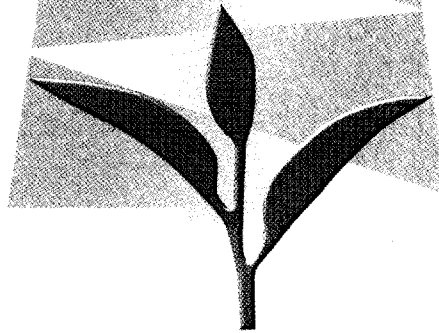


***Twentysecond  
Annual Report  
&  
Accounts  
2004 - 2005***



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**Bengal Tea & Fabrics Ltd.**

# BENGAL TEA & FABRICS LIMITED

## BOARD OF DIRECTORS

**Mr. Adarsh Kanoria**  
*Chairman & Managing Director*

**Mr. Radhe Shyam Saraogi**  
*Wholetime Director*

**Mr. Golam Momen**  
**Mr. Supriya Gupta**  
**Mr. Dharendra Kumar**  
**Mr. Samveg A Lalbhai**

## COMPANY SECRETARY

Mr. Lalit Dugar

## 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  
Bank of India  
Citi Bank

## TEA DIVISION

**Ananda Tea Estate**  
P.O. Pathalipam 787 056  
Dist. North Lakhimpur (Assam)

## TEXTILE DIVISION

**Asarwa Mills**  
Asarwa Road  
Ahmedabad 380 016 (Gujarat)

## REGISTERED OFFICE

45, Shakespeare Sarani  
4th Floor, Century Towers  
Kolkata 700 017, India  
Telefax Nos. : 2283-6416/17  
E-mail : [mail@bengaltea.com](mailto:mail@bengaltea.com)  
Website : [www.bengaltea.com](http://www.bengaltea.com)

## REGISTRAR & SHARE TRANSFER AGENT

C.B. Management Services (P) Ltd.  
P-22, Bondel Road, Kolkata 700 019  
Telephone : 2280-6692/93/94  
Fax : 91-033-2247-0263  
E-mail : [cbmsl1@cal2.vsnl.net.in](mailto:cbmsl1@cal2.vsnl.net.in)

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**BENGAL TEA & FABRICS LIMITED**

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**NOTICE****TO THE MEMBERS**

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of **Bengal Tea & Fabrics Limited** will be held at "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Saturday, the 30th day of July, 2005 at 10.30 A.M. to transact the following business :-

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2005 and the Reports of the Directors' and Auditors' thereon.
2. To appoint a director in place of Mr. Supriya Gupta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors in place of retiring Auditors, from the conclusion of the 22nd Annual General Meeting until the conclusion of the 23rd Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

Kolkata

Dated, the 9th day of May, 2005

LALIT DUGAR

*Company Secretary*

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**NOTES :**

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the member 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.**
2. The Register of Members of the Company shall remain closed from 25th day of July, 2005 to 30th day of July, 2005 (both days inclusive).
3. Members holding shares in dematerialised form are requested to bring their supporting evidence in respect of their Client ID & DP Nos. for easier identification of the attendance at the meeting.
4. Members desirous of getting any information on the accounts or operations of the Company are requested to forward the queries to the Company at least seven working days prior to the meeting so that the required information may be readily available at the meeting.
5. **Members still possessing the share certificates issued prior to 25th July, 1998 are requested to surrender the said share certificates for the reduced shareholdings as only the new share certificates are eligible for demat.**

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

Dear Members,

The Directors of the Company present their 22nd Annual Report and Audited Accounts for the year ended 31st March, 2005.

**FINANCIAL RESULTS**

The financial results for the year ended 31st March, 2005 and the corresponding figures for the last year are as under :

	(Rupees in Lacs)			
	2004-2005		2003-2004	
Profit before Interest, Depreciation and Tax		1189.35		1316.77
Less : Interest & Finance Charges	360.60		510.63	
Depreciation	692.76	1053.36	680.62	1191.25
Profit after Interest & Depreciation		135.99		125.52
Less : Provision for Taxation	20.00		31.00	
Provision for Deferred Taxation	32.19		7.74	
Excess provision of Taxation for earlier years	—	52.19	(4.72)	34.02
Profit after Tax		83.80		91.50
Less : Debit balance brought forward		617.00		708.50
Debit balance carried to Balance Sheet		533.20		617.00

**DIVIDEND**

With a view to conserve the resources of the Company, the Directors do not recommend any dividend for the year ended 31st March, 2005.

**OPERATIONS****Tea Division**

Tea Industry witnessed significant difference between the price realisation of lower category and good quality teas during the year 2004. The prices of lower category teas moved up smartly whereas good quality teas were seen to struggle for maintaining the prices. Even the lower all India production by about 3.50% could not improve the market conditions due to import of cheap teas.

During the year under review, the production of black tea was higher by about 6.41% mainly due to processing of outsourced green tea leaves in higher quantity. The Company has been able to restrict the fall in average realisation at 2.30%, due to its adherence to maintain the quality of production. The Company has been sanctioned electricity connection of 425 KW in two phases from Assam State Electricity Board, out of which the supply for 200 KW has already been commenced and the supply for the balance 225 KW would be commenced in the current year, which would ultimately result into saving in power cost.

The Division has further invested about Rs. 70 lacs to increase the withering capacity, financed by a combination of internal accruals and utilisation of the amount deposited with NABARD in accordance with Section 33AB of the Income Tax Act, 1961.

Presently, the prices of tea are ruling lower due to less demand, caused by confusion over the implementation of VAT. However, considering the setback in crop during the month of April, 2005 and steps taken by the governing authorities to increase exports, the market of good quality teas is expected to improve during the current season.

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

Indian Textile Industry has consolidated its base to take a leap in the post quota regime. The removal of quota system w.e.f. 1st January, 2005 has opened a lot of opportunities for the Industry in the international markets. The Government is in full support of the Industry by granting a lot of benefits including rationalizing the structure of excise duty, providing incentives through subsidy to the processing sector etc. The prices of cotton remained lower as compared to last year mainly due to bumper crop of cotton at about 23 million bales, as against 17 million bales in the previous season.

During the year under review, the Textile Division of the Company has performed reasonably well. The restructuring arrangement with the Financial Institutions, in respect of reduction in the rates of interest on the outstanding term loans, has brought down the borrowing costs substantially. The cost of power & fuel has increased due to higher oil prices and increase in electricity duty on own generation at the Textile Division.

Considering the strong demand of textile products in international markets and expected higher crop of cotton in the ensuing season, on account of increase in sowing area and cultivation of BT cotton resulting into higher yields, the outlook appears to be cautiously optimistic.

**DELISTING OF EQUITY SHARES OF THE COMPANY FROM THE STOCK EXCHANGE, AHMEDABAD AND THE GAUHATI STOCK EXCHANGE LIMITED**

We are pleased to inform you that pursuant to the applications made for voluntary delisting of equity shares, The Stock Exchange, Ahmedabad and The Gauhati Stock Exchange Limited, have accorded their approvals for delisting of equity shares of the Company, w.e.f. 15.10.2004 and 24.12.2004 respectively.

**CORPORATE GOVERNANCE**

In compliance with Clause 49 of the Listing Agreement, the Report on Corporate Governance comprising Management Discussion & Analysis Report is annexed herewith.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors hereby confirm :

- (i) That the Company had followed the applicable accounting standards in the preparation of the annual accounts for the year ended 31st March, 2005;
- (ii) That the Directors have made judgments and estimates that are reasonable and prudent and have selected accounting policies and applied them consistently to give true and fair view of the state of affairs of the Company as at 31st March, 2005 and its profit for the year ended on that date;
- (iii) That the Company has a proper and adequate system of internal control to ensure that all assets are safeguarded against losses and the system is capable of detecting fraud and other irregularities;
- (iv) That the annual accounts placed before you have been prepared on a going concern basis.

**FIXED DEPOSITS**

Despite several reminders, a sum of Rs. 31,500/- remained unclaimed as on date as well as on 31st March, 2005 towards the fixed deposits accepted from public and matured for repayment.

**DIRECTORS**

Mr. Supriya Gupta retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself, for reappointment.

## DIRECTORS' REPORT (Contd.)

### AUDITORS

Messrs Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the 22nd Annual General Meeting and being eligible, expressed their willingness to continue, if so appointed.

### PERSONNEL

The Company operates in labour intensive business and the relations with the personnel generally remained cordial throughout the year.

The Board expresses its appreciation for the contribution of the employees at all levels. During the year under review, the Company had no employee drawing remuneration in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956.

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

A statement showing additional information on conservation of energy, technology absorption and 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 the cooperation and timely assistance extended by Financial Institutions, Banks and all other associates and look forward to continued fruitful association with all business partners of the Company.



For and on behalf of the Board

Kolkata

Dated, the 9th day of May, 2005

ADARSH KANORIA

*Chairman*

## ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(f)(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, 2005

## CONSERVATION OF ENERGY

## Energy Conservation measures taken:

The Company has taken following steps to conserve the energy :

- The Company had installed high productive 2016 spindles with 20 DUL, which consumes less power.
  - Replacement of conventional copper ballast with Electronic ballast, which saves 15% lighting load.
  - Old compressors have been overhauled to save the power consumption.
  - The Company has replaced ordinary nozzles with luwa nozzles which improves the efficiency of the humidification plant resulting into the saving of power consumption. Frequency of maintenance and cleaning of humidification plant has also been increased to attain the reduction of power cost.
  - Replacement of conventional tube light by high lumen tube light which saves about 20% power consumption.
  - Optimizing the utilization of available power resources.
  - The Company has taken Electricity connection at its Tea Estate to save the power cost.
- As a result of (a) to (g) above, energy consumption per unit of production is expected to come down and the cost of production would also be affected positively to that extent.

## Pollution Control

— Installation of multiple Cyclone Assembly Separator and Ventury Scrubbing System as a part of effective Air Pollution Control System.

— Continual Modification is being implemented for Effluent Treatment Plant & Sludge Collection System.

Total energy consumption per unit of production are furnished in the prescribed Form "A" annexed hereto.

## FORM-A

## Particulars with respect to Conservation of Energy

## (A) POWER &amp; FUEL CONSUMPTION

	TEA		TEXTILE	
	Current year	Previous year	Current year	Previous year
<b>1. Electricity</b>				
(a) Purchased (Units)	44,424	—	18,94,350	13,93,550
Total Amount (Rs.)	2,62,546	—	94,72,398	68,63,583
Rate/Unit (Rs.)	5.91	—	5.00	4.93
(b) Own Generation				
(i) Through Diesel (Units)	12,32,393	12,81,901	12,96,564	14,70,045
Unit per ltr. of Diesel	3.45	3.52	3.45	3.42
Cost/Unit (Rs.)	6.65	5.62	5.52	4.71
(ii) Through Furnace Oil Generator (Units)	—	—	3,21,42,600	3,23,29,200
Unit per ltr. of F.O.	—	—	4.32	4.23
Cost/Unit (Rs.)	—	—	2.50	2.47
<b>2. Coal (Specify quality and where used)</b>				
Quantity (Tonnes)	1,379	1,318	2,036	2,443
Total Cost (Rs.)	32,54,333	28,86,038	31,51,588	34,94,642
Average Rate (Rs.)	2,360	2,189	1,548	1,430
Quality : Dust khasi, 4500 kilo calories/kg.				
Used in drier : Ash 40% to 60% and 30% to 35%				
<b>3. Furnace Oil</b>				
Quantity (K. Ltr.)	54	66	7,439	7,649
Total Amount (Rs.)	8,65,085	10,61,159	8,03,80,234	7,97,60,310
Average Rate (Rs.)/K.Ltr.	16,044	16,067	10,805	10,427

## (B) CONSUMPTION PER UNIT OF PRODUCTION

	Unit	Current year	Previous year
(i) <b>Black Tea</b>	Kg.		
Electricity	Unit	0.68	0.73
Furnace Oil	Ltrs.	0.02	0.04
Coal (Quality as above)	Kgs.	0.74	0.75
(ii) <b>Yarn</b>	Kg.		
Electricity	Unit	4.26	4.44
Coal	Kgs.	0.44	0.64
(iii) <b>Cloth</b>	Mtr.		
Electricity	Unit	0.58	0.57
Coal	Kgs.	0.30	0.29

For the above, there is no prescribed standard.



**BENGAL TEA & FABRICS LIMITED****ANNEXURE TO THE DIRECTORS' REPORT (Contd.)****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.	2016 spindles of LMW L.R-6 have been installed with 20.0 DUL and 170.0 mm lift spindles. These spindles works at high speed to achieve high production and better productivity. Replaced one old MMC Speed Frame with new LF-1400A Speed Frame. Installed one new RSB-851 Leveler Draw Frame with digital control and one new Autoconer of Muratec Machinery model 21 C.
(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.	Improvement in quality, production and saving in costs.
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	The Division wishes to further replace LMW G5/1 ring frame with LR/6S ring frames to improve productivity and quality with an eye to conserve energy. Planning to install 4 Nos. LMW LK-54 Combers and one LH-10 Lap former to improve quality and productivity.
(4) Expenditure on R & D		
(a) Capital (Rs.)	Nil	2004-2005 2003-2004
(b) Recurring (Rs.)	Nil	— 2,57,033
(c) Total (Rs.)	Nil	11,37,323 11,41,525
(d) Total R & D Expenditure as a percentage of total turnover	Nil	11,37,323 13,98,558
		0.12% 0.14%

**TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**

	TEA	TEXTILE
1 Efforts, in brief, made towards technology absorption, adaptation & innovation.	Not applicable	i) Improvement in the pre treatment chemical process of fabrics for dyeing. ii) Installed multiple cyclone assembly separator and ventury scrubbing system for effective air pollution control system in coal fire boiler. iii) 2016 Spindles of LR/6S ring Frame is installed. iv) New Autoconer, Muratec 21 C is installed. v) Planning & Implementation of QMS.
2 Benefits derived as a result of above efforts.	Not applicable	i) Improvement in productivity and quality of products, saving in power consumption and labour cost. ii) Better environmental conditions & reduction in pollution.
3 There is no imported technology involved.		

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year 2004-2005, the Company had contributed about Rs. 43 Crores (net of outgo) to the exchequer in the form of valuable foreign exchange money.

	(Amount in Rs. Lacs)
	2004-2005 2003-2004
1. Foreign Exchange Earnings	4545.23 4842.72
2. Foreign Exchange Outgo	199.73 100.52

For and on behalf of the Board

ADARSH KANORIA  
Chairman

Kolkata  
Dated, the 9th day of May, 2005



## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company follows the theme of changing in tune with times to continue the race without any major hurdle and attempts to cover all aspects of reporting in transparent and fair manner keeping the basic principles of good corporate governance.

### BOARD OF DIRECTORS

#### *Composition, Attendance & Information of other Directorships/Committee Memberships*

The Board of Directors comprises of six members consisting of four independent non-executive directors having experience in business, finance etc. The attendance during the financial year 2004-2005 and composition of the Board of Directors is as under:

Name of the Director	Category	No. of other Directorships in Public Ltd. Cos.	No. of all other Board Committee(s) of which he is		Attendance at last AGM held on 30.07.2004	Attendance at Board Meetings
			Member*	Chairman		
Mr. Adarsh Kanoria	Promoter	2	—	—	Yes	7
Mr. Radhe Shyam Saraogi	Executive	—	—	—	Yes	4
Mr. Golam Momen	Independent	12	13	1	Yes	4
Mr. Supriya Gupta	- do -	9	4	1	Yes	5
Mr. Dharendra Kumar	- do -	8	3	1	Yes	5
Mr. Samveg A. Lalbhai **	- do -	6	2	2	Yes	4
Mr. Suresh Kumar Hada ***	- do -	NA	NA	NA	NA	1

\* Also includes Committees other than Audit, Remuneration & Shareholders/Investors Grievance

\*\* Mr. Samveg A. Lalbhai appointed as an additional director w.e.f. 06.05.2004

\*\*\* Mr. Suresh Kumar Hada resigned from the Board w.e.f. 26.05.2004

#### *Meetings*

During the financial year 2004-2005, the Board of Directors met Seven times on the following dates: 28.04.2004, 06.05.2004, 16.06.2004, 30.07.2004, 28.10.2004, 27.01.2005 & 28.03.2005.

#### *Information about the Directors seeking reappointment*

Mr. Supriya Gupta, aged about 69 years, retires at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Mr. Gupta, 1st Class B.A. (Hons.), CAIIB, a renowned name in banking sector, is an expert of financial field. He has also served at the top-most level of few banks. Mr. Gupta is a Non-Executive Independent Director of the Company and does not hold any equity share of the Company.

Mr. Gupta also hold the Directorships/Committee Memberships (in bracket) of the following other companies :

- (1) Bhansali Engineering Polymers Limited (2) G.I.S. Limited (3) Hindustan National Glass & Industries Limited (4) Kanoria Chemicals & Industries Limited (Chairman of Audit Committee and Member of Finance Committee) (5) Kirti Vardhan Finvest & Services Limited (6) NABIL Bank Limited (Member of Audit Committee and Credit Committee) (7) Taj Asia Limited (8) Upper Ganges Sugar & Industries Limited (9) Vivekananda Sky Road Limited.

### AUDIT COMMITTEE

#### *Terms of Reference*

The role of Audit Committee includes :

1. Oversight of the Company's financial reporting process and disclosure norms to ensure that the financial statements are correct, sufficient and credible.
2. Recommendation in respect of appointment and removal of external auditors, fixation of audit fees and approval for payment for any other services rendered by auditors.
3. Review of the annual financial statements before submission to the Board.
4. Review and discussions of the internal control/audit systems with external and internal auditors in respect of their adequacy and improvement thereof.
5. Review of Company's financial and risk management policies.
6. Review of findings/observations of the internal/external auditors into matters of irregularity or suspected fraud and reporting the matter to the Board.

**BENGAL TEA & FABRICS LIMITED****REPORT ON CORPORATE GOVERNANCE (Contd.)**

7. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, creditors and shareholders (in case of non-payment of declared dividend).
8. To seek information from any employee, access to records of the Company and investigate any activity relating to financial matters.
9. To seek outside legal and/or professional advice.
10. Pre-audit and post-audit discussions with external auditors to ascertain the nature, scope and any specific area of concern.

*Composition, Meetings & Attendance*

Name of the Members	Category	No. of Meetings attended	Dates on which Meetings held
Mr. Supriya Gupta (Chairman)	Independent & Non-Executive	5	28.04.2004
Mr. Golam Momen	- do -	4	16.06.2004
Mr. Dharendra Kumar	- do -	5	30.07.2004
Mr. Suresh Kumar Hada *	- do -	1	28.10.2004
			27.01.2005

\* Mr. Suresh Kumar Hada ceased to be a director w.e.f. 26.05.2004

**REMUNERATION COMMITTEE***Terms of Reference*

Remuneration Committee has been constituted to approve and determine the policy of the Company on specific remuneration packages for the Executive Directors. The terms and conditions governing the appointment/remuneration of the Executive Directors are approved first by the Remuneration Committee and then the same are considered by the Board of Directors and finally placed for the approval of the Shareholders.

*Composition, Meetings & Attendance*

Name of the Member	Category	No. of Meetings attended	Date on which Meeting held
Mr. Supriya Gupta (Chairman)	Independent & Non-Executive	1	16.06.2004
Mr. Golam Momen	- do -	1	
Mr. Dharendra Kumar	- do -	1	

*Remuneration Policy*

The Non-Executive Directors are being remunerated by way of fees of Rs. 2,000/- for attending each meeting of Board, Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee. As per the terms of the respective appointments, the Executive Directors are not entitled for any such meeting fees, incentives fixed/linked with the performance, severance fees, stock options etc.

*Remuneration to Directors paid during the financial year 2004-2005*

Name of the Director	Salary & Other Benefits (Rs.)	Meeting Fees (Rs.)	Service Contract/Tenure	Notice Period
Mr. Adarsh Kanoria	17,32,581/-	—	01.01.2005 to 31.12.2007	3 Months *
Mr. Radhe Shyam Saraogi	9,59,054/-	—	01.01.2005 to 31.12.2007	3 Months
Mr. Golam Momen	—	20,000/-	NA	NA
Mr. Suresh Kumar Hada	—	4,000/-	NA	NA
Mr. Supriya Gupta	—	24,000/-	NA	NA
Mr. Dharendra Kumar	—	22,000/-	NA	NA
Mr. Samveg A. Lalbhai	—	8,000/-	NA	NA

\* Subject to discretion of Board to agree to shorter notice.