

ANNUAL REPORT 2012



GOODRICKE GROUP LIMITED

GOODRICKE GROUP LTD

CONTENTS

Notice of Annual General Meeting	4
Directors' Report	7
Auditors' Report	33
Balance Sheet	38
Profit & Loss Account	39
Cash flow	40
Financial, Production and other Statistics	63



BOARD OF DIRECTORS

P. J. Field – *Chairman*

A. N. Singh – *Managing Director & C.E.O.*

A. K. Mathur

S. Kaul

K. Sinha

P. K. Sen

VICE PRESIDENT & SECRETARY

D. P. Chakravarti

CHIEF ACCOUNTANT & C.F.O.

A. Sengupta

BANKERS

The Hongkong & Shanghai Banking Corporation Ltd.

HDFC Bank Ltd.

Axis Bank Ltd.

AUDITORS

Lovelock & Lewes

REGISTRARS & SHARE TRANSFER AGENTS

C.B. Management Services Pvt. Ltd.

P-22, Bondel Road, Kolkata 700 019.

Tele. No. (033) 2280-6692/4011-6700 Fax No. (033) 4011-6739

Email : rta@cbmsl.com, Website : www.cbmsl.com

REGISTERED OFFICE

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

Tele. No. (033) 2287-8737/3067

Website : www.goodricke.com

GOODRICKE GROUP LTD

NOTICE

NOTICE is hereby given that the Thirty-seventh Annual General Meeting of the Members of Goodricke Group Limited will be held at the Eastern Zonal Cultural Centre, IB 201, Sector - III, Salt Lake City, Kolkata 700 106 on Saturday, the 20th April, 2013 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 2012 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, 2012
3. To appoint a Director in place of Mr. Prodosh Kumar Sen who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Anil Kumar 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.

The Register of Members and Share Transfer books of the Company shall remain closed from Friday, the 12th April to Saturday, the 20th April, 2013, both days inclusive.

By Order of the Board

Kolkata
27th February, 2013

D. P. Chakravarti
Vice President & Secretary



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 23rd April, 2013 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. Members holding shares in dematerialised form to advise respective depository participants about change of address. Intimation of change of address must state the Pin Code for proper delivery.
- (ii) **Members who have not so far encashed their Dividend Warrants for the Accounting years ended 31st December, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 may immediately approach the Registrars for revalidation of unclaimed Dividend Warrants.**

Members are hereby informed that pursuant to the provisions 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. Unpaid Dividend for the year ended 31st December 2004 has been deposited accordingly. 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 2005, will fall due for deposit on 6th May, 2013.

4. Pursuant to Section 205A of the Act, all unclaimed/unpaid Dividends upto the Dividend for the period 31st December, 1995 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.

5. 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.
6. In terms of Clause 5A of the Listing agreement, the Company's Registrars & Share Transfer Agent has sent three reminders to those shareholders whose physical share certificates are lying with them after being returned as undelivered. There has been fairly good response leading to reduction in such unclaimed physical certificates.

GOODRICKE GROUP LTD

7. DETAILS OF DIRECTORS

Particulars	Directors retiring by rotation and seeking reappointment	
Name	Prodosh Kumar Sen	Anil Kumar Mathur
Designation	Non-Executive Director (Independent)	Non-Executive Director
Date of Appointment	7th April, 2005	25th July, 1990
Date of Birth	3rd July, 1942	2nd November, 1947
Qualification	B.A. (Hons) Economics	F.C.A. (Fellow, Institute of Chartered Accountants of England & Wales).
Experience	Retired as Chairman, J. Thomas & Co. (P) Ltd., the world's oldest and largest Tea broking house.	Executive Director (Finance), Camellia Plc. U.K. Indepth experience in the field of Finance & Accounts of a wide range of Companies in diverse lines of activities ranging from Tea & other plantations, banking, engineering, food storage & distribution.
Directorship of other Companies (Excluding foreign Companies and Private limited Companies).	Manjushree Plantation Ltd. Bengal Multiple Housing Development Co. Ltd.	Stewart Holl (India) Ltd. Amgoorie India Ltd.
Chairman/Member of Committee of the Boards of Companies	Member, Audit Committee & Remuneration Committee of Goodricke Group Ltd.	Member, Audit Committee of Goodricke Group Ltd.
Shareholding in the Company (Nos.)	Nil	Nil
Inter-se relationship	Not related to any Director on the Board.	Not related to any Director on the Board.



DIRECTORS' REPORT

The Directors have pleasure in presenting their Thirty-seventh Annual Report and Accounts for the year ended 31st December 2012.

FINANCIAL RESULTS

For the year ended 31st December

	2012	2011
	(Rs. in millions)	
GROSS SALES	5,383.81	4,581.30
PROFIT BEFORE TAXATION	274.44	503.35
Less: Provision for Taxation (net)	74.45	129.10
PROFIT AFTER TAX	199.99	374.25
Add: Profit brought forward from last year	49.10	55.27
	249.09	429.52
APPROPRIATIONS:		
Dividend	86.40	86.40
Tax on Dividend	14.02	14.02
Transfer to General Reserve	100.00	280.00
Balance carried forward	48.67	49.10

The turnover for the year 2012 increased by over 17% to Rs.5,383 million from Rs.4,581 million in the previous year essentially due to improved prices. The Profit Before Tax (PBT) has decreased substantially from last year due to significant crop loss and adverse impact on costs.

OPERATIONS

The total manufactured crop was marginally higher at 20.73 million kgs. against 20.66 million kgs. in 2011. Dooars own crop suffered due to adverse weather conditions, the total quantum made up to some extent by outsourced leaf. Two Assam gardens i.e. Orangajuli & Nonaipara lost 21% crop from prolonged drought and erratic weather. These two gardens are prime profit making properties and the significant crop loss has impacted the overall profitability severely. Orangajuli and Nonaipara, are located in the Mangaldai area and as per Industry statistics this sub-district lost nearly 25% crop from the previous year. The three Darjeeling gardens were marginally down in crop from previous year's levels due to organic conversion.

Tea Board of India has revised the methodology of compiling all India tea crop statistics. The 2012 crop is marginally lower at 1,112 million kgs. against 1,116 million kgs in 2011. While the organized sector has suffered substantial crop loss there has been significant increase from the small growers. The price realizations for Assam teas were encouraging but the same was not true for Dooars gardens. Against the spiralling cost inflation, the price increase was limited particularly for Dooars teas.

Market was selectively buoyant for quality teas. Teas from non quality areas continued to be lower priced with preference for better teas. Your Company's teas attracted a premium over the auction averages. A payment settlement system has been put in place for exports to Iran which has paved the way for increased export to this vital destination. Prices for Darjeeling varieties were firmer largely due to a higher export demand. Globally there has been a decrease in crop mainly due to substantial reduction in Kenya, Malawi and Sri Lanka.

All India net exports was lower than last year's level at 201 million kgs. However, the Company's exports of bulk teas and instant teas was 3.3 million kgs. which is 22% higher with improved prices especially for Darjeeling and Assam CTC teas.

GOODRICKE GROUP LTD

The domestic auction and private bulk tea sales were higher. Both the volume and value of Branded tea operations also improved. Sales were higher at 7.8 million kgs supported by new brand launches, extension of own depot operations and Institutional sales. Further, streamlining of packeting operation is in progress to strengthen logistics and cut down on multiple units and inventory. The marketing tie-up for retail sales of Pre-mix instant teas of several flavours continues. The Iced tea pouches launched last year were well received by the market. New flavours are planned for the summer launch.

The Company's three Darjeeling properties are well on the path of conversion to organic. For Barnesbeg, it was the second year of operation after conversion with favourable exports and higher prices. Badamtam has achieved full conversion recently while a substantial portion of Thurbo has been certified as organic. All the three properties have received certification for environment sustainability from global Rainforest Alliance (RA). Certification from UTZ and Fair Trade are enjoyed by Barnesbeg & Badamtam tea gardens. The two Assam gardens, Orangajuli & Nonaipara, continues to be certified under Rainforest Alliance (RA) which is part of the Global Sustainable Agriculture Network. These certifications confirm adherence to labour & environmental standards of International quality. Your company continues to uproot and replant @ 2.5% for long term sustainability in Dooars and Assam regions.

Two key subsidy schemes of Tea Board of India continues to provide useful support to the garden development efforts. These are being availed by all the gardens and consists of (a) Plantation Development Scheme (PDS) for replanting/ rejuvenation of the old tea bushes and for irrigation, transport & drainage (b) Quality Upgradation & Product Diversification Scheme (QUPDS) for modernization of factory machineries and buildings.

Substantial investments have been done in developing irrigation facilities to combat the adverse effects of drought, which has become a regular feature than exception.

A chart of the rainfall of the two quarters in the company's tea areas, compared to the 20 year average, highlights the significant change in climatic condition :-

(Rainfall in cm)

	JANUARY/ MARCH			OCTOBER / DECEMBER		
	DOOARS	DARJEELING	MANGALDAI (ASSAM)	DOOARS	DARJEELING	MANGALDAI (ASSAM)
A) 20 Year Average	10.72	6.39	13.56	24.52	12.13	16.01
B) 2012 Actual	1.87	1.93	0.83	9.74	4.64	4.84

Climate change globally has been the biggest challenge being faced by tea industry. To meet these challenges your Company has taken sustainable programme on water harvesting, large scale planting of fuel trees, efforts to reduce carbon emission and streamline utilization of marginal resources.

The Management Discussion and Analysis Report in terms of clause 49 of the Stock Exchange listing agreement is given in Annexure - 'E' forming part of the Report

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Companies Bill 2012, as passed by the Lok Sabha (lower house of Parliament) provides for specific provision for spending on Corporate Social Responsibility. It stipulates expenditure of 2% of the average profit of past three years on CSR activities. The Bill further requires the Board Report to give a note on such activities and in the event of shortfall from the specified quantum, the reasons for the same to be explained



therein. A Committee of the Board has since been constituted with independent Director Dr. Sudha Kaul as its Chairperson. Dr Kaul is recipient of Padma Shree Award from President of India for her contribution to Charitable Institutions and is eminently suited to guide the Company to draw up the Policy framework.

Your Company is a constituent of Camellia Plc., U.K., the second largest global producer of tea with interests also in agriculture, engineering and private banking. The Statement of Business Principles of the U. K. Principal, as well as norms followed by global bodies like Rainforest Alliance (RA) and Fair Trade Practices (FTP) are in place for environment sustainability. The policies adopted as standing operating procedures covers:-

- Health & Safety
- Waste Management
- Social
- Environment

Some of the major activities covered under the above groups are:-

- ❑ Group Hospital with specialized equipment at Dooars, North Bengal
- ❑ Primary Hospitals at all gardens.
- ❑ Tracking of family health status at the gardens.
- ❑ Camps for sterilization, reconstructive surgery by overseas Doctors, eye surgery and child immunization programmes.
- ❑ Primary schools at all gardens and buses for school children to go to the Secondary schools.
- ❑ Self help centres for vocational training.
- ❑ Afforestation / vegetation on non-tea areas.
- ❑ Malaria prevention schemes for residents of Garden and adjoining villages.
- ❑ Scholarship scheme for meritorious students of the tea garden employees.
- ❑ Packing of teas by physically challenged students at The Indian Institute of Cerebral Palsy (IICP), as part of vocational training.
- ❑ Green initiative for sustainable operation through use of dual fired boilers to use woody biomass instead of coal.
- ❑ The Goodricke School for Special Education at Siliguri, North Bengal, will inaugurate in April 2013 its third phase expansion of the School building. This will provide additional classrooms and hydro-therapy facilities.

DIVIDEND

In spite of a lower profit the Board recommends maintaining the dividend at last year's level. The Board recommends a dividend of Rs. 4/- per share (40%). Such dividend, on declaration, will be paid to those members recorded in the Registers of the Company at the close of business on the date of Annual General Meeting, subject, however to the provision of Section 206A of the Companies Act, 1956.

FINANCE AND ACCOUNTS

The lower crop, limited price increase for Group's Dooars gardens and significant rise in input cost had an adverse effect on the profitability and cash flow. Consequently, the interest cost has increased with higher bank borrowings. However, the ratios of Debt/Equity and the Interest covers are healthy. The accounts have been prepared as per the revised Schedule VI of the Companies Act '56

The internal accruals have been utilized for capital expenditure on upgrading the basic infrastructure, plantations and labour welfare.

GOODRICKE GROUP LTD

Cost Audit u/s 233 of the Companies Act 1956 is being carried out by Messrs Shome & Banerjee, Cost Accountants, appointed with the approval of the Ministry of Corporate Affairs, Government of India.

Enterprise Resource Planning (ERP) system is in place both at the Gardens and at the Registered office. This has provided for greater control and effective Management Information System (MIS).

PROSPECTS

The shortfall in the global tea market for the last three years is expected to continue into 2013. The limited carryover and rising domestic demand have all contributed to a demand supply mismatch. Good and better CTC are likely to fetch further premiums. The settlement system for export to Iran, which has become operational, will provide a steady market for the Company's Orthodox teas. The demand at the auctions and private sales have resulted in premium prices for the Company's quality teas. Darjeeling markets are expected to witness buoyant trends. These are evident from the price differentials between the prices commanded by the Company's teas as compared to the auction averages. Barring unforeseen adverse weather conditions, the Company is expected to strengthen its profitability in the coming years. The operations of Branded teas, exports and Instant tea are poised towards contributing to a higher profitability in the coming years.

CORPORATE GOVERNANCE & AUDIT COMMITTEE

Clause 49 of the Listing Agreement on Corporate Governance in terms of quarterly and annual results etc. were complied with during the year. Your Company has been one of the pioneers in effecting Corporate Governance, the Audit Committee of the Board being set up in 1997 well before it became mandatory. The Committee has played an important role in course of the year. It co-ordinated with the Statutory Auditors, Internal Auditors and other key personnel of the Company and has rendered guidance in the areas of Corporate Governance, internal audit, finance and accounts.

The Code of Conduct for the Directors and Senior management personnel is being complied with and Risk Profile Analysis is being carried out from time to time. In terms of Clause 49 of the Listing Agreement, disclosures under Corporate Governance are given in Annexure - 'F' of the report.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Committee has met regularly in course of the year. With the compulsory dematerialization of the Company's shares and electronic mode of transfers, postal despatches which led to usual complaints, have been minimized. At the year end 97.72% of the total shares were dematerialized with no unresolved pending investor grievances.

REMUNERATION COMMITTEE

The Remuneration Committee met twice during the year to review and recommend annual increment and payment of commission to Managing Director within the terms of appointment.

PERSONNEL

There were no major work disruptions at the gardens or at any other establishments of the Company during the year. Several courses on field management, motivation, finance & ERP System etc. were organized. Personnel were nominated to courses at Business Chambers, Tea Research Association (TRA), Administrative Staff College (ASC) and other professional bodies for specialized topics.

The various fellowship group activities covering Annual sports, Flower shows, Merchant Cup participations in Golf, Football & Cricket at the garden and at Kolkata were held as per tradition.