



ANNUAL REPORT 2002



GOODRICKE GROUP LIMITED



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GOODRICKE GROUP LTD

BOARD OF DIRECTORS

P.A.Leggatt, M.B.E. - *Chairman*

K.S.David - *Managing Director*

A.K.Mathur

Dr. S. Kaul

K. Sinha

B. Bonnerjee

COMPANY SECRETARY

D.P.Chakravarti

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd.

Bank of Baroda

Canara Bank

Centurion Bank Ltd.

HDFC Bank Ltd.

AUDITORS

Lovelock & Lewes

REGISTRARS & SHARE TRANSFER AGENTS

C.B. Management Services Pvt. 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-seventh 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 Thursday, the 3rd April, 2003 at 10.00 am 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 2002, 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 2002.
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. K Sinha, 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 Mr. Bibekananda Bonnerjee, appointed as an Additional Director with effect from 12th December 2002, pursuant to Section 260 of the Companies Act, 1956 (Act) read with Article 104 of the Articles of Association of the Company and who holds office upto the date of the forthcoming Annual General Meeting and in respect of whom the Company has received notice from a member u/s 257 of the Act, signifying his intention to propose Mr. Bonnerjee as candidate for the office of Director, be and is hereby appointed a Director of the Company, retiring by rotation."

The Register of Members and Share Transfer books of the Company shall remain closed from Tuesday, the 25th March to Thursday, the 3rd April 2003, both days inclusive.

By Order of the Board

Kolkata
21st February, 2003

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 10th April 2003 to those members whose names appear on the Company's Register of Members on the date of the Annual General Meeting 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 correspondence with the Company or its Registrars.
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.
 - (ii) 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 1995, 1996, 1997, 1998, 1999, 2000 & 2001 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 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. Accordingly, the money lying in the Unpaid Dividend Account for the year ended 31st December 1995, will be deposited into the Investor Protection Fund Account on 14th April, 2003.

5. Pursuant to Section 205A of the Act, all unclaimed/unpaid Dividends upto the Dividend for the period 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. As per the provisions of the Act, facility for making nominations is available for shareholders in respect of Equity shares held by them. Nomination forms (Form 2B) can be obtained from the Registrars of the Company for physical



shares. In respect of nomination for dematerialised shares, the concerned Depository Participant of the members should be approached.

7. **Particulars of Directors seeking re-election**

Messrs P A Leggatt and K Sinha retire by rotation. Their particulars are as follows:

Mr Leggatt is the non-executive Chairman and Mr Sinha is a non-executive Director of the Company.

Name	Date of Birth	Educational and other Qualifications	Occupation	Experience
Mr. Peter Alan Leggatt	20th Sept 1942	M.B.E.	Executive Director, Camellia Plc, UK	Managerial experience in Tea Industry for over forty years. Director of a number of Plantation and other Companies in India and Globally.
Mr. Kantanand Sinha	7th Sept 1947	B. Sc. (Hons.)	Retired Head of the Hongkong and Shanghai Banking Corporation Ltd (Eastern India)	Thirty years of Banking and Financial experience. Director of two other reputed Companies in India.

Explanatory Statement

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

Item No. 6

At the Board Meeting held on 12th December 2002, Mr Bibekananda Bonnerjee was appointed as additional Director on the Board. Particulars of Mr Bonnerjee are given below:

- (i) Date of Birth- 1st October 1932.
- (ii) Educational Qualifications - Graduate in Mechanical Engineering from Jadavpur University and Member, Institute of Electrical Engineering (London).
- (iii) Experience - Wide ranging experience in Tea Garden operations for forty years both at the Gardens and Head office. Joined Walter Duncan & Goodricke Ltd. at London in November 1956.

The Directors feel that his appointment will be beneficial to the Company. The Directors commend his appointment.

None of the Directors other than Mr Bonnerjee are interested in the Resolution.

GOODRICKE GROUP LTD**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Twenty-Seventh Annual Report and Accounts for the year ended 31st December, 2002.

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

	2002	2001
	(Rs. in millions)	
PROFIT BEFORE TAXATION	10.39	15.65
Less: Provision for Current Tax	5.60	6.50
Deferred Tax	(0.74)	0.49
PROFIT AFTER TAX	5.53	8.66
Add: Profit brought forward from last year	40.06	43.30
AVAILABLE FOR APPROPRIATIONS	45.59	51.96
Proposed Dividend	10.80	10.80
Corporate Dividend Tax :-		
- For the year	-	1.10
- No longer required written back	(1.10)	-
Balance carried forward	35.89	40.06

TURNOVER

The Gross turnover for the year was Rs. 1,801 million, as compared to Rs. 1,822 million in 2001. The Company manufactured a record crop but on account of extremely low prices, both turnover and the profitability have been severely affected.

OPERATIONS

Total manufactured crop was a record 19.26 million Kgs, 8% higher than the previous year's figure of 17.89 million Kgs. Weather conditions in the Tea growing areas were generally favourable. The auction prices have been steadily going down since 1999. The average auction price of Rs 80.85 per Kg. for North Indian Teas in 1999, came down to Rs 70.35 in 2000, Rs 69.80 in 2001 and Rs 62.44 in 2002 – a dramatic drop of 22.5%. This substantial reduction, coupled with the steady increase in Garden operating costs, substantially eroded the fortunes of the Tea Industry forcing several estates to close down.

The Company's focus on quality tea production, has to a large extent ensured a better realisation than the District average. This has helped maintain the bottom line.

Overall, the Indian production in 2002 shows a shortfall of 27.5 million Kgs from 2001. This should have lead to a correction of the imbalance in the demand – supply equation and a consequent improvement in prices. Unfortunately, this has not occurred. There continues to be sufficient stocks at all destinations. This could primarily be the result of :

- High opening carry forward stocks in 2002.
- No significant increase in domestic consumption. Per capita consumption continues to be stagnant.
- Largely unrecorded crops from Bought Leaf Factories (BLFs).



- Compromising on quality and the sale of teas at extremely low prices by BLFs.
- A drop in net exports.

BLFs are entirely outside the purview of statutory social costs that the organised Tea sector has to bear consisting of subsidised rations, labour housing, provision of hospitals, schools and other facilities. Gardens in the organised sector are subject to the Plantation Labour Act and other Statutory Acts & Rules, which make the cost of production substantially higher.

In early 2001, the Tea Market Control Order notified in 1984, was withdrawn. Under this order, 75% of all product, excluding exports and packet tea, were to be routed through the Auction system. The withdrawal was part of the general liberalisation of the Indian economy. However, after withdrawal, operational difficulties and an increasing tendency to by-pass the Auction system, became evident. Major buyers bypassed the auction and bought large quantities from producers and BLFs directly at very low prices. This not only caused an imbalance in the demand supply situation but also substantially reduced Auction prices.

The Government has since re-introduced a tougher version of Tea Market Control Order, which is known as TMCO 2003. The basic objective of the revised TMCO is to strengthen the Public Auction system and ensure greater transparency. Substantial authority has been vested in the Tea Board for monitoring operations, including registration of all manufacturers and buyers, regular reporting of transactions and certain other reforms in the system itself.

As reported last year on the Darjeeling Tea Industry, there does not seem to be much improvement since the introduction of the Global Certification Trade Mark. It is, however, expected that in the course of time this will be a potent weapon against the sale of spurious Darjeeling Teas worldwide.

The tea growing areas in Nepal, adjacent to Darjeeling, have further increased production and improved quality. With negligible statutory overheads and lower operating costs, Nepal made teas are popular with foreign buyers. Nepal can produce teas very similar to Darjeeling but without the latter's special organic characteristics. This factor has been thwarting the growth of Darjeeling Tea exports. To meet this challenge, the State and Central Government needs to re-assess in detail, ways and means to assist this unique Hill Industry, particularly sharing the burden of the social costs, which the Gardens are required to shoulder.

The packet tea operation has improved marginally on sales over that of the previous year. Quantumwise, the gains are not substantial but considering the plethora of regional packeters, maintaining sales itself has been an achievement. In continuation of the previous year's trend, continued low prices have motivated the regional packeters who have secured niche areas as their marketing domain. The Company's economy brand, "Zabardast", which was introduced in the market in early 2001, had a fairly good acceptance. New markets have been developed for tea bags in Indian Railways, Nursing Homes and other Institutional buyers which have introduced the "Goodricke" brand. Recently, a new Darjeeling packet brand has been introduced and is being sold as "Goodricke Gold". The initial response has been encouraging.

The instant tea operation has seen a major break-through and the plant has recorded its highest production since inception, with exports to Japan, UK, Holland and Taiwan. It has also made an entry into the U.S. market. The Company has also introduced its instant tea into the Indian market through a major international beverage Company and the initial response has been very positive.

The Company's exports were a little higher compared to 2001 at 2.71 million Kgs. This comprised both black teas and a higher quantum of instant tea.

In compliance with the Corporate Governance Disclosures, stipulated under Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is given in Annexure 'E'.

GOODRICKE GROUP LTD

WELFARE AND ENVIRONMENT

The continued depreciation in profit margins has not deterred Management from maintaining a very high level of maintenance of all social welfare facilities at the Gardens. The Garden Hospitals and the Group Hospitals are rendering quality service with the best of equipment and personnel. The Garden schools, the community centres and social activities are actively patronised by the Company. The Goodricke Hospitals continue their leadership in the Tea Industry. Whilst the Company has embarked on a number of general cost control measures, these welfare aspects have not been affected, thereby strengthening the commitment of Management to the well being of the workers and their families.

COMMUNITY SERVICES

There has been a planned cut back on community service expenses without affecting the workers' interests. Basic assistance to some of the Charitable Organisations continues, although on a limited scale. These are expected to be reviewed with an improvement in profitability. The Goodricke School for Special Education, in Siliguri had another successful year and is expected to commence construction of its own premises in 2003 so that it will eventually operate from a professionally designed centre.

DIVIDEND

In spite of the Company's low profitability, but having regard to the continuity in Dividend pay-outs, the Board has recommended a Dividend of Rs. 0.50p per share, for the year ended 31st December, 2002 (previous year also Re. 0.50p per share). Such Dividend, on declaration, will be paid to those members registered in the Registers of the Company as on the close of business on the date of the Annual General Meeting, subject, however, to the provisions of Section 206A of the Companies Act, 1956.

PROSPECTS

The problems of the Tea Industry, which multiplied during the last three years, have for the first time, created a sense of urgency in the deliberations of the Central and State Governments, Industry leaders, buyers, the Tea Board, Labour Unions and all other stakeholders.

The gravity of the situation and the after-effects of such a continued slide in the fortunes of the Industry are seriously affecting the Tea Garden Workers and other employees and have resulted in nearly twenty Tea Gardens lying closed in North Bengal. In addition, there are a number of Gardens in Darjeeling, Assam and Dooars on the verge of closure. The social impact and consequent upheaval could have serious consequences.

These developments had prompted the Tea Board of India to introduce the TMCO 2003 Notification. There was initial resistance from some section of buyers but full implementation should assist in firming up the market. The shortfall in production in 2002, the continuing closure of a number of Gardens and higher domestic demand, are expected to provide impetus for an increase in prices. The generic tea promotion campaign and the gradual realisation by consumers of the health properties of tea should stimulate demand. The break-through in the marketing of instant tea and consequent profitability of this unit will also contribute to higher margins, in course of time.

CORPORATE GOVERNANCE & AUDIT COMMITTEE

The Audit Committee of the Board was reconstituted at the beginning of the year. Dr Sudha Kaul was appointed as a member in the 'Independent Director' category in place of Late Piyushkanti Majumdar. The Audit Committee of the Board has been in operation since 1997, well before this was made a statutory requirement. The Committee rendered valuable advice to the Board on several issues particularly on Internal Controls, Accounting Policies and Corporate Governance norms. The Audit partner representing the Statutory Auditor, attended the Committee Meetings.

In terms of the Corporate Governance disclosures, as required under Clause 49 of the Listing Agreements, details are given in Annexure 'F'.