

56th Annual Report 2001 - 2002



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Jay Shree Tea & Industries Limited



Our Chairman Syt. B. K. Birla



B K BIRLA GROUP OF COMPANIES

The Group Logo – As represented by the 21 st 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
56TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2002

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 D. K. Pant (Nominee of GIC)
 Shri D. M. Jain (Managing Director)

EXECUTIVES

Shri K. K. Agrawal
President (Upper Assam & Cachar Tea Estates)
 Shri D. P. Maheshwari
President (South Indian Estates)
 Shri R. K. Ganeriwala
President (Finance & Corporate Affairs) & Secretary
 Shri S. Basu
Vice-President (Tea Exports & Marketing)
 Shri T. C. Choradia
Vice-President (JCF-III)
 Shri P. K. Agrawal
Vice-President (Darjeeling & Dooars Tea Estates)

SOLICITORS

Messrs Khaitan & Co.,
 9, Old Post Office Street,
 Kolkata-700 001

AUDITORS

Messrs Singhi & Co.,
 1-B, Old Post Office Street,
 Kolkata-700 001

BANKERS

State Bank of India
 UCO Bank
 Citibank N.A.
 HDFC Bank Ltd.
 Bharat Overseas Bank Ltd.
 ABN Amro Bank N.V.

REGISTERED & HEAD OFFICE

"Industry House"
 10, Camac Street,
 Kolkata - 700 017
 Phone : (033) 282-7531/34 Fax : 282-7535
 Website : www.jayshreetea.com

MUMBAI OFFICE

Embassy Centre, Nariman Point,
 Mumbai - 400 021
 Phone: (022) 2841572/2823474 Fax: 2873045

NEW DELHI OFFICE

620-A, Faiz Road, Karol Bagh,
 New Delhi - 110 005
 Phone : (011) 7533727/3522149 Fax : 7533747

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JAY SHREE TEA & INDUSTRIES LTD.

NOTICE

to the Shareholders

NOTICE is hereby given that the Fifty sixth Annual General Meeting of the Shareholders of the Company will be held on Saturday, the 29th June, 2002 at 10.30 A.M. at 'Kala Kunj', 48, Shakespeare Sarani, Kolkata - 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 2001-02.
2. To declare dividend for the year 2001-02.
3. To appoint a Director in place of Shri S. K. Tapuriah who retires by rotation but being eligible offers himself for re-election.
4. To appoint a Director in place of Smt. Jayashree Mohta who retires by rotation but being eligible offers herself 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, Kolkata, 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."

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

"RESOLVED that Shri D. M. Jain, who was appointed as an Additional Director of the Company by the Board of Directors with effect from April 29, 2002, and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (Act) and being eligible offers himself for reappointment, and, in respect of whom the Company has received notice in writing under section 257 of the Act from a member signifying his intention to propose Shri D. M. Jain as a candidate for the office of Director, be and is hereby appointed as a Director of the Company."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections, 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment thereof, consent of the Company be and is hereby accorded to the appointment of and the remuneration and perquisites being paid or granted to Shri D. M. Jain as a Managing Director of the Company for a period of three years w.e.f. 29.4.2002 to 28.4.2005 at a maximum salary of Rs. 1,00,000/- (Rupees one lac only) per month plus perquisites as per rules of the Company as may be decided by the Remuneration Committee and/or the Board of Directors of the company and that the Board/or its Committee be and is hereby authorised to revise, amend, alter or otherwise vary the terms and conditions of his appointment from time to time provided further that at no time the remuneration payable to him shall exceed the maximum limit prescribed in Schedule XIII to the Companies Act, 1956 as existing or as may be amended and in the event of Company not earning profit or inadequacy of profit in any financial year, he would be entitled to receive the said remuneration as minimum remuneration".

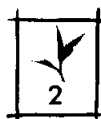
RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors or any Committee thereof be and are hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interest of the Company."

8. To consider, and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED that subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to delisting of the equity shares of the Company from The Delhi Stock Exchange Association Ltd. where the equity shares of the Company are, presently listed and the Board of Directors of the Company or any committee which the Board may constitute be and are hereby authorised to delist the equity shares of the Company from the said Stock Exchange at such time as the Board may in its absolute discretion consider fit and proper."

Registered & Head Office :
'INDUSTRY HOUSE'
10, Camac Street
Kolkata - 700 017
Dated, the 29th April, 2002

By Order of the Board
For Jay Shree Tea & Industries Limited
R. K. GANERIWALA
President (Finance & Corporate Affairs)
& Secretary



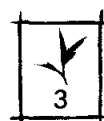
JAY SHREE TEA & INDUSTRIES LTD.

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 will remain closed from 24th June, 2002 to 29th June, 2002 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.
3. The dividend on Equity Shares as recommended by the Board, if declared, will be payable on or after 29th June, 2002 to those members whose names appear on the Register of Members of the Company as on 29th June, 2002 or to their mandatees. In respect of dematerialised shares, the dividend will be payable on the basis of beneficial ownership as per details to be furnished by NSDL and CDSL for the purpose.
4. As per the provisions of the Finance Bill 2002, the Company is obliged to deduct income tax at source on dividend payments exceeding Rs. 1000/- . The individual resident shareholders, whose taxable income is less than Rs.50,000/- (Rupees Fifty Thousand only) per annum, can furnish the enclosed form 15G (in duplicate) for availing exemption from TDS. On receipt of this form, the Company will not deduct tax at source. As per the revised Income Tax Rules, the Permanent Account Number (PAN) should be compulsorily mentioned on all TDS certificates hence, we request you to inform your PAN. If the Company fails to receive the PAN, then it will proceed in issuing the TDS certificate without PAN. In order to facilitate the processing of dividend payment, under ECS facility the individual shareholders are requested to submit the enclosed form (in duplicate) so as to reach our Registered Office latest by 15th June, 2002.
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 required information readily available at the meeting.
6. Pursuant to Section 205A (5) of the Companies Act, 1956 (as amended) any money transferred to the unpaid dividend account of a Company remaining unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred to Investor Education and Protection Fund and thereafter no claims shall lie against the fund or the Company. So, you are advised to claim the same from the Company immediately. The due dates of transfer of the following dividends to the Fund are as under :

Dividends for the year	Date of declaration of dividend	Due date of transfer to the Fund
1995-96	21.06.1996	8th August, 2003
1996-97	24.06.1997	10th August, 2004
1997-98	23.06.1998	9th August, 2005
1998-99	28.06.1999	13th August, 2006
1999-2000	10.03.2000	15th June, 2007
2000-2001	23.06.2001	26th July, 2008

7. The Company's shares are enlisted with NSDL and CDSL for participation into Electronic Depository System operated by them. Its shares are compulsorily to be traded in Electronic Form and the security bears Code No. INE 364A01012.
8. Members are requested to notify immediately change of address, if any, to the Company or to the DPs where the account is maintained.
9. Information about the Directors retiring by rotation :
 - a) Shri S. K. Tapuriah
Shri S. K. Tapuriah, 63, was appointed as a Director w.e.f. 6.8.1990. A graduate in Commerce, Shri Tapuriah is a well known businessman having expertise in Business Management and Finance. He is an ex-Member of Parliament and has contributed effectively to the development of trade and industry in India. His wide expertise and knowledge are beneficial to the operations of the Company. Directorships held in other companies are :
 1. Hindusthan General Trading Co. (P) Ltd.
 2. Baldeodas Gajanand Auto Spares Pvt. Ltd.
 3. Krishna Bihari Tea Co. Ltd.
 - b) Smt. Jayashree Mohta
Smt. Jayashree Mohta, 51, was appointed as a Director w.e.f. 17.6.1992. A graduate in Arts, Smt. Mohta is having expertise in overall business management, particularly with regard to tea industry. She has contributed significantly to the export promotion and development. She has perfect palate for tea tasting which guides in proper valuation of high value teas. She takes keen interest in analytical interpretation of financial data and in updating herself with the latest developments in Information Technology. Smt. Mohta is the Honorary Consul of Belgium in Kolkata and is guiding force behind several leading educational and cultural institutions. Her



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experience and wisdom has been found to be beneficial in the interest of the Company. Directorships held in other companies are :

1. B. K. Birla Foundation
2. Avadh Mercantile Co. Ltd.
3. Jayantika Tea Co. Ltd.
4. Universal Plastocraft Pvt. Ltd.
5. Sanjay Estates Pvt. Ltd.
6. Padmavati Investment Ltd.
7. North Tukvar Tea Co. Ltd.

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

Item No. 6 & 7

At a meeting of the Board of Directors of the Company ("the Board") held on 29th April, 2002, the Board decided to induct Shri D. M. Jain as an additional director for his appointment as Managing Director of the Company for a period of three years with effect from 29th April, 2002 subject to the approval of the members of the Company.

Shri D. M. Jain, aged 67 years, a Chartered Accountant, joined the Company on 7th June, 1967 and worked in various senior level positions before his elevation to the post of Senior President & Manager of the Company on 1st December, 1988. He is responsible for general management of the business and affairs of the Company and its day to day operations.

Shri Jain is having wide experience in general management and operations of the tea industry. He has been taking active part in various associations/forums for the development of tea industry. Presently, he is the President of Tea Association of India and Member, Governing Body-Darjeeling Planters' Association, Kolkata and Member-Council of Management and Chairman, Finance Committee-Tea Research Association, Kolkata.

Keeping in view the qualifications and experience of Shri D. M. Jain, your Board is of the view that his appointment as the Managing Director of the Company will be beneficial to the operations of the Company.

Accordingly, this resolution is being proposed for the approval of the members on the following terms and conditions :

Salary : Maximum Rs.1,00,000/- (Rupees one lac only) per month.

Perquisites : Perquisites shall be allowed in addition to salary as under :

PART-A

- i) Housing : House Rent Allowance @ 5% of the salary.
- ii) Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary or 3 month's salary over a period of 3 years.
- iii) Leave Travel Concession : For self and family once in a year in accordance with the rules of the Company.
- iv) Bonus : Bonus shall be payable as per rules of the Company.
- v) Fees of Clubs : Fees for 2 clubs. This will not include admission and life membership fees.
- vi) Personal Accident : Actual premium not exceeding Rs.3,000/- per annum.

PART-B

- i) Company's contribution to Provident & Superannuation Fund : In accordance with the schemes of the Company.
- ii) Gratuity : One half month's salary for each completed year of service as per rules of the Company.
- iii) Leave Encashment : Encashment of leave as per rules of the Company.

PART-C

- i) Car : Free use of Company's car with driver on Company's business. Such use will not be considered as perquisites. Personal use of the Company's car will be billed.



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ii) Telephone : Use of 2 telephones on Company's business. Such use will not be considered as perquisites. Charges for personal long distance calls will be billed.

Notwithstanding anything hereinabove, where in any financial year during the tenure of office of Shri D. M. Jain, the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration by way of salary and perquisites as Minimum Remuneration.

The overall remuneration including perquisites are well within the overall limits specified under Section 198, 269 and 309 of the Act including Schedule XIII to the Act.

This may be treated as an abstract of terms of the agreement pursuant to Section 302 of the Act.

(None of the Directors except Shri D. M. Jain is concerned or interested in the resolution).

Item No. 8

The Company's equity shares are presently listed at the stock exchanges at Kolkata, Mumbai, Delhi and National Stock Exchange. The equity shares are actively traded on the Mumbai and National Stock Exchange whereas practically there is no transaction on the Delhi Stock Exchange. Calcutta Stock Exchange is the regional stock exchange for the Company. Computerisation of the stock exchanges have offered opportunities to the shareholders to have better accessibility to the exchange where shares are traded. It is therefore proposed to delist the Company's equity shares from Delhi Stock Exchange to save cost and compliance requirements.

Accordingly, this resolution is being proposed for the approval of the members.

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

Registered & Head Office :

'INDUSTRY HOUSE'

10, Camac Street

Kolkata - 700 017

Dated, the 29th April, 2002

By Order of the Board
For Jay Shree Tea & Industries Limited
R.K.GANERIWALA
President (Finance & Corporate Affairs)
& Secretary

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The year under review was a lacklustre one for the Indian tea industry. Unremunerative tea prices over the last two years, took their toll on the industry and even top quality teas were not spared. Indian crop at 853.7 m. kgs was marginally higher compared to the 846.5 m. kgs. harvested in 2000. Internationally, world crops were generally higher in most major tea producing countries. The company took several steps to improve quality. Pruning percentages were enhanced in many estates, as were fine leaf counts. The company improved its standard of teas by harvesting better green leaf and reducing reconditioning but the continuous pressure on tea prices in weak market and ever-increasing wage bill and input costs saw some of the tea estates faced with negative returns.

SEGMENT ANALYSIS AND REVIEW

The Company is engaged in the manufacture of tea, chemicals & fertilisers, besides tea warehousing and real estate development activities. The core business of the Company is TEA. This accounts for 75.42 % of gross turnover during 2001-02. The other segments i.e. chemicals & fertilisers account for 22.00 % and others 2.58 % in the gross turnover.

TEA

Your Company's districtwise production compared to All India production is enumerated below :

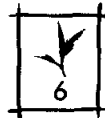
(Quantity in million kgs)

District	Company's Tea Production (April to March)		Increase/ Decrease%	All India Production (Jan to December)		Increase Decrease%
	2001-02	2000-01		2001	2000	
Cachar	6.42	6.38	+0.63	54.56	53.72	+1.56
Assam Valley	4.69	4.27	+9.84	395.57	397.51	(-) 0.49
Total Assam	11.11	10.65	+4.32	450.13	451.23	(-) 0.24
Darjeeling	0.47	0.37	+27.03	10.89	9.81	+11.01
Dooars	0.52	0.33	+57.58	143.06	135.96	+5.22
Terai	0.54	0.20	+170.00**	36.74	34.95	+5.12
Total West Bengal	1.53	0.90	+70.00	190.69	180.72	+5.52
Others	—	—	—	9.94	10.00	(-) 0.60
Total North India	12.64	11.55	+ 9.48	650.76	641.95	+ 1.37
Tamilnadu	2.35	2.40	(-)2.08	131.41	129.70	+1.32
Kerala	0.07	0.28	(-)75.00	66.08	69.35	+4.72
Karnataka	—	—	—	5.46	5.47	(-) 0.18
Total South India	2.42	2.68	(-)9.70	202.95	204.52	(-) 0.77
Total Production	15.06	14.23	+5.83	853.71	846.47	+0.86

* All India figures on calendar year basis and estimated.

** The previous year's production started in the month of September, 2000 hence figures are not comparable.

*** The above production includes manufacture from bought leaf.



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Orthodox and CTC variety in Upper Assam & Darjeeling Tea Estates are as under :

(Quantity in million kgs)

District	Company's Tea Production (April to March)		Increase/ Decrease%	All India Production (Jan to December)		Increase Decrease%
	2001-02	2000-01		2001	2000	
CTC	14.16	13.07	+ 8.34	757.94	758.61	(-) 0.09
Orthodox	0.90	1.16	(-) 22.41	89.00	80.04	+ 11.19
Others	—	—		6.77	7.82	(-) 13.43
	15.06	14.23		853.71	846.47	

Districtwise price realised by the Company on own produce compared to previous year are as under :

(Quantity in million kgs)

Tea Areas	This year		Dist. Average	Previous year		Dist. Average
	Qty.	Rate Rs. P.		Qty.	Rate Rs. P.	
Cachar	6.24	58.40	49.40	6.40	61.40	52.67
Assam	4.48	87.34	66.39	4.24	98.15	78.21
Darjeeling	0.42	180.41	130.85	0.34	210.84	158.52
Dooars	1.07	59.34	58.07	0.44	67.43	64.53
South India	2.39	59.03	43.59	3.03	56.23	45.00
	14.60	70.96		14.42	74.79	

OUTLOOK

Having had two difficult years, your Company is making all round efforts to improve quality, explore new markets and better cost management. The current research shows that tea contains specific anti-oxidants and health promoting ingredients, lowering the risk of heart disease, stroke and certain types of cancer like oral, pancreatic and prostate. These attributes should help in increasing consumption of tea in the coming years and so we can take an optimistic view for the long term.

FERTILISERS

PRODUCTION

The production of Single Super Phosphate (SSP) of your Company compared to All India is as under :

(Quantity '000 MT)

	Annual	Production	Capacity
	Installed Capacity		Utilisation
All India*	6000	2252.8	37.5%
Khardah**	160	69.0	43.1%

* Upto Jan. 2002, source FAI, New Delhi.

** Upto March, 2002.

REVIEW OF OPERATIONS

There is a poor demand situation in the Fertiliser Industry, hitting Single Super Phosphate and Sulphuric Acid. Most of the players have come under pressure of lower volumes, prices and liquidity. Adding to their woes, is instable subsidy and pricing policy of the Government of India.



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Your SSP Factory situated at Khardah, West Bengal is one of the major players in Eastern region. The unit effectively reduced cost of raw materials and other inputs, thereby improving profitability even in lower sales volumes. To keep pace with the multinational competition, your Company reviewed its marketing strategy and improved design and quality of the packing materials and laid emphasis on rural based marketing.

Due to heavy financial losses and lower volume of sale in its unit at Pataudi, Haryana the unit discontinued production of SSP. However your Company is trying its level best to continue with Sulphuric Acid production if co-operation is received from all quarters.

OUTLOOK

The Rebate payable on sale of SSP was reduced from Rs. 700/- to Rs. 650/- per ton on 28th February, 2002. This burden of increase in cost to farmers may affect the sale volume. Further DAP, the other phosphatic fertiliser is more subsidised, which induces farmers to use it more compared to SSP.

The Company's Unit at Khardah shall strive towards further cost reduction, aggressive marketing efforts and other measures to improve performance. It aims to reduce its inventory level and take measures to minimise its cost of working capital.

PLYWOOD

REVIEW OF OPERATION

In view of the heavy losses suffered by this unit, suspension of work from September, 2000 still continues. In an interim judgement the Supreme Court has banned felling of trees in Andamans & Nicobar Island and so availability of timber shall depend upon final verdict of the court.

FINANCIAL REVIEW & ANALYSIS

Due to sharp decline in tea prices since last two years and closure of plywood operations, the revenue and operative profits declined. The other income declined due to reduction in interest income from money market instruments. The surplus fund is primarily invested under growth option of debt schemes of the mutual funds. To improve shareholders value and to provide an exit route to the shareholders, the Company again announced buy back of 11,07,000 equity shares of Rs.10/- each from market at a maximum price of Rs. 75/- per share through The Stock Exchange, Mumbai and The National Stock Exchange. Under the scheme, the Company bought back 4,02,034 equity shares and utilised Rs.206.88 Lacs of surplus funds for this purpose.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has an effective internal control system in place and this is periodically reviewed for effectiveness. Audit firms are deputed on rotation basis at various units and tea estates of the Company, who in turn report to Internal Audit incharge and management of the Company. These audit firms are guided by exhaustive checklist to ensure compliance of procedures. They cover operational audit and review of business processes and performance in addition to transaction audit. The observation of these Audit firms are reviewed at regular intervals and the key observations / action plans are discussed by the Audit Committee of the Board in their meeting. With the reconstitution of the Audit Committee, with nominee of financial institution, the process should significantly get strengthened.

GENERAL REVIEW

All the tea estates operations of the Company are under constant review by the management particularly with regard to the planning for manuring, deployment of workers, recording and checking of attendance of workers. The productivity of labour, land labour ratio is under strict check to improve it further. Procedures for purchase and distribution of stores / materials is being centralised to have proper control over pricing and effective inventory management. The industry has come to a stage where the dictum "Survival of the fittest" shall only apply and so all round efforts are being made to improve on all fronts.

