



Kothari
Group
Imagine Inspire Deliver

ANNUAL REPORT 2013

GILLANDERS ARBUTHNOT
AND COMPANY LIMITED





Mr. A. K. Kothari
Chairman

Mission

To be a good corporate citizen and to inspire and nurture the human spirit for a sustainable value based wealth creation, contributing in the socio economic progress of India in harmony with the environment.

Vision

Innovative, Dynamic and Holistic Global Conglomerate with passion for delivering outstanding performance based on integrity, professionalism, accountability and evolving in a vertical growth trajectory while enriching everyone we touch and enhancing value for all the stakeholders.



CORPORATE INFORMATION *

BOARD OF DIRECTORS

Mr. A. K. Kothari, *Chairman*
 Smt. P. D. Kothari, *Director*
 Mr. P. K. Khaitan, *Director*
 Mr. J. N. Godbole, *Director*
 Mr. H. P. Kanoria, *Director*
 Mr. H. M. Parekh, *Director*
 Mr. N. Pachisia, *Director*
 Mr. D. K. Sharda, *Managing Director & CEO*

JOINT PRESIDENT & CFO

Mr. P. K. Jain

COMPANY SECRETARY

Mr. D. Karmakar

STATUTORY AUDITOR

Singhi & Co., Kolkata

SOLICITORS

Khaitan & Co LLP, Kolkata

BANKERS

State Bank of India
 IDBI Bank Limited
 State Bank of Patiala
 United Bank of India
 Bank of India
 The Hongkong and Shanghai Banking
 Corporation Limited

REGISTERED OFFICE

C-4, Gillander House,
 Netaji Subhas Road, Kolkata - 700 001
 Phone : 033-2230-2331 (6 Lines)
 Fax : 033-2230 4185
 E-mail : gillanders@gillandersarbuthnot.com
 Website : www.gillandersarbuthnot.com

Audit Committee

Mr. H. M. Parekh, *Chairman*
 Mr. A. K. Kothari, *Member*
 Mr. J. N. Godbole, *Member*
 Mr. N. Pachisia, *Member*

Shareholders' / Investors' Grievance Committee

Mr. H. M. Parekh, *Chairman*
 Mr. A. K. Kothari, *Member*
 Smt. P. D. Kothari, *Member*
 Mr. P. K. Khaitan, *Member*
 Mr. D. K. Sharda, *Member*

Remuneration Committee

Mr. H. M. Parekh, *Chairman*
 Smt. P. D. Kothari, *Member*
 Mr. H. P. Kanoria, *Member*
 Mr. P. K. Khaitan, *Member*
 Mr. N. Pachisia, *Member*

Branches/Offices

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

*(As on 29th May, 2013)



CONTENTS

Page

NOTICE	3
DIRECTORS' REPORT	7
REPORT ON CORPORATE GOVERNANCE	14
INDEPENDENT AUDITORS' REPORT	25
BALANCE SHEET	30
STATEMENT OF PROFIT AND LOSS ACCOUNT	31
CASH FLOW STATEMENT	32
NOTES TO THE FINANCIAL STATEMENTS	34

NOTICE

Notice is hereby given that the **SEVENTY NINTH** Annual General Meeting of the Members of the Company will be held at the Williamson Magor Hall of the Bengal Chamber of Commerce and Industry, (1st Floor), Royal Exchange, 6, Netaji Subhas Road, Kolkata – 700 001 on **Saturday, the 10TH DAY OF AUGUST, 2013 at 11-30 A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Accounts of the Company for the financial year ended March 31, 2013, the Balance Sheet as at that date, and the Reports of the Directors and Auditors thereon.
2. To approve payment of Dividend on 8% Cumulative Redeemable Preference Shares of ₹ 100 each for the financial year ended March 31, 2013.
3. To declare dividend on Ordinary Shares for the financial year ended March 31, 2013.
4. To appoint a Director in place of Smt. P. D. Kothari, who retires by rotation at this Annual General Meeting, and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr. P. K. Khaitan, who retires by rotation at this Annual General Meeting, and being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass, with or without modification(s) the following Resolutions as **Ordinary Resolutions**:

- (a) "RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Singhi & Co., Chartered Accountants, Kolkata, (Firm Registration No. 302049E) be and they are hereby re-appointed as the Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors plus reimbursement of out-of-pocket expenses actually incurred in the performance of their duties."
- (b) "RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Dutta Ghosh & Associates, Chartered Accountants, Kolkata, (Firm Registration No. 309088E) be and they are hereby re-appointed as Branch Auditor to audit the accounts in respect of GIS Cotton Mill, Champdany, a unit of the Textile Division of the Company, and to hold office from the conclusion of this Annual General Meeting until the

conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors plus reimbursement of out-of-pocket expenses actually incurred in the performance of their duties."

- (c) "RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Kothari & Company, Chartered Accountants, Kolkata, (Firm Registration No. 301178E) be and they are hereby re-appointed as Branch Auditor to audit the accounts in respect of Engineering (MICO) Division of the Company, and to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors plus reimbursement of out-of-pocket expenses actually incurred in the performance of their duties."

SPECIAL BUSINESS:

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

7. Re-appointment of Mr. D.K. Sharda as Managing Director & CEO

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, the Company hereby approves and accords consent to the re-appointment of Mr. D. K. Sharda as 'Managing Director', designated as 'Managing Director & Chief Executive Officer (CEO)' of the Company, for a period of one year with effect from April 01, 2013 on such terms and conditions and payment of remuneration and other perquisites/benefits as are set out in the Explanatory Statement annexed to this Notice with an authority to the Board of Directors of the Company to vary and alter such terms and conditions including remuneration provided that the same are in accordance with Schedule XIII and the provisions of the Companies Act, 1956 or any re-enactment thereof and/or any Rules/Regulations framed thereunder."

By Order of the Board
For Gillanders Arbuthnot and Company Limited

D. Karmakar
Company Secretary

Place: Kolkata
Date: May 29, 2013



NOTES:

- 1) **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing a proxy should however be deposited at the registered office of the Company not less than forty eight hours before the commencement of the meeting.**
- 2) Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified true copy of the Board resolution authorizing their representative to attend and vote on their behalf at the Meeting.
- 3) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 7 of the Notice set out above, is annexed hereto.
- 4) The Register of Members and Share Transfer Books of the Company will remain closed from August 01, 2013 to August 07, 2013 (both days inclusive) for the purpose of payment of dividend, if approved by the Members, at the Annual General Meeting.
- 5) The dividend, as recommended by the Board, if approved at the Annual General Meeting, will be paid on or after August 10, 2013 to those Members or their mandates whose names are registered on the Company's Register of Members:
 - a) As Beneficial Owners as at the end of business on July 31, 2013 as per the lists to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in respect of shares held in electronic form, and
 - b) As members in the Register of Members of the Company after giving effect to all valid share transfers in physical form, which are lodged with the Company or its Registrar & Share Transfer Agent (RTA) on or before July 31, 2013.
- 6) Pursuant to the provisions of the Companies Act, 1956, all unclaimed dividends till the financial year 2004-2005 have already been transferred to the Investor Education and Protection Fund (IEPF) and all subsequent unpaid dividends will be transferred to the said Fund from time to time. Shareholders who have not yet encashed their dividend warrant(s) relating to the financial year 2005-2006 to 2011-2012 are therefore, advised to approach the Company for the payment thereof.
- 7) The Ordinary Shares of the Company are listed on the Calcutta Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company confirms that it has paid Annual Listing Fees to the said Exchanges for the year 2013-2014.

- 8) Members holding shares in physical form are requested to notify any change in their address including Pin Code, Bank Mandate, Income Tax Permanent Account Number, etc. to the Company's Registrar & Share Transfer Agent-

Mareshwari Datamatics Pvt. Ltd.

(Unit : Gillanders Arbuthnot and Company Limited)
6, Mangoe Lane (Surendra Mohan Ghosh Sarani),
2nd Floor, Kolkata - 700 001.

Members holding shares in dematerialized form are requested to furnish this information to their respective depository participants for updation of the records.

- 9) Members who are holding shares in identical order of names in more than one folio are requested to send to the Company or its RTA, the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the Members after making requisite changes thereon.
- 10) Members holding shares in single name and in physical form are advised to make nomination in respect of their shareholding in the Company. Request may be made to the Company or its RTA for the Nomination Form.
- 11) In terms with Circular no. MRD/DoP/Cir-05/2009 dated 20th May, 2009 issued by Securities and Exchange Board of India (SEBI), it is now mandatory for the transferee's of the physical shares to furnish copy of PAN Card to the Company or its RTA for registration of transfer of shares. Shareholders are requested to furnish copy of PAN Card at the time of transferring physical shares.
- 12) The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by the Companies and has issued circulars stating that service of Notice/documents including Annual Report can be sent by e-mail to its members. Therefore, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail ids with the RTA.
- 13) To ensure that no demat request remains pending beyond a period of 15 days, Investors /Shareholders are requested to follow up with their Depository Participant(s) so that the physical documents viz. Demat Request Forms (DRF) and Share Certificates etc. are sent to the RTA within a period of 5 days from the date of generation of the DRN for dematerialization.
- 14) **The Securities and Exchange Board of India (SEBI) has made it mandatory for all the Companies to use bank details furnished by the Investors for distributing Dividends or other cash benefits through National Electronic Clearing Services**



(NECS). In the absence of NECS facility, Companies are required to print the bank details on the payment instrument for distribution of dividend. Members holding shares in physical mode are requested to provide their bank details to the RTA in the NECS Mandate form, which is being sent along with the Annual Report. Whereas, members holding shares in demat mode are requested to record the same with their respective Depository Participant(s).

- 15) A brief resume of the Directors seeking re-appointment at the Annual General Meeting along with details of their other Directorships and shareholding in the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are provided as an annexure to this notice.
- 16) All the documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Company's Registered Office at C-4, 'Gillander House', Netaji Subhas Road, Kolkata - 700 001 on all working days of the Company, between 10.00 A.M. and 1.00 P.M. till August 09, 2013, and will also be available for inspection at the meeting.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 7

Subject to the approval of the Members of the Company in General Meeting, the Board of Directors of the Company at its Meeting held on February 13, 2013 re-appointed Mr. D. K. Sharda as 'Managing Director', designated as 'Managing Director & Chief Executive Officer (CEO)' of the Company, for a period of one year with effect from April 01, 2013. The previous term of Mr. D. K. Sharda, as Managing Director & CEO expired on March 31, 2013.

An Agreement dated March 26, 2013, effective from April 01, 2013, was entered into between the Company and Mr. D. K. Sharda, Managing Director & CEO of the Company, subject to the approval of the members of the Company. The terms and conditions of the said Agreement entered into by the Company with him are set out below:

1. DUTIES AND RESPONSIBILITIES:

Mr. D. K. Sharda, designated as the Managing Director & CEO of the Company shall, subject to the provisions of the Companies Act, 1956 and overall superintendence and control of the Board of Directors of the Company perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred on him by the Board of Directors of the Company.

2. REMUNERATION:

- I. SALARY: ₹ 2,20,000 per month.
- II. PERQUISITES: Apart from Salary, Mr. D. K. Sharda will also be entitled to the perquisites classified into the following three parts viz., Part A, B and C.

PART – A

- i) Housing: The Company shall provide rent free furnished accommodation with free electricity. In case, no accommodation is provided by the Company the Managing Director & CEO shall be entitled to House Rent Allowance limited to 8% of his salary.
- ii) Medical Reimbursement and Leave Travel Concession: The Managing Director & CEO shall be reimbursed to the extent of 10% of his salary towards expenses incurred for self and family for Medical Expenses and Leave Travel, anywhere in India.
- iii) Fees of Clubs: Upto a maximum of two Clubs. This will not include any admission or life membership fees.
- iv) Personal Accident Insurance/Medical Insurance: Premium not exceeding ₹ 15,000 per annum.

PART – B

- i) Company's contribution to Provident Fund as per Rules of the Company.
- ii) Gratuity on retirement at the rate of one half month's salary for each completed year of service subject to the ceiling as provided in law.
- iii) Encashment of leaves: Encashment of leaves as per Rules of the Company.

PART – C

- i) Use of car for Company's business. Any use of car for private purpose will be valued as per Income Tax Rules, 1962.
- ii) Free telephone facility at residence.

3. MINIMUM REMUNERATION:

In the event of absence or inadequacy of profits during the period of service of Mr. D. K. Sharda, as Managing Director & CEO of the Company, he shall be entitled to the same Salary and Perquisites as stated hereinbefore.

The remaining provisions of the Agreement sets out the mutual rights and obligations of the parties thereto and other administrative details.

The Board of Directors is of the opinion that the above remuneration being paid/payable to Mr. D. K. Sharda, as Managing Director & CEO of the Company, is commensurate with his duties and responsibilities and is well within the limits specified in Part II of Schedule XIII of the Companies Act, 1956.



The Board considers that his association as Managing Director & CEO will be beneficial to and in the interest of the Company.

The Board of Directors recommends for your approval, his re-appointment as 'Managing Director,' designated as 'Managing Director & CEO' of the Company.

None of the Directors, except Mr. D. K. Sharda, is concerned or interested in this resolution.

By Order of the Board
For **Gillanders Arbuthnot and Company Limited**

D. Karmakar
Company Secretary

Place: Kolkata
Date: May 29, 2013.

Annexure

Particulars of Directors proposed to be re-appointed at the 79th Annual General Meeting of the Company to be held on Saturday, the 10th day of August, 2013 at 11-30 A.M.

Name of the Director	Brief resume and nature of expertise in functional area	Number of Ordinary Shares held in the Company	Other Directorship/Other Committee Membership held*
Smt. P. D. Kothari	Smt. P. D. Kothari aged about 56 years is a well known Industrialist having wide experience in the field of Tea, Engineering, Pharmaceuticals and Spinning Industry.	67,875	Directorships: Bhaktwatsal Investments Limited Vishnuhari Investments & Properties Limited Bharat Fritz Werner Limited M. D. Kothari & Co. Limited Kothari Phytochemicals & Industries Limited Committee Memberships -
Mr. P. K. Khaitan	Mr. P. K. Khaitan aged about 72 years is an eminent Advocate having vast experience in Company Law, Finance & Corporate matters.	-	Directorships: CESC Limited Dalmia Bharat Limited Dhunseri Petrochem & Tea Limited Electrosteel Castings Limited Graphite India Limited Hindustan Motors Limited India Glycols Limited OCL India Limited Pilani Investment & Industries Corporation Limited Saregama India Limited TCPL Packaging Limited VISA Steel Limited Warren Tea Limited Woodlands Multispeciality Hospital Limited Committee Memberships Member of Audit Committee Pilani Investment & Industries Corporation Limited Member of Investors' / Shareholders' Grievance Committee Graphite India Limited Hindustan Motors Limited
Mr. D. K. Sharda	Mr. D. K. Sharda aged about 66 years has rich experience & expertise in the field of Finance, Administration, Jute and Textile Industry for more than 40 years.	-	Directorships: M.D.Kothari & Co. Limited Bhaktwatsal Investments Limited Committee Memberships -

* Only Audit Committee & Shareholders'/Investors' Grievance Committee of Indian Public Limited Companies have been taken into account.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Annual Report on the affairs of the Company together with the Audited Accounts for the financial year ended March 31, 2013.

FINANCIAL RESULTS

₹ in Lakhs

The financial results for the year are as under:

Particulars	2012-13	2011-12
Profit Before Depreciation, Interest & Tax (PBDIT)	82,77.93	38,03.00
Interest / Finance Charges	28,48.14	28,71.18
Profit Before Depreciation and Tax (PBDT)	54,29.79	9,31.82
Depreciation / Amortisation	24,90.75	24,61.97
Profit Before Tax (PBT)	29,39.04	(15,30.15)
Taxation Charge		
- Current Tax	5,50.00	46.70
- Deferred Tax	3,30.00	(6,50.00)
Profit After Tax (PAT)	20,59.04	(9,26.85)
Balance brought forward	44,98.17	55,67.64
Balance available for appropriation	65,57.21	46,40.79
Appropriations		
Proposed Dividend on:		
8% Redeemable Cumulative Preference Shares of ₹100 each	16.00	16.00
Ordinary Shares of ₹10 each	4,26.85	1,06.71
Corporate Dividend Tax	75.26	19.91
Transfer to General Reserve	3,00.00	-
Surplus carried to Balance Sheet	57,39.10	44,98.17
	65,57.21	46,40.79
Earnings per Ordinary Share (₹)		
- Basic	9.56	(4.43)
- Diluted	9.56	(4.43)
Dividend per Ordinary Share (₹)	2.00	0.50

FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS

For the financial year 2012-13, your Company reported a net profit of ₹ 20,59.04 Lakhs against loss of ₹ 9,26.85 Lakhs during the previous year. Total Income from Operations has increased to ₹ 7,82,41.62 Lakhs during the year under review from ₹ 6,73,17.69 Lakhs in the previous year. Operational matters have been discussed under 'Management Discussion and Analysis,' detailed in appropriate part of this Report.

DIVIDEND

Your Directors recommend the following dividends:

- a) Dividend @ ₹ 8 per Share on 2,00,000 8% Redeemable Cumulative Preference Shares of ₹ 100 each of the Company, entailing an outflow of ₹ 16.00 Lakhs.

- b) Dividend @ ₹ 2 per Share on 2,13,42,346 fully paid up Ordinary Shares of ₹ 10 each of the Company, entailing an outflow of ₹ 426.85 Lakhs.

MANAGEMENT DISCUSSION AND ANALYSIS

The industry structure, development, performance, opportunities, threats and outlook of each activities, internal control systems and industrial relations have been discussed in paragraphs to follow.

Tea Division

The Global Tea Production in 2012 was higher compared to 2011 with the gainers being China and Bangladesh, whereas, Kenya, Malawi, Indonesia & Sri Lanka were the losers. The All India Tea Crop was marginally higher from previous year. There has been



a revision by Tea Board of India in the methodology of computation of all India crop. The Tea Board's figures are based on cess collection at the tea factories both in the organized and unorganized sectors. Consequently, there have been significant changes in the statistics for 2011 and 2012.

During the year under review, one of your gardens, Taipoo Tea Estate, situated in Bagdogra district was severely affected by hail during the beginning of the season. In spite of inclement weather, your division has produced 9.32 mtkgs. of tea, which is marginally higher than 9.15 mtkgs, as reported in last year.

Although, the average price realization was higher than last year but it was partially offset by higher cost of production consequent to increase in wages and adverse weather conditions in the Tea Estates.

Your Directors are pleased to inform you that export by Tea Division has substantially increased during the year when compared with the previous year. New export markets viz., U.K., China & Kazakhstan were explored during the year under review. Payment mechanism for exports to Iran was put in place towards the end of the year under review and as a result dispatches to Iran are expected to increase in the current year. Your Division is embarking on expansion of its packet tea business and has plans to launch its packet tea products on Pan India basis.

From the figures available till date, world production is significantly higher than the last year but production in India is slightly lower due to drought situation in the initial months. Due to expected higher world production in the current year, there may be pressure on the prices, in the non-quality tea segment. Your Division produces quality tea and hence, your Directors expect that the Division will yield better results in the coming year.

All the Tea Estates of your division are ISO 9001:2008 and HACCP (Hazard Analysis of Critical Control Points) certified and some of your gardens are participants in the ETP (Ethical Tea Partnership) Programme. Your division also continues to lay emphasis on the critical issues of Maximum (Permissible Chemicals) Residue Limits (MRLS) and complies with stringent international as well as Indian standards at all its estates.

Engineering (MICCO) Division

Your division is involved mainly in EPC work in Steel Plants, Power Plants, as well as, some Infrastructural Projects. The year under review was not good for Steel Industries resulting in slow expansion and decrease in new Orders. Progresses of the existing projects were also slow. Despite the economic condition, the existing order book position is reasonable and efforts are being made to obtain fresh orders.

The short term outlook of the Steel and Power Industry is cautious, which may put pressure on the margins. However, your Directors are hopeful that the industrial slowdown will be over

soon. We are pleased to inform you that your Division has received ISO Certification 9001 from TUV NORD.

During the year, new relationships have been forged with famous global giants, while maintaining a cordial relationship with the existing global partners. Overall the Division although hit by slowdown, is expected to hold its fort and do reasonably in the coming year.

Textile Division

The year under review was normal for the textile industry without any significant events. The Cotton crop for the year 2012-2013 is estimated to be around 340 lakhs bales. However, with increase in domestic consumption, stock levels are expected to be low.

The overall slowdown in the world, especially in Europe and U.S.A., which are the biggest market for Indian textile industry, has to some extent resulted in the slowdown in exports, particularly in apparel segment. However, the growing domestic market, as well as, increased exports to other markets provided necessary support to the Indian textile industry.

The overall performance of your division was reasonable with the production of 18,062 MT as against production of 15,067 MT in the last year.

During the year, expansion programmes undertaken at GIS Cotton Mill unit and North India Spinning Mill unit, were implemented in the month of April 2013. The said expansion is expected to improve the performance of your Division in the coming year.

The outlook for the Indian textile industry looks positive due to strong domestic demand, increase in organized retailers, income levels and better demographics in the country. Apart from the above, increasing cost of production in China, the biggest exporter of textiles, will help India and other countries to increase their market share in world textile trade. Your Directors expect this Division to perform better in the coming year.

Chemical (Waldies) Division

This Division is engaged in the business of manufacture and marketing of Lead Oxides and Stabilisers for PVC Industry.

During the year under review, due to industrial slowdown the industry witnessed slow growth. However, your Division has reported a marginal increase in revenue compared to the previous year. The overall performance of the division was moderate with production of 3,876 MT as against production of 4,092 MT in the last year.

Waldies Division continues to enjoy ISO 19001 certification for its Quality Management Systems and ISO 14001 certification for its Environment Management Systems and OHSAS 18001 for its occupational health and safety management systems. This Division is expected to do reasonably good in the coming year.