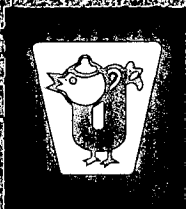




52ND ANNUAL REPORT 1997-98



JAY SHREE TEA & INDUSTRIES LIMITED



Our Chairman Syt. B. K. Birla



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The Group Logo — As represented by the 21st Century Atlas

Atlas, the Titan — *Collective Strength*

Atlas, bearer of the heavens is synonymous with vast, all encompassing strength and is used to symbolise the Group's own collective strength. It reflects the combined qualities of astute and dynamic management while emphasising the Group's tenacity, consistency, reliability and overall leadership.

The Sun — *Enlightenment and Growth*

The Sun, as a source of infinite energy and inspiration, is used here in conjunction with the Atlas head to represent the vitality and powerful presence of the Group — both in its industrial prowess and its financial, technological and intellectual skills.

The Earth Segments — *Diversified Activities*

Each of the latitudes around the Titan represent various sections — industrial, agricultural, financial and other activities of the Group. As with the infinite variety of the world, so is the strength of the Group, made up of its diverse activities.

The Globe — *Global Vision*

The Group's global presence and vision is reflected in the entirety of the Earth's sphere.

The Base — *Solid Foundations*

The strength of the entire edifice depends upon the strength of the foundation embedded in the bedrock, represented here by the Group Name.

The Symmetry — *The Resilience, Versatility and Stability*

Seen in its entirety, each of the elements — Atlas, the Sun, the Earth Divisions, the Globe and the Base, together sum up a well conceptualised and balanced conglomerate.

Strong Foundation

Sustained Growth

Proven Leadership



JAY SHREE TEA & INDUSTRIES LIMITED

52ND ANNUAL REPORT
FOR THE YEAR ENDED 31ST MARCH, 1998

DIRECTORS

Shri B. K. Birla, *Chairman*
Shri B. M. Khaitan
Shri G. P. Goenka
Shri S. S. Kothari
Shri S. K. Tapuriah
Smt. Jayashree Mohta
Shri P. C. Ghosh (*Nominee of GIC*)

EXECUTIVES

Shri D. M. Jain
Senior President & Manager
Shri N. C. Kankani
President (South India)
Shri S. N. Somani
President
(*Chemicals & Darjeeling T. Es.*)
Shri D. M. Dadhich
Senior Vice-President
(*Dewan Group of T. Es.*)
Shri K. K. Agrawal
Senior Vice-President (Finance)
Shri D. P. Maheshwari
Vice-President (Sholayar Group)
Shri O. P. Kedia
Vice-President (Tea Sales)
Shri S. Kumar
Vice-President (Plywoods)
Shri R. K. Ganeriwala
Vice-President (Corporate Affairs) & Secretary
Shri R. Dasgupta
Vice-President (Technical)
Shri S. Basu
Vice-President
(*Tea Exports & Marketing*)
Shri T. C. Choradia
Vice-President (JCF-III)

SOLICITORS

Messrs Khaitan & Co.
Calcutta.

AUDITORS

Messrs Singhi & Co.
Calcutta.

BANKERS

State Bank of India
UCO Bank
American Express Bank Ltd.
Citibank N. A.
Standard Chartered Bank
Bharat Overseas Bank Ltd.
The Hongkong & Shanghai Banking
Corpn. Ltd.

REGISTERED & HEAD OFFICE

Industry House
10, Camac Street
Calcutta 700 017

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Report



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NOTICE**to the Shareholders**

NOTICE is hereby given that the Fifty Second Annual General Meeting of the Shareholders of the Company will be held on Tuesday, the 23rd June, 1998 at 10.00 A.M. at 'Kala Kunj', 48, Shakespeare Sarani, Calcutta-700 017 to transact the following business :

1. To receive and consider the Report of the Directors to the Shareholders and adopt the audited accounts for the year 1997-98.
2. To declare dividend on Equity Shares for the year 1997-98.
3. To appoint a Director in place of Shri B.M.Khaitan who retires by rotation but being eligible offers himself for re-election.
4. To appoint a Director in place of Shri S. S. Kothari who retires by rotation but being eligible offer himself for re-election.
5. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Singhi & Co., Chartered Accountants, Calcutta, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company, to hold office from the conclusion of this meeting upto the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and are hereby authorised to fix their remuneration for the said period."

AS SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications the following resolution :

AS SPECIAL RESOLUTION:

6. "RESOLVED that pursuant to Section 309(4) of the Companies Act, 1956, the Company do hereby approve the payment of commission to the Directors of the Company with effect from 1.4.1997 for a period of 5 years as may be decided by the Board upto 1% (one per cent) of the net profits of the Company to be computed in the manner laid down in Section 198(1) of the said Act, to be shared amongst the Directors of the Company equally or in such other proportion as may be determined by them".

7. "RESOLVED that subject to such approvals wherever required, approval be and is hereby given to the Board of Directors of the Company to make loans including deposits to any body corporate (whether or not under the same management as the company) on such terms and conditions as the Board may think fit, notwithstanding that the loans/deposits so made to anybody(ies) corporate (whether or not under the same management as the Company) exceed the limits prescribed under section 370 of the Companies Act, 1956, subject however, that the loans/deposits so made shall not exceed at any time a sum of Rs.50,00,00,000/- (Rupees fifty crore)"
8. "RESOLVED that subject to requisite approvals, if any, of the Banks, Trustees to the debenture holders or other authorities and pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded for creation of mortgage / charges of all or any of the assets of the Company both present and future in favour of the Trustees for securing the Non-convertible Debentures of the aggregate nominal value upto Rs.25 crore together with payment of interest and all monies payable in respect of the said debentures, remuneration of the Trustees and all other costs, charges and expenses payable by the Company in terms of the Trust Deed/s to be finalised and executed between the Company and the Trustees."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with the Trustees for the holders of the said Debentures and/or other parties as the case may be required agreements, documents and deeds, if any, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this resolution and to resolve any question or doubt which may arise in relation thereto, or otherwise considered by the Board of Directors to be in the best interest of the Company."

9. "RESOLVED that the Authorised Share Capital of the company be increased from Rs.7,00,00,000/- (Rupees seven crore) to Rs.25,00,00,000/- (Rupees Twenty five crore) by creation of new 180 lac shares of Rs.10/- each."

"RESOLVED FURTHER that the Clause No.5 of the Memorandum of Association of the company be altered by deleting from lines 1 to 2 thereof the figures and words "Rs.7,00,00,000/- (Rupees seven crore) divided into 6250000 shares of Rs.10/- each" and substituting therefore the figures and words Rs. 25,00,00,000/-(Rupees twenty five crore) divided into 2,42,50,000 shares of Rs.10/- each."

AS AN ORDINARY RESOLUTION

10 "RESOLVED that subject to compliance of the applicable guidelines issued by the Securities and Exchange Board of India (SEBI) a sum of Rs.6,14,99,790/- (Rupees six crore fourteen lac ninety nine thousand seven hundred ninety only) being the part of amount standing to the credit of General Reserves as on 31.3.1998 be capitalised and applied in paying up in full at par unissued equity shares of Rs.10/- each in the capital of the Company. Such shares shall be appropriated as capital and distributed as fully paid bonus shares to the holders of existing equity shares of the Company as appearing on the Register of Members on such date as may be fixed by the Directors in proportion of one (1) equity shares for every one (1) existing equity shares held by them. The Bonus issue is subject to the following terms and conditions :

- i) That Equity Shares so distributed shall rank pari-passu after allotment with the existing equity shares in all respects except that they shall participate in the dividend declared after the allotment in which the allotment is made and shall be treated for all purposes as an increase in capital of the Company held by every such holder of equity shares and not as income.

- ii) That no allotment letter shall be issued to the allottees of Bonus Shares and the Certificates in respect of Bonus Shares shall be completed and despatched within three months from the date of allotment.
- iii) That the issue and allotment of the said Bonus Equity Shares to the non-resident shareholders of the Company shall be subject to prior permission of the Reserve Bank of India.
- iv) That for the purpose of giving effect to this Resolution and for removal of any doubts or difficulties, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, expedient, usual or proper and to settle any questions or doubt that may arise in relation thereto as the Board in its absolute discretion may think fit and its decision shall be final and binding on all members and other interested persons.
- v) That the present intention of the Board of Directors to recommend, barring unforeseen circumstances and subject to Guidelines stipulated by SEBI, if any, payment of the Dividend to shareholders on the expanded Equity Capital of the Company in the year immediately following the bonus issue is not expected to be less than 30 (thirty) percent, be and is hereby noted and approved."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take such steps as may be necessary or desirable to give effect to this Resolution."

Registered & Head Office :
"INDUSTRY HOUSE"
10, Camac Street,
Calcutta 700 017
Dated, the 28th April, 1998

By Order of the Board
For JAY SHREE TEA & INDUSTRIES LIMITED
R. K. GANERIWALA
Vice President (Corporate Affairs) &
Secretary

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
2. The Equity Share Transfer Registers (Register of Members) will remain closed from 12th June, 1998 to 23rd June, 1998 (both days inclusive) for the purpose of payment of dividend.
3. The dividend on Equity Shares as recommended by the Directors, if declared at the meeting, will be payable on or after 23rd June, 1998 to those members/or their mandatee(s) whose names appear in the Company's Register of Members on 23rd June, 1998.
4. Members are requested to notify immediately change of address to the Company.
5. Members are requested to intimate before hand to the Company query/ies, if any, regarding these accounts/ notice at least ten days before the meeting to enable the management to keep the information required readily available at the meeting.
6. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed/unpaid dividends upto the financial year 1993-94 have been transferred to General Reserve Account of the Central Government. Concerned Shareholders are requested to claim the amount from the Registrar of Companies, West Bengal, Calcutta.

Explanatory Statement as required under Section 173 of the Companies Act, 1956.**Item No.6**

Pursuant to the shareholder's approval dated 18th June, 1993, the Directors were being paid commission @ 1% on the net profits of the Company, subject to the limit of Rs.1 (one) lac per annum. This limit was fixed sometime in 1970. Since then the activities of the Company and responsibilities of directors have increased manifold and the Central Government vide its letter No.2/64/97/CL.VII dated 23.3.1998 accorded its approval u/s.309(4)/310 of the Companies Act, 1956 for the payment of commission to Directors at the rate of one percent of net profits of the Company. The proposed resolution seeks authority for payment upto one percent of net profits to the Directors as may be decided by Board from time to time.

All the Directors are deemed to be interested in this resolution as it relates to payment of commission to them.

Item No.7

Section 370 of the Companies Act, 1956 provides certain limits upto which loans and deposits can be made by the company by way of a Special Resolution and certain limits beyond which loans and deposits can be made with the approval of the Central Government. The maximum limit upto which the loans and deposits can be made is upto 30% of the aggregate of the subscribed capital and free reserves of the Company beyond which the approval of the Central Government is required.

Your Company has at its disposal from time to time sufficient surplus funds. It is not in the interest of the Company or its shareholders to let this liquid surplus lie idle. To generate income on the liquid surplus or otherwise to use it profitably, it is essential that the Board of Directors has powers to use these available resources judiciously. It is with this end in view of that your approval is being sought to deploy the resources by way of loans and deposits as and when deemed necessary.

None of the Directors is concerned or interested in the resolution.

Item No.8

With a view to augment the long term fund requirements of the Company for working capital/capital expenditure/modernisation and renovation the Board of Directors may issue Secured Redeemable Non-Convertible Debentures for an amount not exceeding Rs.25 crores on private placement basis and/or otherwise and in order to create mortgage/charges over such of the fixed assets of the Company as may be decided by the Board of Directors in consultation with the Trustees for the holders of the said Debentures, it is considered advisable to obtain approval of the members pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956.

None of the Directors is concerned or interested in the resolution.

Item No.9

It is considered necessary in view of the proposed Bonus issue to raise the Authorised Share capital from the existing level of Rupees Seven crore to Rupees Twenty five crore. As a result of the above, Clause 5 of the Memorandum of Association is also required to be altered. We recommend the resolution for your approval.

None of the Directors is concerned or interested in the resolution.

Item No.10

The Directors have considered the desirability of raising the paid up equity capital of the Company by capitalising in part of the General Reserves and the Board has recommended (subject to SEBI guidelines) that a sum of Rs.6,14,99,790/- standing to the credit of General Reserves of the Company as on 31.3.1998 be capitalised for issue of Bonus shares in the proportion of one (1) equity share for every one (1) existing share held in the Company on a date as the Board may decide. The said Bonus Shares when allotted shall rank for full dividend that may be declared for financial year during which they are allotted and shall rank *pari-passu* in all other respects with the existing equity shares of the Company.

Considering the requirements of SEBI, it is hereby stated that barring unavoidable and unforeseen circumstances, the Directors intend to recommend the declaration of dividend of 30 percent as far as practicable on equity share on the increased Equity Share Capital of the Company in the year immediately after the Bonus Issue.

We recommend the resolution for your approval.

The Directors may be deemed to be concerned or interested in the issue of new Bonus Equity Shares to the extent of their shareholdings in the Company.



Registered & Head Office :
"INDUSTRY HOUSE"
10, Camac Street,
Calcutta 700 017
Dated, the 28th April, 1998

By Order of the Board
For JAY SHREE TEA & INDUSTRIES LIMITED
R. K. GANERIWALA
Vice President (Corporate Affairs) &
Secretary

REPORT OF THE DIRECTORS

for the year ended 31st March, 1998

Dear Shareholders,

We have great pleasure in presenting the 52nd Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 1998. You will be glad to find that the Company has surpassed all its previous records and has achieved highest ever profit for the year.

Financial Results	31st March 1998 Rs.	31st March 1997 Rs.
Gross Profit for the year	59,92,49,063	21,32,43,234

Add :

i) Balance brought forward from the previous year	8,83,96,926	11,30,28,963
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ii) Investment Allowance (utilised) Reserve no longer required	1,30,10,000	70,00,000
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iii) Debenture Redemption Reserve no longer required	1,77,00,000	—
	<u>71,83,55,989</u>	<u>33,32,72,197</u>

Deduct :

i) Gratuity	1,14,75,000	99,83,000
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ii) Depreciation	3,84,70,670	3,75,67,386
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iii) Provision for taxation	18,00,00,000	7,25,00,000
	<u>22,99,45,670</u>	<u>12,00,50,386</u>

Profit available for appropriation	48,84,10,319	21,32,21,811
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We recommend that the above amount be dealt with as under:

	31st March 1998 Rs.	31st March 1997 Rs.
A) Transfer to Debenture Redemption Reserve	2,33,00,000	4,10,00,000
B) i) Proposed Dividend on Equity Shares	3,68,99,874	3,07,49,895
ii) Tax on proposed Dividend @ 10%	36,89,987	30,74,990
C) Transfer to General Reserve	25,00,00,000	5,00,00,000
D) Balance carried forward to next year	17,45,20,458	8,83,96,926
	<u>48,84,10,319</u>	<u>21,32,21,811</u>

Issue of Bonus Shares

Since the inception, the Company has made 9 Bonus issues. Out of the present paid up capital of Rs.6.15 crores, capital amounting to Rs.5.64 crores or 92% of the total capital is represented by Bonus Shares.

This is besides the uninterrupted track record of paying regular dividends. We are conscious of your expectations for another issue of Bonus Shares and after having considered the matter very carefully, we recommend issue of Bonus Shares in the ratio of ONE (1) Bonus Share for every ONE (1) existing share, subject to approvals of the Shareholders and others as may be required.

Equity Dividend

We recommend the payment of Dividend @ Rs.6/- per share, as compared to Rs.5/- per share paid in the previous year. An amount equal to 10% on the above dividend will be paid as tax for which necessary provision has been made in the accounts of the Company.

Debentures

Earlier the company had raised Rs.30.60 crore by way of Secured Non-convertible Debentures, out of which 212 - 19% Secured Non-convertible Debentures of Rs. 5 lacs each totalling Rs.10.60 crores were redeemed during the year, after exercising Call Option in terms of the issue. The balance debenture amount have been utilised for the specified purposes. Debenture Redemption Reserve created earlier for Rs.1.77 crores against redeemed debentures have been written back.

Review of Performance

The main factors contributing to the record profits are :

- i) All round progress in the working of the tea estates with further improvement in the quality, higher production of tea in most of the tea estates of your Company and strict cost control.
- ii) Industry wise steep increase in the prices of teas.
- iii) Improved profitability of Andaman Plywood unit.

Tea Estates

Your Company's production was higher at 157.62 lac kgs. compared to 152.52 lac kgs. in the previous year.

Sholayar/Kallayar Estates of the Company produced an all time record crop of 28.01 lac kgs. This works out to a yield of 4065 kgs. per hectare. This is the highest yield per hectare in its area and according to our information, the highest yield in India for a large property like ours. The next highest yield is about 548 kgs. less than ours. We would like to further mention that since the last 16 years or so the yield of this property has been the highest in its area and amongst the highest in India. Such an excellent performance has been possible due to various factors such as introduction of new techniques and refined methods of cultivation, scientific manuring and most important, the motivation and dedication of our staff and workers.

The yields in the estates in Cachar and Assam have also improved substantially. Labac Tea Estate of Cachar achieved a crop of 3093 kgs. per hectare which is amongst the highest in its area. The production of teas in Darjeeling estates was affected by unfavourable weather conditions.

The thrust on increasing consumer sales continued throughout the year despite steep rise in prices of loose tea. The Company's tea brand BIRLA TEA - SHAANDAR, JAANDAR AND SADABAHAR and JAY SHREE TEA - SHOLAYAR have become very popular and are widely accepted in the areas where they are sold.

The Company continues to stress upon the production of quality teas. This has been appreciated by the markets, especially for our Upper Assam & Darjeeling teas. The Cachar Estates continued with their efforts on quality, which has been reflected by better acceptance in the polypouch segment of the market. Darjeeling estates have established themselves as leaders of quality teas and have established a niche market, specially in Germany.

Clonal Tippy Orthodox teas produced in Assam Plantations fetched attractive prices. 181 Invoices were sold at prices exceeding Rs.200/- per kg. of which 82 Invoices exceeded Rs.500/- per kg.

The Darjeeling estates sold 316 Invoices exceeding Rs.200/-per kg. of which 63 Invoices exceeded Rs.500/- and 15 Invoices exceeded Rs.1000/- per kg.

In the working draft of Income Tax Bill 1997 the provision of Section 33AB applicable for deduction upto 20 percent income of a tea company if it is deposited with NABARD and its utilisation for development purposes has been deleted. If India is to achieve its Ninth Plan target of 1000 million kg. production by the year 2001, the said provision should be reinstated, besides providing fresh incentives to tea industry rather than reducing the existing incentives.

Modernisation and Development Programmes of Tea Estates :

It has been the earnest endeavour of your Company to maintain its competitive edge by continuous upgradation of technology in the factory and fields.

To this end, installation of latest fuel efficient machines, improving productivity per hectare and per manday, introduction of new methods and techniques and continuous improvement in quality have now become a regular feature.

Strenuous attempts are being made to get ISO 9002 Certifications for all the tea estates. The drive towards Total Quality Management continues.

Plywood Units

The Plywood unit at Andamans has achieved highest ever production and sales.

Despite reduction in timber quota by 25% and increase in prices of timber to the tune of 20% by Andaman Administration, the unit could achieve higher production by importing timber. The profitability of the unit is fairly satisfactory.

As reported last year, the Plywood unit in Assam remained closed as per interim order of the Hon'ble Supreme Court, except for a period of 40 days, when the factory was allowed to operate for consuming the existing stocks of raw material. Subsequently, on 15th January, 1998 the Court allowed us to run the factory subject to certain conditions, restrictions and clearances by a High Powered Committee, to be appointed by State Governments as per directives of the Court. Thereafter, the concerned authorities allowed operation of the factories in the region w.e.f. 4th March, 1998, but as they could not fulfil the terms and conditions laid down by Supreme Court, the operation of all wood based industries were again stopped effective from 12th March, 1998.

Looking to the non-availability of timber in Assam and other adjoining States of North East, the prospect of the Assam unit has become bleak. Therefore, the management is constrained to examine the possibilities of selling or closing down the unit permanently.