

ANNUAL REPORT 2000



GOODRICKE GROUP LIMITED





CONTENTS

Notice of Annual General Meeting	3
Directors' Report	6
Report of the Auditors	18
Balance Sheet	20
Profit & Loss Account	21
Schedules to the Accounts	22
Cash flow	36
Financial, Production and other Statistics	37
Statement regarding Subsidiary Company	39

GOODRICKE GROUP LTD

BOARD OF DIRECTORS

P.A.Leggatt, M.B.E. - *Chairman*
K.S.David - *Managing Director*
P.Majumdar
P.E.Hill
A.K.Mathur
Dr. S. Kaul
K. Sinha

COMPANY SECRETARY

D.P.Chakravarti

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd.
Bank of Baroda
Canara Bank
Deutsche Bank A.G.
Centurion Bank Ltd.

AUDITORS

Lovelock & Lewes

REGISTRARS & SHARE TRANSFER AGENTS

Robson Black & Ghosh (Management Consultants) Pvt. Ltd.
R.C.T.C. Building, 11 Russell Street, Kolkata 700 071

DEPOSITORY REGISTRAR

C.B. Management Services Ltd.
P-22, Bondel Road,
Kolkata - 700 019

REGISTERED OFFICE

"Camellia House", 14 Gurusaday Road, Kolkata 700 019



NOTICE

NOTICE is hereby given that the Twenty-fifth Annual General Meeting of the Members of Goodricke Group Limited will be held at Science City, Main Auditorium, JBS Haldane Avenue, Kolkata - 700 046 on Saturday, the 31st March, 2001 at 10.00 a.m. to transact the following business:

Ordinary Business

1. To consider and adopt the Profit & Loss Account of the Company for the year ended 31st December, 2000 and the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To declare a Dividend for the year ended 31st December, 2000.
3. To appoint a Director in place of Mr. P. A. Leggatt who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. A. K. Mathur who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

Special Business

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

"Resolved that Dr Sudha Kaul, appointed as Additional Director on 25th August 2000 effective 1st September 2000 and who holds office upto the date of the Annual General Meeting and in respect of whom the Company has received a Notice from a Member under section 257 of the Companies Act 1956 signifying his intention to propose her as candidate for the office of the Director, be and is hereby appointed a Director of the Company retiring by rotation."

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

"Resolved that Mr. K. Sinha, appointed as Additional Director on 12th December 2000 effective 1st January, 2001 and who holds office upto the date of the Annual General Meeting and in respect of whom the Company has received a Notice from a Member under section 257 of the Companies Act, 1956 signifying his intention to propose him as candidate for the office of the Director, be and is hereby appointed a Director of the Company retiring by rotation".

8. To consider and, if thought fit, to pass, with or without modification, the following Resolutions as an Ordinary Resolution:-

(i) "Resolved that the Minimum Remuneration clause contained in the terms & conditions of appointment of Mr. K. S. David, approved at the Annual General Meeting held on 16th April, 1999 and valid till 31st December 2001, be and is amended effective 2nd March, 2000 as follows:

That the words & figure 'not exceeding Rs. 87,500/-' be substituted by the words & figure 'not exceeding Rs. 150,000/-', there being no other changes in any of the other terms & conditions of appointment."

"Further that the payments made effective 2nd March, 2000 be and is ratified in terms of the above."

(ii) "Resolved that the Minimum Remuneration clause contained in the terms & conditions of appointment of Mr. J. C. Pande, approved at the Annual General Meeting held on 3rd April, 2000 and valid till 30th April, 2000, be and is amended effective 2nd March, 2000 as follows:

That the words and figures 'not exceeding Rs. 87,500/-' be substituted by the words and figure 'not exceeding Rs. 150,000/-', there being no other changes in any of the other terms & conditions of appointment."

"Further that the payments made effective 2nd March, 2000 be and is ratified in terms of the above."

The Register of Members and Share Transfer books of the Company shall remain closed from Tuesday, the 27th March to Saturday, the 31st March 2001, both days inclusive.

By Order of the Board

Kolkata
23rd February, 2001

D.P. Chakravarti
Company Secretary

GOODRICKE GROUP LTD**NOTES & INFORMATION TO SHAREHOLDERS**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company. Proxies, in order to be effective, must be received at the Company's Registered Office not less than forty-eight hours before the Meeting.
2. Dividend that may be declared by the Company will be paid on and from 12th April 2001 to those members whose names appear on the Company's Register of Members on 31st March, 2001 or to their mandatees, subject, however, to the provisions of Section 206A of the Companies Act, 1956 (Act).
3. Members are requested to:
 - (i) Quote their Registered Folio Number in all correspondences with the Company or its Registrars.
 - (ii) Notify the Company or its Registrars immediately of change, if any, in their registered address or of their mandatees. Intimation of change of address must state the Pin Code for proper delivery.
 - (iii) Notify the Company or Registrars if not done earlier, the name of the Banker, Branch and Account Number for the safety of Dividend Warrant in transit. For Dividend Credit under Electronic Clearing System (ECS), members who have not applied are requested to do so at the earliest. Formats are available with the Registrars on request.
4. **Those members who have not so far encashed their Dividend Warrants for the Accounting years ended 31st December, 1995, 1996, 1997, 1998 and 1999 may immediately approach the Registrars for revalidation of unclaimed Dividend Warrants.**

Shareholders are hereby informed that pursuant to section 205A(5) of the Act, the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("the Fund") established by the Central Government. In accordance with Section 205B of the Act, no claim shall lie against the Company or the Fund in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims.

5. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed/unpaid Dividends upto the Dividend for the period ended 31st December, 1994 have been transferred to the General Revenue Account of the Central Government. Any claim for payment of such unpaid/unclaimed Dividend should be made by an application in the prescribed form to the Registrar of Companies, West Bengal, at the address given below:

Nizam Palace
II M.S.O. Building
234/4, Acharya Jagadish Chandra Bose Road
Kolkata 700 020.

6. The Company is registered with National Securities Depositories Ltd. (NSDL) at Trade World, 4th Floor, Kamla Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013 for dematerialisation of its Equity Shares and the Registration No. granted is ISIN INE 300A01016.



The Company's Equity Shares are also enlisted with Central Depository Services (India) Ltd (CDS), for participation into Electronic Depository System operated by them. Particulars of CDS: Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai 400 023. Telephone 267-3334, Fax: 267-3199/270-2072.

7. As per the amended provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders, in respect of Equity shares, held by them. Nomination forms (Form 2B) can be obtained from the Registrars of the Company [M/s Robson Black & Ghosh (Management Consultants) Pvt. Ltd.]

Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 6

The Board at its Meeting held on 25th August, 2000 had appointed Dr S Kaul as Non-Executive Director effective 1st September, 2000. She is a Doctorate from Manchester Metropolitan University and is a noted social worker. She is the Founder Trustee and Vice Chairperson of Indian Institute of Cerebral Palsy (formerly Spastic Society of Eastern India). She has been nominated as the Member of Investor Grievances and Share Transfer Committee.

The appointment of Dr. Kaul would strengthen the Board with additional independent Directors and would meet the new code of Corporate Governance as laid down by SEBI and the Stock Exchanges.

The Board commends acceptance of the Resolution. None of the Directors except Dr. S. Kaul is interested in the Resolution.

Item No. 7

At the Board Meeting held on 12th December, 2000, Mr. K. Sinha was appointed as Non-Executive Director effective 1st January, 2001. Mr. Sinha is a Senior Banker and has recently retired as Head of The Hongkong & Shanghai Banking Corporation, Eastern India Region. His induction to the Board would bring in another independent Director having financial background. He has been nominated to the Audit Committee. The Board is confident that this appointment of an independent Director would strengthen Corporate Governance.

The Board commends acceptance of the Resolution. None of the Directors except Mr. K. Sinha is interested in the Resolution.

Item No. 8

The Department of Company Affairs vide press note no. 3/2000 dt. 6.3.2000 had substituted effective 2.3.2000 para 1 of section II of part II of schedule XIII of the Companies Act 1956, covering Minimum Remuneration in the event of absence of profit/inadequate profits. Therefore, effective 2.3.2000 the various slabs for computation of the effective capital has been revised together with revised monthly remuneration. Under the new structure, the amount payable at the lowest slab of effective capital is Rs. 75,000/- per month whilst the highest is fixed at Rs. 200,000/-.

The effective capital of the Company based on the Balance Sheet as on 31st December, 1999 and 31st December, 2000 falls in the category of Rs. 25 crores to Rs. 100 crores which permits for the monthly maximum remuneration at Rs. 150,000/-. The monthly payments since 2nd March, 2000 to Mr. K. S. David & Mr. J.C. Pande have been higher than the ceiling fixed in terms of the earlier clause of Minimum Remuneration. Hence this resolution to ratify such payments and to bring the Terms in line with the Govt. of India notification amending Schedule XIII of the Companies Act, 1956.

The Board commends acceptance of the Resolution.

None of the Directors except Mr. K. S. David is interested in the Resolution.

GOODRICKE GROUP LTD**DIRECTORS' REPORT**

Your Directors have pleasure in presenting their Twenty-Fifth Annual Report and Accounts for the year ended 31st December, 2000.

FINANCIAL RESULTS**For the year ended 31st December**

	2000	1999
	(Rs. in millions)	
Profit before Taxation	12.92	201.04
Less: Provision for Tax	6.00	75.00
PROFIT AFTER TAXATION	6.92	126.04
Add: Profit brought forward from last year	49.62	43.94
Transfer from Development Allowance Reserve	—	0.23
AVAILABLE FOR APPROPRIATIONS	56.54	170.21
General Reserve	—	60.00
Proposed Dividend	10.80	54.00
Corporate Dividend Tax	2.44	6.59
Balance carried forward	43.30	49.62

TURNOVER

Turnover for the year was higher at Rs. 1,819 million as compared to Rs 1,772 million in the previous year. Although the crop was higher, average prices were lower by 9% leading to a substantially lower profitability.

OPERATIONS

Total crop was 16.78 million kgs compared to 15.83 million kgs in the previous year.

Weather conditions were generally favourable, except for the loss of crop due to floods in the Assam gardens. Emphasis on Quality was given added impetus during the year. Although this had an adverse effect on the quantum of production, it yielded the expected benefit of comparatively higher prices at the auctions. The price concertina was wide between good and medium quality teas throughout the year, and on account of the focus on quality, prices for your Company's teas were one of the highest in the various Districts.

The year started with a large carryover and this, added to higher production in the current year, led to an abundant supply situation. This was further compounded by lower exports in the first half of the year and slow off-take by upcountry traders in anticipation of further price reductions. Though tea imports from Sri Lanka and elsewhere were negligible, this dampened market sentiments.

Exports of Darjeeling tea during the year were partially affected due to the introduction of Certification Trade Mark (CTM). While in the long term CTM would be beneficial to the Industry as a whole, the formalities and documentation involved had been initially resisted by overseas buyers. The process is expected to be further streamlined with a higher degree of acceptance by the buyers. This will restore the exclusiveness of Darjeeling tea and also the premium prices which it richly deserves. Prices of Orthodox teas on an average ruled firmer as compared to CTCs which bore the maximum impact of reduced prices.



The Packet tea operation had an unfavourable year with lower off-take due to a glut in the market and severe price competition. Your Company expects to reverse the trend in the current year with the recent launch of two packs in the economy sector with the brand names "Zabardast" and "Mehak" and through further strengthened marketing of existing brands.

Instant tea had another difficult year with lower shipments to the US and other markets. Based on trade enquiries and assessment of the global market, your Directors feel that Instant product in the coming years will have steady growth prospects. The main market for instant tea is in the USA and to meet the special requirements there, warehousing facilities have been set up on the East coast. Later, this facility will be extended for Darjeeling and other speciality teas.

Exports were substantially higher at over three million kgs. There is steady enquiry for the Company's teas and the exports are expected to grow in the current year.

Although clause 49 of the Listing Agreement is not applicable to the Company this year, a Management Discussion and Analysis report is given in Annexure 'E'.

WELFARE AND ENVIRONMENT

The Garden hospitals including the Group hospital at Aibheel, operated well, rendering excellent medical services to the Company's employees and their families. The hospitals are well equipped and have highly competent Doctors and nurses. In a number of gardens the hospitals have been giving basic medical benefits to adjoining villages. The hospitals have received special mention by Senior officials of the Government as well as by the Industry Labour Unions as a fine example of progressive labour welfare facilities in the tea District. The XIIth Grand Masters Chess Competition was organised by the Goodricke Chess Academy in Kolkata and the successful event brought to the fore the talents of promising youngsters.

COMMUNITY SERVICE

The Company's social welfare measures particularly where the gardens and other establishments are located, continued to receive priority. The Company's commitment to various social service organisations like Interlink, Cheshire Homes, The Orphanage run by the International Brotherhood Mission at Dibrugarh, Ramakrishna Mission, Armed Forces Welfare Fund and contributions to the Chief Minister's Relief Funds in Assam and West Bengal has continued. The Goodricke School for Special Education for handicapped children set up in Siliguri in North Bengal continues to function well and hopefully in the not too distant future a new complex will be operational.

DIVIDEND

On account of the Company's lower profitability, the Board has recommended a Dividend of Re. 0.50 P per share, previous year Rs. 2.50 per share, for the year ended 31st December, 2000. Such Dividend, on declaration, will be paid to those members registered in the Registers of the Company as at the close of business on 31st March 2001, subject, however, to the provisions of Section 206A of the Companies Act, 1956.

PROSPECTS

One basic economic aspect for any commodity, particularly mass consumption items, is that prices are entirely dictated by the supply and demand equation. Manipulative and speculative trade actions in the market can only have short term effects. In the long term, market forces based on the fundamentals of supply and demand will dictate prices. In 2000, there was an excess carry forward of stock from 1999 followed by higher production. However, the estimated carry forward in 2001 is reported to be lower. This, coupled with less than anticipated imports and a higher offtake by the Trade has already had a favourable impact on prices. The price concertina is still firmer for quality teas and this will continue to be an important factor governing the premium paid for the Company's teas. This should augur well in terms of profitability as it

GOODRICKE GROUP LTD

should result in higher prices both in the auctions as well as in the Packet tea segment. Continued inflationary pressure on costs, particularly on energy, labour and other statutory obligations, will impose a severe strain on margins. Returns from the young tea, which have now matured, are expected to ensure higher production and contribute towards higher volumes and better prices. The Company's basic financials are strong and this together with production of premium teas should ensure an encouraging year.

CORPORATE GOVERNANCE & AUDIT COMMITTEE

The Audit Committee was re-constituted during the year. Mr. S K Bhasin resigned effective close of business on 25th August, 2000. Members would recall that the Company had a functional Audit Committee in operation from 1997, well before the statutory requirements for such a Committee was made mandatory. The representative of the Statutory Auditor attended as an invitee. The Committee rendered valuable advice on key issues to the Board.

Although clause 49 of the Listing Agreement is not applicable to the Company this year, highlights of Corporate Governance disclosures are given in Annexure 'F'

INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE

In course of the year, the existing Share Transfer Committee was re-constituted as an Investor Grievances and Share Transfer Committee effective 1st September, 2000 under the Chairmanship of Mr. P. Majumdar, a non-executive independent Director. The Committee has been reviewing investor grievances on a regular basis. With trading in the Stock Exchanges of only dematerialised shares, investor grievances associated with physical transfers have been almost eliminated.

NEPAL JOINT VENTURE

The Company's Joint Venture tea Company in Nepal, Himalaya Goodricke Pvt. Ltd., had another profitable year of operation but margins were under pressure due to depressed prices. On account of lower profit and the need to conserve resources to meet essential capital expenditure, no dividend was recommended for the year.

SUBSIDIARY COMPANY

Particulars as required to be disclosed under section 212 of the Companies Act 1956 in respect of Tiru Tea Limited, a wholly owned subsidiary of the Company, have been annexed to the Accounts of the Company. The crop was higher than the previous year, however Darjeeling tea prices were not commensurate with the higher cost of production leading to negative profitability.

PERSONNEL

The Board would like to place on record its appreciation for the deep sense of duty and dedication shown by all employees throughout the Company's establishments. This is particularly noteworthy in the background of the disturbed political environment prevailing in the tea growing areas. There was no major disruption of work at any of the Group gardens inspite of having over 25,000 employees in the field and factories. This reinforces the success of the human relationship factor which is one of the cornerstones of the Company's work philosophy.

PARTICULARS IN TERMS OF SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of Conservation of Energy and Technology absorption in terms of section 217(1)(e) are given in Annexures 'A' and 'B'. The particulars of employees in terms of Section 217(2A) of the Companies Act, 1956 are given in Annexure 'C'. A Directors' Responsibility Statement in terms of section 217(2AA) is given in Annexure 'D'

All the Annexures form part of the Report.