

A close-up photograph of a tea plant branch with several bright green, pointed leaves. The leaves are in sharp focus, showing their veins, while the background is a soft, out-of-focus green. The lighting is bright, creating a fresh and vibrant feel.

A GROWING TEA COMPANY

DHUNSERI TEA & INDUSTRIES LIMITED
ANNUAL REPORT 2015-16

Forward-looking statement

In this annual report, we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance. We cannot guarantee that these forward-looking statements will be

realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. For further comprehension of risk factors and how they might affect the results, please refer to the section titled 'Risk Factors'. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

“Be a yardstick of quality.
Some people aren't
used to an environment
where excellence is
expected.”

Steve Jobs

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A few years ago, we had a choice of what kind of tea company we needed to become.

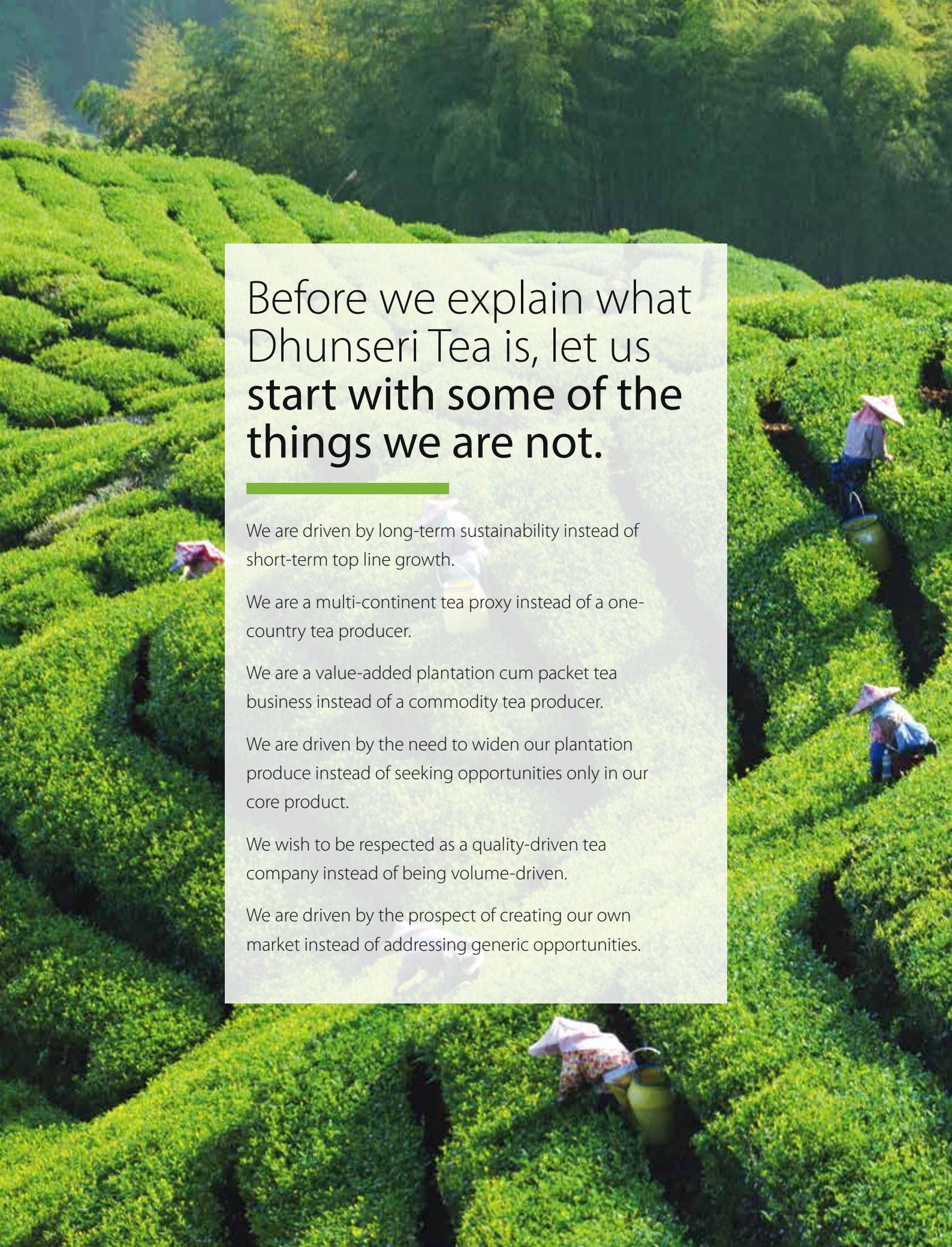
One that addressed short-term opportunities and focused on growth.

Or one that responded to the long-term, invested with patience and addressed sustainability.

At Dhunseri Tea, we selected the latter.

And that has made all the difference.

** We reported profitable growth in a challenging 2015-16. Revenues increased 11.49 per cent. Profit after tax strengthened 26.48 per cent.*

An aerial photograph of a vast, terraced tea plantation. The tea bushes are arranged in neat, winding rows that follow the contours of the hills. Several workers, wearing traditional conical hats and carrying baskets, are visible throughout the landscape, engaged in harvesting the tea leaves. The overall scene is one of a well-maintained and productive agricultural environment.

Before we explain what Dhunseri Tea is, let us **start with some of the things we are not.**

We are driven by long-term sustainability instead of short-term top line growth.


We are a multi-continent tea proxy instead of a one-country tea producer.

We are a value-added plantation cum packet tea business instead of a commodity tea producer.

We are driven by the need to widen our plantation produce instead of seeking opportunities only in our core product.

We wish to be respected as a quality-driven tea company instead of being volume-driven.

We are driven by the prospect of creating our own market instead of addressing generic opportunities.

A high-angle, aerial view of a lush green tea plantation. The tea bushes are arranged in neat, terraced rows that follow the contours of a hillside. In the lower-left portion of the image, a person wearing a traditional conical hat and a patterned shirt is seen working in the tea field, carrying a basket. The background is filled with dense green foliage, and the overall scene is bathed in bright, natural light.

This is the result
of our **strategic
differentiation.**

We outperformed the growth of the Indian tea sector's growth of 5% in 2015-16.

We reported profitable growth for the second successive year following the demerger in 2014.

We grew our net profit margin by about 200 bps during 2015-16.



Dhunseri Tea & Industries Limited is a different kind of tea company.

Selecting to grow safely but sustainably.

Selecting to focus on quality over quantity.

Selecting to maximise plantation produce value over volume.

Background

Dhunseri Tea & Industries Limited is a part of the Kolkata-based Dhunseri Group of Companies. The company possesses a rich track record in growing and processing tea for more than six decades.

Management

The Company is headed by Mr. C. K. Dhanuka and Mr. Mrigank Dhanuka; the day-to-day management is addressed by professionals.

Scale

Dhunseri Tea & Industries Limited is one of top ten tea producers in India.

Capacity

Dhunseri possesses 3055.75 hectares of plantations in Assam and 5473 hectares in Africa. These plantations generate two revenue streams – tea and macadamia.

Output

India: Dhunseri produced 10.18 million kg of tea in 2015-16; this was 4.61 per cent higher than the quantum produced in the

previous year. The company's 2015-16 produce accounted for around 1% of the total tea produced in India.

Africa: Dhunseri produced 7.47 million kg of tea across its African estates in 2015-16; this was about 12 per cent lower than in the previous year.

Packet tea: Dhunseri marketed 3.03 million kg of packet tea in 2015-16; this was marginally higher than in the previous year.

Others: Dhunseri is also engaged in the cultivation and sale of macadamia nuts grown on the Malawian estates.

Location

Dhunseri's six estates in Assam are located in upper Assam (South Bank) and four estates in lower Assam (North Bank). These estates possess a cumulative production capacity of 11 million kg.

These regions enjoy the advantages of being the best quality tea producing area in Assam.

Dhunseri's tea estates in Malawi (Kawalazi Estate Company Limited and Makandi Tea & Coffee Estates Limited) are located in South Eastern Africa. These regions are conducive for tea plantations because of minimal pest infestation and favourable weather for tea cultivation.

Dhunseri's blending and packaging unit is located at Jaipur.

Sales

Dhunseri generated ₹ 183 cr from sales within India. The company's international sales out of Malawi amounted to ₹ 90 cr and were marketed to six countries.

The Company's sales increased 11 per cent in 2015-16 over the previous year through its Indian operations.

Brand

The Company is respected for good management practices. The company produces specialty teas that fetch realizations higher than

the average market price for Assam Teas.

Listing

The Company's securities are listed with BSE Ltd. and National Stock Exchange of India Ltd.

Awards & accreditations

Dhunseri's Indian tea estates have been accredited with ISO 22000:2005 food and safety standards.

The estates have also been certified by Trustea attesting that the gardens have a sustainable tea programme.

The Company's Malawi operations have been certified by Hazard Analysis Critical Control Point (HACCP) to manage food safety, Fairtrade to ensure fair pay and working conditions for workers and Rainforest Alliance, which aims to conserve biodiversity and implement ecologically sustainable practices.

"At Dhunseri Tea, we are strengthening our business model to report a larger proportion of value-added revenues"



We have invested continuously in graduating to quality by improving plucking standards, generating incremental volumes, addressing the requirement of buyers and replenishing old bushes with new ones.



At Dhunseri Tea, we believe that growth can be achieved in good markets through a sustained improvement focus – whether we acquire new gardens, whether we enhance their yields, whether we increase their realizations, whether we convert a part of the production into packet teas or we leverage the strength of our distribution network to introduce new products.

When we acquired the Africa plantations in 2012-13, the company resolved to enhance operating efficiencies and enhance annual cash flows. Our African properties generated ₹ 90.46 cr in revenues in 2015-16, reported reasonable margins, strengthened geographic de-risking and provided attractive operating leverage on which to grow our business.

We have done something similar in our Indian operations: we have invested continuously in graduating to quality by improving plucking standards, generating incremental volumes, addressing the requirement of buyers and replenishing old bushes with new ones.

The core of our quality commitment lies in our blending competence. This is a critical aspect in tea manufacture; tea is sensitive to the

place where it is grown, altitude, rainfall and time of plucking. Leaves plucked at different times could taste different. Our competence is derived from the fact that each of our blends of different tea brands deliver consistent taste and quality throughout the year.

This blending competence is derived from the understanding of what consumers want in terms of their taste profile. This taste could comprise diverse realities – colour, taste, smell and granularity. Our team of tasters and blenders regularly appraise tea quality manufactured across our various estates; we possess exclusive blend receipts for various brands; our tea tasting and blending makes it possible for us to manufacture five to six different tea brands as per consumer preferences.

These teas are tasted several times before they are packed, making them distinctive and unique.

The result is a growing popularity of our Lal Ghora and Kala Ghora brands, showcased in their sustained leadership in the packet tea segment of Rajasthan competition from MNC brands notwithstanding.

The time has come to make new moves with attractive implications.

We are one of the few plantation companies in India to have extended to packet tea operations, which is a challenging space marked by dynamics completely different from growing and processing teas. During the last financial year, we made the second decisive decision: to extend the distribution of packet teas from one State to a second State enjoying an attractive opportunity window and relatively under-addressed localized packet tea potential.

So what is the implication?

One, these initiatives extend Dhunseri Tea largely from one product (tea and tea-centric) to multiple revenue-drivers.

Two, they strengthen our position as quality tea makers.

Three, they enhanced our ability to leverage tangible (gardens) and intangible assets (distribution) to strengthen the business.

Given this reality, we are optimistic of strengthening our credentials as a relatively counter-cyclical company with a larger number of drivers that enhance revenues, margins and shareholder value across the coming years.

C.K. Dhanuka, Chairman

“Our quality emphasis paid off in a challenging 2015-16”

P. C. Dhandhanian, CEO, analyses the company's working



Were you pleased with the performance of the company in 2015-16?

From the first glance, it would appear that there was marginal growth and on the basis of this, it would be simplistic to conclude that the performance of the company was average. However, the performance must be appraised against the performance of the sector as a whole. The reality is that tea plantation volumes declined in Africa in 2015 due to adverse climatic conditions, while they increased marginally in India. However, although our production declined by 573,000 kilos (3.14%), our revenues were up by 2.15%, which must be seen as an achievement.

You are obviously pointing to an improved business quality. What made this happen?

The outperformance of our sector's average and financial robustness are the result of a conscious decision taken by the Dhunseri management that it would stand for one enduring attribute – enhanced tea quality. It enhances the corporate brand, attracts customer loyalty, facilitates quicker offtake in the weak markets and fetches realizations higher than the prevailing average during sectoral rebounds. The net effect is that the company possessed a larger volume for sale at higher realizations, which proved to be insurance in a weak market environment.