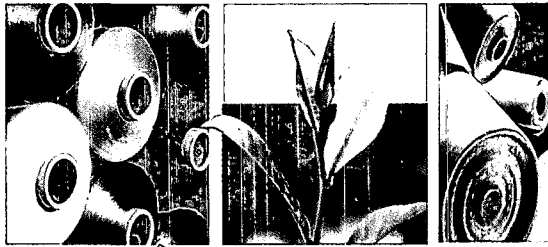


Silver
Jubilee
year



Abridged Annual Report
2007 - 2008

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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
Whole-time Director

Mr. Supriya Gupta

Mr. Golam Momen

Mr. Dharendra Kumar

Mr. Samveg A Lalbhai

COMPANY SECRETARY

Mr. Nitin Bagaria

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

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. : 91 33 2283-6416/17
E-mail : investor@bengaltea.com
Website : www.bengaltea.com

REGISTRAR & SHARE TRANSFER AGENT

C.B. Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019
Telephone : 91 33 2280-6692/93/94
Fax : 91 33 2287-0263
E-mail : cbmsl1@cal2.vsnl.net.in

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BENGAL TEA & FABRICS LIMITED**NOTICE****TO THE MEMBERS**

NOTICE is hereby given that the 25th 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 5th day of July, 2008 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, 2008 and the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Supriya Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors in place of retiring Auditors, from the conclusion of the 25th Annual General Meeting until the conclusion of the 26th Annual General Meeting and to authorise the Board of Directors to fix their remuneration.
5. **As Special Business :**

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution :

"RESOLVED that and pursuant to Section 293(1)(a) and all other applicable provisions if any, of the Companies Act, 1956, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof) to create such charges and/or mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company on such terms and conditions and at such time or times and in such form and manner and with such ranking as to priority as it may think fit, on any of the Company's moveable and immoveable properties and assets, present and future comprised in any undertaking or undertakings of the Company, as the case may be, in favour of the Lenders viz.: Finance/Investment Institutions, Banks and Trustees for the holders of debentures/bonds/other instruments to secure the repayment of loans/borrowings sanctioned and/or to be sanctioned by them from time to time for a sum not exceeding Rs. 125 Crores (Rupees One hundred twenty five crores) in aggregate as per the approval of the shareholders under Section 293(1)(d) of the Companies Act, 1956 and inclusive of interest at the respective agreed rates and all other costs, charges and expenses and all monies payable by the Company in respect of such loans/borrowings as may be stipulated in that behalf and agreed to between the Board and the Lenders.

RESOLVED FURTHER that the Board be and is hereby authorised to

- (i) finalise with the Lenders, agreements and other documents, if any, necessary for creating the mortgage(s) and/or charge(s), hypothecation(s) as aforesaid, and
- (ii) do all such acts, deeds, matters and things and to execute all such documents, deeds and instruments in writing as may be required, incidental and/or expedient for giving effect to this resolution and to resolve any question relating thereto, or otherwise considered by the Board of Directors to be in the best interest of the Company."

Registered Office :

45, Shakespeare Sarani

Kolkata 700 017

Dated, the 5th day of May, 2008

By Order of the Board

NITIN BAGARIA

Company Secretary

BENGAL TEA & FABRICS LIMITED**NOTICE (Contd.)****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 28th day of June, 2008 to 5th day of July, 2008 (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 their 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.**
6. In accordance with the amended Clause 32 of the listing agreement and Section 219 (1)(b)(iv) of the Companies Act, 1956, the Company shall send Abridged Balance Sheet, Abridged Profit and Loss Account and Auditors' Report and other related documents to the Shareholders of the Company.
7. The Company shall send full Balance Sheet and Profit & Loss Account on receipt of written request from shareholders.
8. A copy of Balance Sheet, Profit and Loss Account, Auditors' Report and every other documents required by law to be annexed or attached to the Balance Sheet shall be available for inspection at the Registered Office of the Company during working hours for a period of 21 days before the date of Annual General Meeting and shall also be available on the website of the Company (www.bengaltea.com).
9. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company provides the facility of payment of dividend through ECS. Members desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agents.
10. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No.5 of the Notice is as under :

In respect of Item No.5

In view of the continued Expansion cum Modernisation Project at the Company's Textile Division at Ahmedabad, the Company may, from time to time, to part finance the project, avail term loan/working capital facilities from Banks and Financial Institutions. The Shareholders had accorded their consent to the Board of Directors in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956 at the Extra Ordinary General Meeting held on 14th March, 1997 subject to an aggregate limit of Rs. 125 Crores (Rupees One Hundred Twenty Five Crores Only). The Financial assistance sanctioned/to be sanctioned to the Company would be required to charge or mortgage the existing or future assets of the Company. The mortgage and/or charge/ hypothecation to be created as aforesaid may attract the provisions of Section 293(1)(a) of the Companies Act, 1956, which provides that the Board of Directors shall not, without the consent of the Company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company and since the modernisation project at the textile division is a continuous process it would be prudent to authorise the Board of Directors in the best interest of the Company.

None of the Directors of the Company are interested in the above resolution.

The Board recommends to pass the above resolution as an Ordinary Resolution.

Registered Office :

45, Shakespeare Sarani

Kolkata 700 017

Dated, the 5th day of May, 2008

By Order of the Board

NITIN BAGARIA

Company Secretary

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

Dear Members,

The Directors of the Company present their 25th Annual Report and Audited Accounts for the year ended 31st March, 2008.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2008 and the corresponding figures for the last year are as under :

	(Rupees in Lacs)			
	2007-2008		2006-2007	
Profit before Interest, Depreciation and Tax	1480.55		1808.41	
Less : Interest & Finance Charges	450.04		326.66	
Depreciation	799.12	1249.16	640.15	966.81
Profit after Interest & Depreciation	231.39		841.60	
Less : Provision for Taxation (Net of MAT Credit Entitlement)	49.50		42.02	
Excess Provision for Taxation	- 4.47		—	
Fringe Benefit Tax	4.18		3.20	
Provision for Deferred Taxation	33.40	82.61	229.54	274.76
Profit after Tax	148.78		566.84	
Add/Less : Balance Brought Forward from Last Account	128.88		- 332.59	
Less : Dividend & Tax thereon	63.22		105.37	
Credit balance carried to Balance Sheet	214.44		128.88	

DIVIDEND

Your Directors are pleased to recommend a payment of Dividend of Re.0.60 (Paise Sixty) per Equity Share for the year ended 31st March, 2008.

OPERATIONS**Tea Division**

The overall performance of the Tea Industry during the year has been mixed as the All India Production has been marginally lower whereas Exports for the Calendar Year 2007 has gone down to 156.7 Million Kgs from 203.9 Million Kgs during the Calendar Year 2006. Price realisation, however, has remained satisfactory due to improved domestic demand.

During the year under review, the Company achieved production of 20.60 lacs Kgs of Black Tea as compared to 21.32 lacs Kgs in the previous year. The Company's policy of uprooting old areas for replanting and inclement weather conditions has lead to reduction in production. However due to thrust on producing quality teas, the sale realisation has further improved by about 8%.

In the current season, the tea prices are ruling firm due to less carryover stock available in the auction centers. Improved export enquiries due to lower crop in Kenya may also have positive impact on the price realisation. Considering the present scenario, including weather conditions, the prices are expected to remain firm. Since your Company is focusing mainly on making quality tea, the outlook appears to be good.

Textile Division

The overall performance of the Textile Industry during the year has not been healthy as a result of appreciation of Indian Rupee vis-à-vis US Dollar thereby rendering our exports uncompetitive. Secondly, Yarn, Fabrics and Garments

BENGAL TEA & FABRICS LIMITED

DIRECTORS' REPORT (Contd.)

sales have been very sluggish and off-take has been slow in the world market especially USA. Thirdly, inspite of an all time high bumper cotton crop of 310 lacs bales, we still find there is a shortage of cotton due to large scale export to China and Pakistan.

MODERNISATION AND PROSPECTS

The Company has maintained its thrust on modernisation and is in the process of implementing the Modernisation Scheme of Rs. 3681 lacs of which Rs. 2600 lacs has been financed from IDBI, SBI and BOI and this project is already in the process of being implemented and will be completed by March 2009.

Old buildings are being dismantled and state-of-the-art new buildings are being constructed to house a new high preparatory machine from TRUTZSCHLER and RIETER. This will result in improved quality, higher production, lower waste, reduction in work force and better realisation.

On the weaving front also, new Toyota Looms are replacing the old low production Air Jet Looms. This will further give value addition in the fabric segments and the Division will be better poised to meet the challenges ahead.

The prospects for the current year appear to be reasonably optimistic. Many unviable spinning units are closed down and also production capacity are reduced on account of power shortage in the country and hence one expects better realisation of Yarn. Also on completion of modernisation, your Company will be better poised for the future.

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and Report on Corporate Governance are attached herewith marked as **Annexures – “A”** and **“B”** respectively.

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, 2008;
- (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, 2008 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.

VOLUNTARY DELISTING OF EQUITY SHARES OF THE COMPANY FROM THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED

The equity shares of the Company has been delisted from the Calcutta Stock Exchange Association Limited with effect from 25th March, 2008.

FIXED DEPOSITS

Despite several reminders, a sum of Rs. 6,500/- remained unclaimed as on date as well as on 31st March, 2008 towards the fixed deposits accepted from public and matured for repayment.

DIRECTORS

Mr. Supriya Gupta, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

AUDITORS

Messrs Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the 25th Annual General Meeting and being eligible, expressed their willingness to continue, if so appointed.

BENGAL TEA & FABRICS LIMITED**DIRECTORS' REPORT (Contd.)****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, information required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto marked **Annexure - "C"** 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 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 attached herewith marked as **Annexure - "D."**

ACKNOWLEDGEMENT

The Directors appreciate the cooperation and timely assistance extended by Banks and all other associates and look forward to continued fruitful association with all business partners of the Company.

A large, semi-transparent watermark logo for 'Report Junction.com' is centered on the page. It features the text 'Report' in a grey font and 'Junction.com' in a green font, with a yellow diamond shape containing a green arrow pointing upwards between the two words.

For and on behalf of the Board

Kolkata

ADARSH KANORIA

Dated, the 5th day of May, 2008

Chairman

BENGAL TEA & FABRICS LIMITED**ANNEXURE - A****MANAGEMENT DISCUSSION & ANALYSIS REPORT**

(Forming part of the Directors' Report for the financial year ended 31st March, 2008)

Textile Division

Industry Structure and Developments : The Indian Textile Industry has become a major outsourcing hub in global textile trade due to economical and abundant workforce with design expertise, easy availability of cotton and other raw materials such as polyester, viscose and wide range of quality fabrics. Further, the upsurge in the number of malls that increases retail outlets in domestic market should also provide stability to the Indian Textile Industry. The Government has also extended the Technological Upgradation Fund (TUF) Scheme with some modifications during 11th Plan that should have a positive impact on the growth of Textile Industry.

Opportunities and Threats : The Company is poised to upgrade its technology which will further improve its competitiveness in the market. As regards the threats, the Indian Textile Industry has a global logistical disadvantage because of high shipping cost and longer process time from order to delivery. Further the industry is facing major threats and challenges such as continuing volatility in cotton prices due to international market, cheaper inflow of textile material from China and other neighboring countries. Slowdown in the global economy, particularly U.S.A. may cause serious concern.

Product-wise Performance : The production as well as the sales of cloth had been increased due to good demand of our product, whereas, the production as well as the sales of saleable yarn had been maintained despite higher captive consumption. The average realisation of cloth has improved but the average realisation of yarn has hit by rupee appreciation. The gist of performance of the textile products of the Company, during the financial year 2007-2008 are as under :

	Cloth			Yarn		
	Production (Lac Mtrs.)	Sales (Lac Mtrs.)	Average Realisation (Rs. Per Mtr.)	Production (Lac Kgs.)	Sales (Lac Kgs.)	Average Realisation (Rs. Per Kg.)
2007-08	99.58	105.19	37.04	50.20	50.14	114.71
2006-07	90.09	92.27	31.29	50.26	49.14	123.66
Change	(+) 10.53%	(+) 14.00%	(+) 18.38%	(-) 0.12%	(+) 2.04%	(-) 7.24%

Outlook : The outlook of the textile industry appears to be bright as the farmers continue to cover more area for sowing of BT cottonseeds resulting in higher yields. The second phase of modernisation cum expansion plan has been taken over by the Company, as we are visualizing a big opportunity, in the country having a population of over 1.1 billion, with the improving standard of living and changing lifestyle would lead to higher growth of the Indian Textile Industry.

Risk and Concerns : Cotton, the prime ingredient to manufacture Yarn/Fabric, is becoming dearer in the Indian & International markets, which has impacted profitability. The steep and fast appreciation of Rupee against US Dollar has hit the Indian Textile Industry considerably and is hitting at the foundation shaking the minarets, as we are competing fiercely with China. The other areas of concern are slow utilisation of accumulated CENVAT credits, pendency in disbursement of TUFs subsidies and hardening of interest rates.

Discussion on the Financial Performance with respect to the Operational Performance : The division has shown reasonable results despite of all the odds by making a cash profit of Rs. 571 lacs as against Rs. 1045 lacs in the previous year. This is mainly due to higher cotton prices in the second half of the year and almost 10% Rupee appreciation against US Dollar, which have hit the bottom line.

Tea Division

Industry Structure and Developments : The Indian Tea Industry is largely dependent upon the exports due to surplus production as compared to domestic consumption. However, the internal consumption is also gradually increasing, filling gap between surplus production and less exports.

BENGAL TEA & FABRICS LIMITED**MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)**

Opportunities and Threats : The various initiatives taken by the Government/Tea Board, including setting up of Special Purpose Tea Fund, undertaking brand building exercise, providing incentives in the form of subsidies etc., are likely to benefit the Industry in long term. The shortfall of crop mainly in Kenya may result into exports of Tea which may result in better realisation. Since it is an agro based and labour intensive industry, it suffers from drawbacks relating to such industries.

Product-wise Performance : During the year under review, the production of green tea leaves of Ananda Tea Estate was 71.47 lac kgs as compared to previous year of 73.49 lac kgs. This reduction was mainly on account of inclement weather conditions. The Company continued to exploit the opportunities of processing outsourced green tea leaves. During the year tea prices remained firm on the back of good internal demand for quality teas. The average realisation of the tea sold by the Company were 7.55% higher as compared to previous year. The gist of performance of the division during the financial year 2007-2008 are as under :

Black Tea			
	Production (Lac Kgs.)	Sales (Lac Kgs.)	Average Realisation (Rs. Per Kg.)
2007-2008	20.60	20.25	93.53
2006-2007	21.32	21.65	86.97
Change (%)	(-) 3.38%	(-) 6.47%	(+)7.55%

Outlook : With the expected increase in production of tea in India and appreciation of rupee vis-a-vis dollar the prices of tea may face pressure in the current year. However due to improvement of demand of quality tea and our thrust on producing the same, the Division is expected to maintain its profitability.

Risks and Concerns : Besides climatic conditions, price blends, the strategy of bought leaf factories, import of tea for re-export and Government policies also affect the fate of the Tea Industry.

Discussion on Financial Performance with respect to Operational Performance : The Company's steady progress in making quality tea has resulted into achieving higher profitability. Considering the overall scenario of the Industry, the performance of the Division appears to be satisfactory.

Internal Control Systems and their Adequacy : The working systems of the Company have been designed in such ways that have in-built internal checks at different levels. In addition to the Management Audit, Internal Auditors of both divisions furnish their reports at regular intervals and their reports are discussed at the Meetings of the Audit Committee and necessary steps are taken thereon. In the opinion of the management, the existing internal checks & controls are adequate.

Information regarding Human Resources/Industrial Relations : The relationships were cordial throughout the year at both the divisions. The total number of manpower employed by the Textile & Tea Division as on 31st March, 2008 were 859 & 1219 respectively.

Cautionary Statement : The forward-looking statements and the views expressed in the Management Discussion and Analysis Report are based on certain assumptions. The actual results may differ materially from those stated therein. The Company would not be held liable, in any manner, if the future turns out to be quite different, even materially.

For and on behalf of the Board

Kolkata
Dated, the 5th day of May, 2008

ADARSH KANORIA
Chairman