Previous Year	Current Year	Previous Year
(A) POWER & FUEL CONSUMPTION				
1. Electricity				
(a) Purchased (Units)	13,65,216	11,24,212	3,54,95,127	4,05,96,000
Total Amount (Rs.)	49,66,984	43,30,303	11,34,03,352	11,11,62,309
Rate/Unit (Rs.)	3.64	3.85	3.19	2.74
(b) Own Generation				
i) Through Diesel (Units)	18,01,761	16,80,838	2,23,14,080	1,62,85,919
Unit per ltr. of Diesel	2.44	2.10	3.40	3.40
Cost/Unit (Rs.)	3.31	3.75	2.24	2.00
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm3)	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
2. Coal (Specify quality and where used)				
Quantity (Tonnes)	2,393	2,140	8,239	9,336
Total Cost (in Rs.)	38,68,612	27,36,066	89,87,554	1,13,36,861
Average Rate (Rs.)	1,617	1,278	1,091	1,214
Quality : Dust khasi, 4500 kilo calories/kg. used in drier : Ash 40% to 60% and 30% to 35%				
3. Furnace Oil				
Quantity (K.Ltr.)	241	367	—	—
Total Amount (Rs.)	16,00,936	22,46,538	—	—
Average Rate (Rs.)/K.Ltr.	6,641	6,127	—	—
4. Others/Internal Generation				
(a) Gas :				
Quantity (cm3)	15,67,791	12,00,733	—	—
Total Cost (Rs.)	12,80,700	9,54,330	—	—
Rate/Unit (Rs./cm3)	817	795	—	—

Bengal Tea & Fabrics Limited



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ANNEXURE TO DIRECTORS' REPORT (Contd.)

FORM-A (Contd.)

(B) CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Current Year	Previous Year
(i) Black Tea	Kgs.		
Electricity	Unit	0.90	0.88
Furnace oil	Ltrs.	0.08	0.14
Coal (Quality as above)	Kgs.	0.82	0.80
Gas	cm3	1.15	0.99
(ii) Yarn	Kgs.		
Electricity	Unit	3.12	3.22
Coal	Kgs.	1.72	1.64
(iii) Cloth	Mts.		
Electricity	Unit	0.80	0.92
Coal	Kgs.	0.70	0.66
(iv) Industrial Yarn	Kgs.		
Electricity	Unit	1.79	1.92
Coal	Kgs.	—	—
(v) Asarwa Overseas Yarn	Kgs.		
Electricity	Unit	4.77	5.42
Coal	Kgs.	—	—

For the above, there is no prescribed standard.

The variation in consumption of power and fuel from previous year is due to change of quality and process.

FORM - B

RESEARCH & DEVELOPMENT (R & D)

	TEA	TEXTILE
(1) Specific areas in which R & D carried out by the Company	The Division subscribes to Tea Research Association which is registered u/s 35(1) (ii) of the Income Tax Act, 1961.	<ul style="list-style-type: none"> (a) Optimisation of mechanical processing parameters for the manufacture of cotton yarn for export and blended yarn. (b) Implementation of systematic programme to increase awareness among the staff members and workers for improvement in quality and productivity, steps towards total quality management. (c) Physical testing of fibre, yarn and fabric, use of spectogram analysis for further improving the quality of yarn. (d) Complying with statistical quality control methods in monitoring the quality of yarn. (e) Colour matching and development of shades. (f) Testing of effluent water and development of methods for treating effluent. (g) Waste control and utilisation. (h) Tree plantation for environmental care. (i) Cost reduction.
(2) Benefits derived as a result of the above R & D	The Division benefits from the suggestions received from the Association out of R & D activities.	<ul style="list-style-type: none"> (a) Improvement in quality of yarn and fabric quality to meet the requirement of highly competitive export market. (b) Proper selection of raw material and better process control. (c) Reduction in cost of production and improvement in machine efficiency. (d) The quality of the end product is of international standards. (e) Improvement in parameters of treated effluent. (f) This will enable us to reduce our production loss during power cut to a greater extent. (g) For flexibility of power distribution and to reduce losses due to power.

Bengal Tea & Fabrics Limited



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ANNEXURE TO DIRECTORS' REPORT (Contd.)

FORM - B (Contd.)

	TEA	TEXTILE	
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association	(a) Planning to install machinery to increase cotton yarn production and further to improve quality of yarn. (b) Installation of leveller draw frames. (c) Implementation of energy savings measures i.e. replacement of spindles having bigger spindle wharve dia, replacement of old capacitors. Old inefficient motors to be replaced by optimum size of motors. (d) Pollution control for better environment. (e) We have increased our combed yarn production by 33% and further we are planning to increase the same.	
(4) Expenditure on R & D	Nil	1996-97	1995-96
(a) Capital		Rs. 1,35,718	Rs. 2,28,561
(b) Recurring		Rs. 15,71,224	Rs. 8,73,451
(c) Total		Rs. 17,06,942	Rs. 11,02,012
(d) Total R & D Expenditure as a percentage of total turnover		0.11%	0.07%

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	Not applicable	(i) Installation of sophisticated combing technology and versatile leveller draw frames (ii) Induction of new machinery in carding, combing and simplex section. (iii) For obtaining consistency and acceptable levels of suitable yarn parameters for exports. (iv) Consistent quality of yarn and fabric in batch to batch production. (v) Consistent quality of white fabric over long yardages.
2. Benefits derived as a result of the above efforts	Not applicable	(i) Improvement in the quality of products to meet the requirements of domestic and highly competitive international markets. (ii) Improvement in yarn qualities to the level of 5% user standard and below, acceptable in the international market. (iii) Manufacturing of superior quality combed yarn.
3. There is no imported technology involved.		

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company continues its efforts to enhance exports with vigorous steps to find new markets and develop existing ones.

	1996-97	1995-96
1. Foreign Exchange Earnings	Rs. 66,85,87,726	Rs. 35,84,58,238
2. Foreign Exchange Outgo	Rs. 5,61,51,439	Rs. 8,90,02,811

For and on behalf of the Board

Calcutta,
31st day of July, 1997

B. D. KANORIA
Chairman