



**GILLANDERS ARBUTHNOT
& COMPANY LIMITED.**

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REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH, 2006



BOARD OF DIRECTORS

G. D. Kothari

Chairman

S. C. Gladstone (up to 2nd June, 2006)

A. K. Kothari

S. Shah

R. L. Kanoria

A. K. Basu

P. K. Khaitan (with effect from 26h April, 2006)

S. S. Rathore

Managing Director

D. K. Sharda

Joint Managing Director

SENIOR VICE PRESIDENT & SECRETARY

S. Balakrishnan

BANKERS

State Bank of India

Bank of India

Vijaya Bank

United Bank of India

State Bank of Patiala

SOLICITORS

Khaitan & Co.

AUDITORS

Price Waterhouse

REGISTERED OFFICE

C-4, Gillander House,

Netaji Subhas Road,

Kolkata - 700 001

Phone : 2230-2331-6, 2230-4182-6

Fax : 2230-4185

Website : www.gillandersindia.com

BRANCHES/OFFICES

Ahmedabad, Amritsar, Bangalore, Chennai, Coimbatore, Delhi, Ernakulam, Hyderabad, Kundli, Ludhiana, Mumbai, Panipat, Salem, Solapur.





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DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-2006 (Rs. in lakhs)	2004-2005 (Rs. in lakhs)
Profit/(Loss) for the year before taxation	539.30	249.38
(Provision for Taxation)/Write back of provision for taxation	(10.40)	140.71
Fringe Benefit Tax	(25.42)	–
Profit/(Loss) after Taxation	503.48	390.09
Add : Profit brought forward	218.43	115.45
Amount available for appropriation	<u>721.91</u>	<u>505.54</u>
Appropriations		
Proposed Dividend	252.52	217.59
Tax on Dividend	35.42	30.52
Transfer to General Reserve	250.00	39.00
Balance carried forward	<u>183.97</u>	<u>218.43</u>
	<u>721.91</u>	<u>505.54</u>

OPERATIONS

Operational matters have been discussed under the heading 'Management Discussion and Analysis' elsewhere in this Report.

SCHEME OF AMALGAMATION

The Scheme of Amalgamation ("The Scheme") for Amalgamation of the erstwhile Waldies Ltd (Waldies) a subsidiary of the company with the company was sanctioned by the Hon'ble High Court at Calcutta on 21st November, 2006. Upon completion of the relevant legal formalities on 11th December, 2006 the Amalgamation became effective with retrospective effect from the 'Appointed Date', viz 1st April, 2005. In view of this the Accounts for the year ended 31st March, 2006 inclusive of the financial results of Waldies together with the other documents/ reports required to be annexed/attached thereto could not be circulated to the Members alongwith the Notice of the Annual General Meeting to be held on 29th December, 2006. These would now be placed before the members for consideration and adoption at the adjourned Annual General Meeting date of which would be announced at the Annual General Meeting.

SHARE CAPITAL

During the year the Company allotted 3890480 Ordinary Shares of Rs. 10/- each fully paid up to Kothari Plantations and Industries Ltd (now renamed as Kothari Phytochemicals and Industries Ltd) and 2141250 Ordinary Shares of Rs.10/- each to the Members of erstwhile



GIS Ltd. in terms of and pursuant to the Scheme of Arrangement for the transfer of Tea Division of Kothari Plantations and Industries Ltd to the Company and amalgamation of GIS Ltd with the Company.

CORPORATE GOVERNANCE :

A detailed report on the implementation of the Code on Corporate Governance forms part of this Annual Report.

DIVIDEND

Your directors are pleased to recommend dividend on the Ordinary Shares of the Company at the rate of Rs. 2.25 Per share on the 11223163 Ordinary Shares of the Company which is inclusive of the 343780 Ordinary Shares of Rs. 10/- each allotted to the Ordinary Shareholders of Waldies in terms of "The Scheme".

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the coming into effect of 'The Scheme' as aforesaid the Company had seven major divisions viz. Tea Division, Textile Division, Waldies Division, Engineering Division, Plastic Container Division, Property Division and Marketing Division during the year 2005-2006. The Industry Structure, development, performance, opportunities, threats and outlook of each of these divisions, internal control systems and industrial relations have been discussed hereunder in detail.

Tea Division

India is the largest producer of Tea in the world. During the year 2005 it produced about 928 Million Kgs of Tea which was more than the previous year's production mainly due to favourable weather conditions in Eastern/North Eastern part of India which are the major tea producing regions in the country.

During the year under review your company produced about 12.02 Million Kgs of Tea as against 11.46 Million Kgs in the previous year. However on the price front the average price realization fell to Rs. 71.20 per Kg as against Rs 77.17 per kg in the previous year mainly due to depressed market conditions.

The Company sold off its Dullabcherra Tea Estate located in the Cachar region of Assam with effect from 1st January, 2006 as the operations of the said Tea Estate had become unprofitable over the past several years due to a combination of factors like low price realization, high cost, labour shortage, etc. The sale was made to Mr. Krishna Kant Bajoria/his nominees on a going concern basis.

The performance of the division during the current year so far has been encouraging due to the general firming up of the tea prices and overall improvement in the efficiency of operations. The Company has also taken up several measures to control costs and thrust is being given on production of quality teas.



Textile Division

The prospects of the Indian Textile Industry has brightened considerably following the dismantling of the quota regime with effect from 1st January, 2005 which has offered increased opportunities for export of Indian Textile Products. Besides the domestic consumption has also been growing steadily at a rate of about 5% per annum. However, the competition has also intensified particularly from low cost producing countries like China and Pakistan and in order to establish itself in the world market in the long run the Indian Textile Industry has to gear itself to be able to produce quality products at a low cost.

The Textile Division of your Company recorded improved performance during the year with production increasing to Rs. 6592 MT during the year as compared to 6416 MT during the previous year and revenue increasing to Rs. 7005 Lacs as against Rs. 6688 Lacs for the previous year.

The modernization programme of the Division has been completed and the Division has now undertaken a major expansion programme for addition of 26000 Spindles in its Akbarpur factory involving a total outlay of about Rs. 102 Crores inclusive of the cost of setting up a Husk based power plant for captive consumption. Application for term loans have already been submitted for financing the project which is expected to be fully implemented by September, 2007. Your directors are hopeful of much better performance from this division after completion of the aforesaid project.

Waldies Division

This division is engaged in the manufacturing of lead oxides and PVC Stabilisers used in the manufacturing of Batteries, Paints, PVC Cables and other products. This division is a major producer of the above products in India and enjoys reputation for the quality of its products.

During the year under review this division achieved total production of 3303 MT and revenue of Rs. 1865 Lacs both of which were higher compared to that of the previous year. Performance during the current year has also been encouraging as there has been a higher production and sales as compared to the year under review.

The division is committed to total customer satisfaction in terms of quality and service and enjoys ISO 9001 : 2000 Certification for its quality management system. Being engaged in the manufacturing of lead based products the division has always been concerned with the protection and improvement of the environment and has taken several steps to keep pollution under control including developing of a green belt around its plant. Emission and ambient air quality are regularly measured and corrective /protective actions are taken wherever necessary. The division enjoys ISO 14001 Certification for its Environment Management System.

Engineering Division

The performance of this division engaged in the business of execution of various types of turnkey projects in Steel Plants, Power Plants, Aluminium Plants, etc involving, inter alia, structural, mechanical, civil, electrical & instrumentation work was satisfactory during the year.



This Division earned a revenue of Rs.4716 Lacs as compared to Rs 5340 Lacs during the previous year.

Growth potential of this division is bright since several steel plants and metal plants in the country have drawn up expansion programmes. Order position of the division is good and several bulk quantity export orders are further expected. This should improve the performance of this division in the coming years.

Plastic Container Division

As mentioned in our last report the company decided to exit from the business of manufacturing plastic containers and accordingly this Division has been sold off as a going concern to M/s Balmer Lawrie – Van Leer Limited with effect from 1st May 2006. During the year 2005-06 this division achieved a turnover of Rs. 585 Lacs as against Rs. 575 Lacs for the previous year.

Property Division

Your directors are happy to report that all the vacant areas in Gillander House have been fully let out due to which the revenue from this division increased to Rs.435 Lacs as against Rs. 358 Lacs in the previous year. This is further expected to go up in the current year when the full impact of the entire letting would be felt.

The repair and renovation work undertaken by the division is in progress and is expected to be completed in the coming year.

Marketing Division

This division has recorded satisfactory performance during the year under review. It has not only managed to retain its market share in the face of stiff competition but also slightly improved it. The turnover achieved during the year was Rs. 1742 Lacs as against Rs. 1730 Lacs in the previous year. Performance during the current year is more or less at par with that of the previous year.

Caution Statement

Statements in the Management Discussion and Analysis may be forward looking predictions. However, subsequent factors unknown at the moment and over which the Company does not have any control may cause significant difference to the Company's operations.

Internal control systems and their adequacy

The Company has adequate internal control in all areas of its operation and outside firm of Chartered Accountants are appointed to carry out thorough Internal Audit of all the major units/divisions.

Material developments in Human Resources and Industrial Relations

There were no significant developments on the Human Resources and Industrial Relations front in any of the units/divisions of the Company during the year under review. Continued emphasis on development of human resources and creation of good work culture has remained



the focus of your Company. Relations with employees/workers were by and large cordial throughout the year.

AUDITORS' REPORT

The qualifications/ observations made by the Auditors in their Report have been dealt with in the Notes on Accounts.

FIXED DEPOSIT

As at 31st March, 2006 an amount of Rs.1256.60 Lacs was outstanding on account of fixed deposits received from public. There were no unpaid or unclaimed Fixed Deposits as at that date.

SUBSIDIARY COMPANIES

The financial results of Subsidiary Companies for the year ended 31st March, 2006 were as follows :

	Profit/(Loss) before tax Rs. in Lakhs	Profit/(Loss) after tax Rs. in Lakhs
The Tengpani Tea Co. Ltd.	(117.80)	(118.46)
Gillanders Investments & Services Ltd.	1.96	1.46
GIS Cotton Mill Ltd.	126.74	124.69

Particulars relating to the Subsidiary Companies, as required under Section 212 of the Companies Act, 1956 are annexed to the Balance Sheet of your Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1) (e) of the Companies Act, 1956, details relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure attached hereto and forming part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The Company had no employee of the category referred to in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed.