

Seventeenth Annual Report & Accounts

1999 - 2000



Bengal Tea & Fabrics Limited

BOARD OF DIRECTORS

Sri B D Kanoria
Chairman & Managing Director

Sri A Kanoria
Jt. Managing Director

Sri R S Saraogi
Executive Director

Sri S P Sengupta

Sri G Momen

Sri S K Hada

Sri H Khaltan

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
ICICI Bank Ltd.

REGISTERED OFFICE

9, Biplabi Trailokya Maharaj Sarani
(Formerly Brabourne Road), 5th Floor
Calcutta 700 001, India
Phone : 242 3070/71/72/73
Fax : 033 248 4514
e-mail : btfc@cal.vsnl.net.in

TEA DIVISION

Ananda Tea Estate
P.O. Pathalipam
Dist. North Lakhimpur (Assam)

Pallorbund Tea Estate
P.O. Banskandi
Dist. Cachar (Assam)

TEXTILE DIVISION

Asarwa Mills
Asarwa Road
Ahmedabad 380 016 (Gujarat)

Notice	2
Directors' Report	4
Auditors' Report	10
Balance Sheet	12
Profit & Loss Account	13
Schedules to Balance Sheet and Profit & Loss Account	14
Cash Flow Statement	29

BENGAL TEA & FABRICS LIMITED

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the SEVENTEENTH ANNUAL GENERAL MEETING of BENGAL TEA & FABRICS LIMITED will be held at "KALAKUNJ", 48, Shakespeare Sarani, Calcutta 700 017 on Monday, the 21st day of August, 2000 at 10.30. A.M. for the following purposes :

1. To receive and adopt the Balance Sheet as at 31st March, 2000, 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. A Kanoria, 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 authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT the Company do approach the Gauhati Stock Exchange Limited with an application pursuant to the applicable clause(s) of the Listing Agreement to seek delisting of its equity shares listed at the said Stock Exchange and the Board of Directors be and is hereby authorised to take all steps necessary for giving effect to this resolution which shall *inter alia* include signing such deed, undertaking, documents or other papers as may be required in this connection."

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

"RESOLVED THAT the Board of Directors be and is 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, 2001."

Calcutta
Dated : 26th day of June, 2000

By Order of the Board

D. ARYA
Company Secretary

BENGAL TEA & FABRICS LIMITED

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING (Contd.)**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 annexed to this Notice.
3. The Register of Members of the Company will be closed from **16th August to 21st August, 2000** (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. **Shareholders who are still in possession of the old Share Certificates are requested to IMMEDIATELY surrender these to enable the Company to send the fresh share certificates for the reduced shareholding in lieu thereof.**
6. In accordance with the recent amendments, dividend declared for the year ended March 31, 1995 and remaining unpaid/unclaimed will be transferred to a Fund to be established by the Government on due date but from out of which no payment will be made to the shareholders. The members who have not received/encashed their dividend warrants for the said year are requested to contact the Registered Office for the needful.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5**

Subsequent to Public/Rights Issue in 1994, your Company's equity shares were listed with the Gauhati Stock Exchange Ltd. w.e.f. 4th May, 1994. It has been noticed from the reports available on quotations that there has been no trading at the said Stock Exchange since 1995. In view of the above, the Directors have decided to seek de-listing of equity shares from the Gauhati Stock Exchange Limited subject to the requirement of the Listing Agreement with the Stock Exchange.

There are approximately 168 shareholders in the State of Assam/Region whose aggregate shareholding is 10,100 equity shares and subsequent to your consent to the above, arrangements will be made to provide an exit opportunity to these shareholders in accordance with the applicable clauses of the Listing Agreement.

The Directors recommend passing of this resolution. None of the Directors is concerned or interested in the resolution.

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

BENGAL TEA & FABRICS LIMITED**DIRECTORS' REPORT**

Dear Shareholders,

The Directors present their Seventeenth Annual Report and Audited Accounts for the year ended March 31, 2000.

FINANCIALS

The financial results for the year ended March 31, 2000 and the corresponding figures for the last year are as follows:

	Rupees in Lacs	
	1999-2000	1998-1999
Profit before Interest, Depreciation and Tax	1430.42	1269.10
Less : Interest	757.44	645.48
: Depreciation	569.59	417.88
Profit After Interest & Depreciation	103.39	205.74
Less : Taxation	101.40	132.00
Profit After Tax	1.99	73.74
Adjustments :		
Add/Less : Excess/(Short) Provision of Income Tax for earlier years	(0.06)	12.82
Add : Income Tax Refund for earlier years	1.57	2.38
	3.50	88.94
Less : Debit Balance Brought Forward from last year	318.20	407.14
Debit Balance carried to Balance Sheet	314.70	318.20

DIVIDEND

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

REVALUATION OF ASSETS

Your Company's assets at the Tea Estates were revalued during the year under review, by a certified Chartered Engineer and Valuer to facilitate their reflection in the accounts of the Company at realistic values. The resultant increase of Rs. 1497.34 lacs in the book value of these assets has been transferred to Revaluation Reserve Account as detailed at Note No. 6 in the Notes on Accounts.

SALE OF PALLORBUND & DOOLOOGRAM TEA ESTATES

Following a strategically critical review of operations of Pallorbund and Dooloogram Tea Estates and considering all the relevant aspects of their performance, with the consent of members accorded at the Extra Ordinary General Meeting held on 26th June, 2000, and subject to all other applicable approval/formalities, the said Estates are being sold.

OPERATIONS**Tea Division**

The All India Production of Tea was lower by about 7.5% (65 Million Kgs) due to severe drought in the North India in the first quarter of the year. Your gardens were also effected by this drought resulting in loss of crop of about 4% as compared to last year. The cost of production continued to increase due to hike in prices of foodstuff, other input costs and steep increase in labour cost arising out of Industry-wide Wage Settlement.

The crop of Ananda Tea Estate for the current year till date is satisfactory and is ahead by 68% over same period last year. Tea prices in general are lower as compared to last year, however quality teas are in demand and are selling at reasonable prices. Export demand continued to be sluggish. In order to achieve further higher standard in quality the Company has invested more than Rs. 55 Lacs in the factory of Ananda Tea Estate for augmenting Withering & Fermenting facilities. In view of higher crop, emphasis on quality and suitable adjustments in field practices etc., the Division is expected to perform reasonably.

BENGAL TEA & FABRICS LIMITED**DIRECTORS' REPORT (Contd.)****Textile Division**

General Review : The year under review witnessed a reasonable increase in the sales by 9.35% despite weak market conditions as a result of which the margins are under pressure. In Gujarat, the cotton crop will be around 30 lacs bales this year as against 48 lacs bales in the year 1998-99. However, the total cotton crop of the country for the year 1999-2000 is expected to be around 160 to 165 lacs bales. This is almost the same of last year and as a result of which the prices have not come down as expected. Further, the price of man made fibre and the filament yarn have been increased by about 10 to 12% as compared to previous year. Moreover, your Directors have continued to adopt the policy to rationalise the workers and economise unproductive expenses which has enabled to control employees cost as a percentage of sales that has been marginally lower despite 5% increase in dearness allowance and an increase of Rs. 140/- per month per employee as per the Award of TLA with effect from August 1999.

To become self reliant and ensure uninterrupted power supply, the division has set up 1 No. 4.1 MW F.O. base captive power generation plant in August 1999. The division has already a standby capacity of about 4800 KW from 6 Nos. DG Sets. The power cost as a percentage of sales has been reduced by 1.5% despite increase in production and increase in units consumption on account of product-mix. However, the benefit of the same is expected to accrue from the current financial year. The depreciation and interest costs are higher by 40% and 22% respectively as compared to last year due to capital out-lay on account of extensive modernization which could not be absorbed in cost of production resulting into an operating loss. Moreover, in the last quarter, the textile industry experienced a good smell and as a result expecting to perform reasonably well in the current year.

Exports : The export growth has been substantial recording excellent performance despite competition in global market was intense as a result of a flooding of supplies at very low prices by manufacturers in India and the South East Asian countries. The division's export for the year under review has increased by 33% over the previous year, resulting into 40% of the total sales value. During the uncompleted quarter of the current year, export of yarn valued at about Rs. 1200 lacs has already been achieved and at present the orders worth Rs. 1463 lacs are on hand. Strenuous efforts will be made to penetrate new markets as such it has been targeted to achieve substantial increase in export volume in the current financial year.

Modernisation, Renovation and Prospects : The constant endeavour of this division is to keep a strategy to modernize with the new generation technology to maintain competitive position of the Company. As reported earlier, the Company's massive modernization and renovation programme is successfully completed with 16,176 spindles and its balancing preparatory and post spinning machines together with 4.1 MW power plant with the financial assistance of IDBI and IFCI. The fruits of these are expected during current year.

Future Prospects : With the increased thrust of export and to keep pace with new generation technology, the division plans to upgrade the balance technological obsolete machinery under Technology Upgradation Fund Scheme (TUFS) by the end of current financial year of 2000-01. The Directors expect reasonable improvement in performance of the division during the current financial year.

FIXED DEPOSITS

The amount outstanding on account of Fixed Deposits accepted from public was Rs. 205.77 lacs, out of which a sum of Rs. 2.08 lacs relating to 31 depositors remained unclaimed as at March 31, 2000 although the same had matured for repayment. Notices reminding the said depositors to make the claim have been sent.

Y2K PREPAREDNESS

Your Company achieved smooth transition to the year 2000 without any adverse effect on its business operations. The cost of replacement of old equipment and/or software expenses in this connection amounted to Rs. 2.70 Lacs only.

LISTING

The Company's Equity Shares are listed at the Calcutta, Mumbai, Ahmedabad and Guwahati Stock Exchanges. The annual listing fees have been duly paid. The addresses of these Stock Exchanges are given in the Annual Report.

In view of negligible number of shareholders in the State of Assam and as per reports available there having been no trading done by them at the Stock Exchange, Gauhati for over 5 years, the Directors have decided to seek voluntary de-listing of the equity shares from the Stock Exchange, Gauhati subject to the members' approval and compliance with the other applicable provisions.

SUBSIDIARY

Your Company divested a part of its stake in Kanoria Exports Limited during the year and therefore the said company is no longer a subsidiary and accordingly provisions of the Section 212 of the Companies Act, 1956 are no longer applicable.

BENGAL TEA & FABRICS LIMITED**DIRECTORS' REPORT (Contd.)****DIRECTORS**

Mr. A Kanoria and Mr. S K Hada retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

Messrs Jain & Company, Auditors of the Company retire at the conclusion of the 17th Annual General Meeting and express their willingness to continue if so appointed.

AUDITORS' REPORT

As regards the Auditors' comments, the Note No. 16(8)(iv) in the Notes on Accounts covered under Schedule 'P' is self explanatory.

PERSONNEL

Personnel relations remained cordial during the year. 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 appreciate for the co-operation and timely assistance received from Participating Financial Institutions and Banks and look forward to continued fruitful association with all business partners of the Company.

For and on behalf of the Board

Calcutta,
26th day of June, 2000

B. D. KANORIA
Chairman

ANNEXURE TO DIRECTORS' REPORT**STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2000**

Name	Designation/ Nature of Duties	Annual Remuneration Rs.	Qualification	Experience (Years)	Date of Comm. of the Employment	Age (Years)	The last Employment	Designation
1. Sri B. D. Kanoria	Managing Director	8,51,891	I.A.	57	1.1.1988	76	Bengal Tea & Industries Limited	Managing Director
2. Sri Adarsh Kanoria	Jt. Managing Director	9,36,722	B.Com.	11	1.1.1992	34	—	—
3. Sri R. S. Saraogi	Executive Director	6,16,669	B.Com.	38	1.6.1994	59	Madhusudan Industries Limited	Executive Director

Notes : (1) The Managing Director and the Jt. Managing Director are related to each other.

(2) Remuneration includes Salary, House Rent Allowance, Leave Encashment, Reimbursement of Medical and Travelling Expenses, Club Membership Fees, Contribution to Provident, Gratuity and Superannuation Funds and Personal Accident Insurance Premium and taxable value of perquisites.

(3) All the above appointments are contractual.

For and on behalf of the Board

Calcutta,
26th day of June, 2000

B. D. KANORIA
Chairman

BENGAL TEA & FABRICS LIMITED**ANNEXURE TO DIRECTORS' REPORT (Contd.)**

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, 2000

CONSERVATION OF ENERGY**Energy Conservation measures taken :**

In order to utilise energy in the best possible manner and to reduce the cost of energy considering techno economic aspects, the Company has taken following steps :

During the year under review :

- (a) The process of installing spindles having less diameter of spindle wharve in ring frames has also been continued this year under which 16,176 spindles were replaced resulting into 15% saving in the energy consumption per unit in respect of new spindles.
- (b) The installation of one captive power plant Wartsila having 4.1 MW capacity has resulted into improvement of quality of power in terms of Hz thereby improving the performance vis-a-vis the life of the machineries as their speed remains constant and frequent stoppage due to power failure is avoided.
- (c) The replacement of old Schlafhorst 138 M/cs with 4 Nos. of latest Japanese Winding Machines Muratec 7-V, which are equipped with inverter drives and other power saving devices and are able to increase the productivity by 50% with the same power.
- (d) To save the power at each stage of production, extensive modernisation have been carried out in Blow Room, LC-300 Card, Rieter Comber, draw frames and simplex section by installing high production machineries.
- (e) The installation of Waste Heat Recovery Boiler to utilise exhaust gas from captive power plant has reduced the atmospheric contamination besides the saving of about 7 MT lignite per day.
- (f) 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)	5,78,287	6,47,005	58,10,720	1,15,32,470
Total Amount (Rs.)	22,55,539	23,74,356	2,41,82,574	4,54,89,722
Rate/Unit (Rs.)	3.90	3.70	4.16	3.94
(b) Own Generation				
i) Through Diesel (Units)	16,88,512	16,22,828	96,49,484	2,15,44,240
Unit per ltr. of Diesel	2.40	2.38	3.45	3.48
Cost/Unit (Rs.)	4.75	4.29	2.35	2.50
ii) Through Furnace Oil Generator (Units)			2,02,16,493	—
Unit per ltr. of F.O.			4.40	—
Cost/Unit (Rs.)			2.11	—
2. Coal (Specify quality and where used)				
Quantity (Tonnes)	1,814	1,921	5,875	8,278
Total Cost (in Rs.)	30,28,280	25,81,858	72,32,760	1,01,41,254
Average Rate (Rs.)	1,669	1,344	1,231	1,225
Quality : Dust khasi, 4500 kilo calories/kg. used in drier : Ash 40% to 60% and 30% to 35%				
3. Furnace Oil				
Quantity (K. Ltr.)	226	237	—	—
Total Amount (in Rs.)	20,40,309	16,87,187	—	—
Average Rate (Rs.)/K.Ltr.	9,034	7,119	—	—

BENGAL TEA & FABRICS LIMITED**ANNEXURE TO DIRECTORS' REPORT (Contd.)****FORM-A (Contd.)****(B) CONSUMPTION PER UNIT OF PRODUCTION**

	Unit	Current Year	Previous Year
(I) Black Tea	Kg.		
Electricity	Unit	0.90	0.86
Furnace Oil	Ltrs.	0.09	0.09
Coal (Quality as above)	Kgs.	0.72	0.73
(II) Yarn	Kg.		
Electricity	Unit	3.32	3.16
Coal	Kgs.	1.49	1.50
(III) Cloth	Mtr.		
Electricity	Unit	0.70	0.75
Coal	Kgs.	0.60	0.83

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, 1961.	(a) Extensive testing of raw material, material in process and finished material. (b) Winding Machines are equipped with SIRO foreign fibre contamination removal electronic device. (c) Optimisation of mechanical parameters for manufacture of the yarn and fabric. (d) Installation of steam saving devices, i.e. insulations, steam traps, water condensate recovery.															
(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.	(a) Improvement in yarn quality to meet with the requirement of competitive export market. (b) Proper selection of raw material. (c) Improvement in productivity and saving in fuel consumption. (d) Improvement in plant efficiency. (e) Production of yarn with low contamination level.															
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	(a) Installation of new set of machineries in carding, combing draw frame, simplex and ring frame to increase comb yarn production. (b) Replacement of old spindles by new energy saving spindles. (c) Installation of large size compressor to provide sufficient quantity of air to improve performance of machinery and quality of yarn. (d) Pollution control for better environment.															
(4) Expenditure on R & D	Nil	<table> <tr> <th></th><th>1999-2000</th><th>1998-1999</th></tr> <tr> <td>(a) Capital</td><td>Rs. —</td><td>Rs. —</td></tr> <tr> <td>(b) Recurring</td><td>Rs. 10,75,718</td><td>Rs. 8,29,255</td></tr> <tr> <td>(c) Total</td><td>Rs. 10,75,718</td><td>Rs. 8,29,255</td></tr> <tr> <td>(d) Total R & D Expenditure as a percentage of total turnover</td><td>0.09%</td><td>0.09%</td></tr> </table>		1999-2000	1998-1999	(a) Capital	Rs. —	Rs. —	(b) Recurring	Rs. 10,75,718	Rs. 8,29,255	(c) Total	Rs. 10,75,718	Rs. 8,29,255	(d) Total R & D Expenditure as a percentage of total turnover	0.09%	0.09%
	1999-2000	1998-1999															
(a) Capital	Rs. —	Rs. —															
(b) Recurring	Rs. 10,75,718	Rs. 8,29,255															
(c) Total	Rs. 10,75,718	Rs. 8,29,255															
(d) Total R & D Expenditure as a percentage of total turnover	0.09%	0.09%															