



57th
ANNUAL
REPORT
2002-03

Jay Shree Tea & Industries Limited



Our Chairman Syt. B. K. Birla



B K BIRLA GROUP OF COMPANIES

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

57TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2003

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 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.
 ICICI Bank Ltd.
 Indusind Bank Ltd.

REGISTERED & HEAD OFFICE

"Industry House", (15th Floor),
 10, Camac Street,
 Kolkata - 700 017
 Phone : (033) 22827531-34 Fax : 22827535
 Website : www.jayshreetea.com
 E-mail : birlatea@giasclo1.vsnl.net.in

MUMBAI OFFICE

Embassy Centre, Nariman Point,
 Mumbai - 400 021
 Phone: (022) 22830915/22823474 Fax: 22873045

NEW DELHI OFFICE

620-A, Faiz Road, Karol Bagh,
 New Delhi - 110 005
 Phone : (011) 23528055/23522149 Fax : 23633747

C O N T E N T S

Notice	2-3
Management's Discussion & Analysis	4-6
Corporate Governance Report	7-8
Shareholders' Information	9-12
Report of the Directors	13-19
Highlights for 5 years	20-21
Statement relating to Subsidiary Companies	22
Auditors' Report	23-25
Balance Sheet & Profit & Loss A/c	26-27
Schedules to Accounts	28-57
Balance Sheet Abstract & General Business Profile	58
Auditors' Report on Consolidated Financial Statements	59
Consolidated Balance Sheet & Profit & Loss A/c with Subsidiaries	60-61
Schedules to Consolidated Balance Sheet & Profit & Loss A/c	62-82
Consolidated Balance Sheet Abstract & General Business Profile	83
North Tukvar Tea Co. Ltd.	84-100
Shiva's Group Ltd.	101-109
Siddhi Binayak Tea Ltd.	110-116

Jay Shree Tea & Industries Limited

NOTICE

to the Shareholders

NOTICE is hereby given that the Fifty-seventh Annual General Meeting of the Shareholders of the Company will be held on Friday, the 27th June, 2003 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 2002-03.
2. To declare dividend for the year 2002-03.
3. To appoint a Director in place of Shri B. K. Birla who retires by rotation but being eligible offers himself for re-election.
4. To appoint a Director in place of Shri G. P. Goenka who retires by rotation but being eligible offers himself for re-election.
5. To consider and, if thought fit, to pass with or without modification 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."

Registered & Head Office :

'INDUSTRY HOUSE'

10, Camac Street

Kolkata - 700 017

Dated, the 25th April, 2003

By Order of the Board

For Jay Shree Tea & Industries Limited

R. K. GANERIWALA

President (Finance & 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 will remain closed from 20th June, 2003 to 27th June, 2003 (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 27th June, 2003 to those members whose names appear on the Register of Members of the Company as on 27th June, 2003 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. Members are requested to intimate beforehand 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.
5. 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

11
2

Jay Shree Tea & Industries Limited

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 dividend to the Fund are as under :

<u>Dividends for the year</u>	<u>Date of declaration of dividend</u>	<u>Due date of transfer to the Fund</u>
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
2001-2002	29.06.2002	2nd August, 2009

6. 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.
7. Members are requested to notify immediately change of address, if any, to the Company or to the DPs where the account is maintained.
8. Information about the Directors retiring by rotation :

a) Shri B. K. Birla

Shri B. K. Birla, aged about 82 years is among the top industrialists in the country and is well regarded for his foresightedness, enterprise and leadership qualities. Coming from the pioneer industrial house of India, he built up an industrial empire with strong foundation, sustained growth and proven leadership. He is Chairman of Century Textiles & Industries Ltd., Century Enka Ltd., Kesoram Industries Ltd. and holds directorship in B. K. Birla Foundation and Piloni Investment & Industries Ltd. He is associated with various educational cultural and philanthropic institutions in the country.

b) Shri G. P. Goenka

Shri G. P. Goenka is a reputed industrialist hailing from one of the country's oldest business families. The family has associated itself with the country's industrialisation for five generations since 1820. Being a science graduate from the University of Calcutta, Shri Goenka has been the Director of the Company since 1984. He is also Chairman of a number of other well known listed companies.

Shri Goenka has been associated with a number of Trade & Industry Organisations. He is a past President of the Federation of Indian Chambers of Commerce and Industry. He is also a past President of the Indian Tea Association and the Consultative Committee of Plantation Associations. He has also served as a Member of the Prime Minister's Council on Trade & Industry.

Directorships held in other companies : Andhra Cements Ltd., Consolidated Fibres & Chemicals Ltd., Duncans Tea Ltd., Duncans Industries Ltd., Energy Development Company Ltd., Gujarat Carbon & Industries Ltd., NRC Limited, Nicholas Piramal India Ltd., Stone India Ltd., Star Paper Mills Ltd., Texmaco Ltd., The Fertiliser Association of India, Unimars India Ltd., and Alfred Herbert (India) Ltd.

Registered & Head Office :

'INDUSTRY HOUSE'

10, Camac Street

Kolkata - 700 017

Dated, the 25th April, 2003

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

Jay Shree Tea & Industries Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The tea industry had to contend with constantly declining margins in third successive year due to bearish sentiment, and aggressive inroads made by regional packeteers. Your company focussed on increasing productivity, improving quality and reducing cost. Indian crop was pegged lower at 826.2 m. kgs. compared to 853.7m. kgs. in 2001. Your company produced 160.89 lac kgs. tea against 150.52 lac kgs. last year. This includes 7.15 lac kgs. of made tea manufactured from bought leaf at its newly established Vinayak Tea Factory at Ledo, Assam.

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 71.81 % of gross turnover during 2002-03. The other segments i.e. chemicals & fertilisers account for 24.12 % and others 4.07 % 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)			All India Production (Jan to December)		Increase Decrease%
	2002-03**	2001-02 **	Increase/ Decrease%	2002	2001	
Cachar	6.13	6.42	(-) 4.52	51.97	62.05	(-) 16.24
Assam Valley (includes Vinayak Tea Factory production 0.71 m.kgs)	5.60	4.69	+19.40	380.54	388.08	(-) 1.94
Total Assam	11.73	11.11	+5.58	432.51	450.13	(-) 3.91
Darjeeling	0.41	0.47	(-)12.77	10.73	10.89	(-)1.47
Dooars	0.56	0.52	+7.69	142.62	136.29	+4.64
Terai	0.71	0.54	+31.48	36.49	43.51	(-)16.13
Total West Bengal	1.68	1.53	+9.80	189.84	190.69	(-)0.45
Others	—	—	—	9.40	9.94	(-) 5.43
Total North India	13.41	12.64	+ 6.09	631.75	650.76	(-)2.92
Tamilnadu	2.41	2.35	+2.55	128.96	131.41	(-)1.86
Kerala	0.27	0.07	+285.71	59.68	66.08	(-)9.69
Karnataka	—	—	—	5.77	5.46	+5.68
Total South India	2.68	2.42	+10.74	194.41	202.95	(-) 4.21
Total Production	16.09	15.06	+6.84	826.16	853.71	(-)3.23

* All India figures on calendar year basis and estimated for 2002.

** The above production includes manufacture from bought leaf.

Jay Shree Tea & Industries Limited

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%
	2002-03	2001-02		2002	2001	
CTC	15.31	14.16	+ 8.12	732.40	757.94	(-) 3.37
Orthodox	0.78	0.90	(-) 13.33	88.90	89.00	(-)0.11
Others	—	—		4.90	6.77	(-) 27.62
	<u>16.09</u>	<u>15.06</u>		<u>826.20</u>	<u>853.71</u>	

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	5.70	60.54	49.09	6.24	58.40	49.40
Assam	4.56	90.77	68.45	4.48	87.34	66.39
Darjeeling	0.41	195.65	117.90	0.42	180.41	130.85
Dooars	1.19	59.11	58.55	1.07	59.34	59.64
South India	2.77	52.89	41.62	2.39	59.03	46.01
	<u>14.63</u>	<u>72.18</u>		<u>14.60</u>	<u>70.96</u>	
Vinayak Tea Factory	0.60	60.34	—	—	—	—
	<u>15.23</u>	<u>71.72</u>		<u>14.60</u>	<u>70.96</u>	

OUTLOOK

The foremost pre-requisite for growth and profitability is the production of quality goods at competitive prices. For this, when market is not giving support, we have no alternative but to enhance productivity. Your gardens have taken several initiatives in this direction and all of them are following quality route to maximize returns. Following increase in regional and local packets in the upcountry markets, packet tea sales of organised sector is coming under pressure. To overcome this, we are improving quality of packet tea and packing standards to raise our market share. As one of the oldest and organised labour intensive industries, Indian tea is well positioned to take up the challenges of the future.

FERTILISERS

PRODUCTION

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

(Quantity '000 MT)

	Annual Installed Capacity	Production (April to March) 2002-2003	Capacity Utilisation
All India*	6415.5	2259.1	35.21%
Khaddah	160	86.0	53.75%

* Source FAI, New Delhi.

Jay Shree Tea & Industries Limited

REVIEW OF OPERATIONS

The poor demand situation in the Fertiliser Industry still continues to hit Single Super Phosphate and Sulphuric Acid. The producers have to face the pressure of lower volumes, prices and liquidity.

Your SSP Factory situated at Khardah, West Bengal being a major player of Eastern region, is continuously striving towards improvement. Various cost reduction measures coupled with strong marketing effort, has helped the Company increase its sales volume despite stiff competition in the market. However, abnormal increase in the cost of raw materials, rock & sulphur and power reduced the margins.

The Sulphuric Acid plant at Gurgaon was running satisfactorily.

OUTLOOK

The company is putting thrust on increasing volumes and continuous reduction in per tonne cost. The optimum asset utilisation will help the company to maintain its competitive edge and ensure better overall performance.

RISKS AND CONCERNS

Tea industry is an agricultural industry and its performance is largely dependent on vagaries of nature. In the area of plantations, production of tea is labour intensive and wages of plantation workers which form a significant part of the total cost of production are revised periodically on the basis of industry wide settlements. Labour costs in India is higher than most other tea producing countries. Mushroom growth of bought leaf factories and a large number of regional/local tea brands is also affecting the competitiveness of the organised sector. The industry is subject to tax by State as well as Central Government which again puts the industry to certain disadvantage.

The frequent changes in fertiliser policy/retention price scheme by the government are major risks that confront the fertiliser industry. Pricing policies to contain subsidy may have a damaging effect on the industry.

FINANCIAL REVIEW & ANALYSIS

The inherent strength of the company lies in its strong financial position. The Reserves (excluding revaluation reserves) of the company are 9.60 times of the paid up share capital. Continuous modernisation and development of tea estates and factories have helped in to maintain garden in healthy state, producing quality tea and commanding premiums in both domestic as well as international market even in the depressed market. The company prepaid its high cost debt to reduce interest outflow. The surplus fund is regularly invested in debt schemes of mutual funds to derive steady returns.

As all other parameters are strong, the company shall derive benefit as and when there is improvement in the market.

INTERNAL CONTROL

The company has an effective internal control system. The operating parameters for tea estates and other units with roles and responsibilities for all managerial personnels have been well defined. All these parameters are regularly monitored and controlled. There is effective budgetary control on all sorts of expenditure. The company has appointed various firms of Chartered Accountants to carry out thorough internal audit. The external auditors have evaluated the system of internal control in the company and has reported that the same are adequate and commensurate with the size of the company and the nature of its business.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial relations in all tea estates and units continued to be cordial. Focus on better deployment of labour in garden areas, and shop floor management has resulted in improving productivity both quantitative and qualitative.

CAUTIONARY STATEMENT

Any statement made in the Management Analysis and report relating to company's objectives, projections, outlook, expectations, estimates etc. may constitute forward looking statements within the meaning of applicable laws and regulations. Actual result may differ from such expectations, projections etc., whether express or implied.

Several factors like climatic conditions, economic conditions, auction and private sale regulations, taxation, natural calamity, changes in tax laws might have an impact on the working of the company.

Jay Shree Tea & Industries Limited

CORPORATE GOVERNANCE REPORT**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's philosophy of Corporate Governance is to ensure transparency in all dealings and the functioning of the Board and people working with it at all levels. The Company has worked with a philosophy and mission of good governance in every field. The Company believes that Corporate Governance code will enhance the growth of benefits to all shareholders.

2. BOARD OF DIRECTORS**Composition :**

Your Company's Board consists of eight Directors, out of which four are independent who have no business and/or professional relationship with the Company, two non-executive Directors, one nominee of financial institution and one Managing Director.

Membership as other Boards of Directors/Committee of Directors and Attendance record for the Company :

Five Board Meetings were held in 2002-2003 on 29th April, 2002, 29th June, 2002, 23rd July, 2002, 25th October, 2002 and 24th January, 2003.

Directors	Executive/ Non-Executive Independent	No. of Board Mtgs. Attended	Attendance at the last AGM	No. of outside Directorship held	No. of outside Committee Membership held	No. of outside Committee Chairmanship held
Shri B. K. Birla (Chairman)	Non-Executive	5	Yes	5	—	—
Shri B. M. Khaitan	Independent	2	No	8	—	—
Shri G. P. Goenka	Independent	1	Yes	14	—	—
Shri S. S. Kothari	Independent	4	Yes	7	2	2
Shri S. K. Tapuriah	Independent	5	Yes	3	—	—
Smt. Jayashree Mohta	Non-Executive	4	Yes	7	—	—
Shri D. K. Pant (Nominee of GIC)	Non-Executive/ Nominee	5	Yes	—	—	—
Shri D. M. Jain(*)	Executive	5	Yes	4	—	—

(*) Appointed as Managing Director w. e. f. 29. 04. 2002.

3. AUDIT COMMITTEE

The Audit Committee comprises of Shri S. S. Kothari, Chairman of the Committee, Shri S. K. Tapuriah, Independent Director and Shri D. K. Pant, nominee Director. Shri D. M. Jain, Managing Director of the Company and the other executives who are permanent invitees to the meeting are Shri K. K. Agrawal, President (Upper Assam & Cachar Tea Estates) and Shri R. K. Ganeriwala, President (Finance & Corporate Affairs) & Secretary. The Internal Auditors and Statutory Auditors are invitees to the meeting. The Terms of Reference of the committee are wide enough covering the matters specified for Audit Committee under the Listing Agreements and the provision of Section 292A of the Companies Act, 1956.

Four Meetings of the Audit Committee were held in 2002-2003 on 27th April, 2002, 23rd July, 2002 and 25th October, 2002 and 31st December, 2002.

Attendance record of the Audit Committee meetings.

Name of Directors	No. of Meetings Attended
Shri S. S. Kothari	4
Shri S. K. Tapuriah	4
Shri D. K. Pant	4

177

Jay Shree Tea & Industries Limited

4. DIRECTOR'S / MANAGER'S REMUNERATION COMMITTEE

The Board constituted the Directors' Remuneration Committee on 29th April, 2002. The composition of the committee is as under :-

Shri B. M. Khaitan	Chairman
Shri S. S. Kothari	Member
Shri S. K. Tapuriah	Member

Shri R. K. Ganeriwala, President (Finance & Corporate Affairs) & Secretary, is invitee to the meeting. Terms of reference of this committee include determination of the Company's policy for specific remuneration packages, commission payable to Directors/Managing Director of the Company and sitting fees and other expenses payable to the Directors for attending meeting of the Board/or Committee thereof.

One meeting of the Directors/Managers' Remuneration Committee was held on 30th April, 2002.

Attendance record of the Directors/Managers' Remuneration Committee Meetings.

Name of Directors	No. of Meetings Attended
Shri B. M. Khaitan	1
Shri S. S. Kothari	1
Shri S. K. Tapuriah	1

5. REMUNERATION OF DIRECTORS

Your Company appointed Shri D. M. Jain as Managing Director of the company w. e. f. 29th April, 2002. The details of sitting fee paid to the Directors and salary and perks paid to the Managing Director of the company during the year 2002-2003 are given below :-

Name of Directors	Sitting Fees (Rs.)		Salary & Perks (Rs.)
	Board Meeting	Committee Meeting	
Shri B. K. Birla	25,000	-	-
Shri B. M. Khaitan	10,000	5,000	-
Shri G. P. Goenka	5,000	-	-
Shri S. S. Kothari	20,000	35,000	-
Shri S. K. Tapuriah	25,000	35,000	-
Smt. Jayashree Mohta	20,000	-	-
Shri D. K. Pant (Nominee of GIC)	25,000	30,000	-
Shri D. M. Jain (Managing Director)	-	-	14,33,908
	<u>1,30,000</u>	<u>1,05,000</u>	<u>14,33,908</u>

6. INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE

The Investors/Shareholders Grievance Committee comprises of Shri S. S. Kothari and Shri S. K. Tapuriah being Independent Directors and Shri D. K. Pant, nominee Director. Shri R. K. Ganeriwala, President (Finance & Corporate Affairs) & Secretary, is the Compliance Officer of the Company. The Company had received twentynine complaints from the shareholders and all of them have been resolved. The shares are traded on the Stock Exchanges in compulsory dematerialised form. There are no pending transfers or complaints for the same.

Two meetings of the Investors/Shareholders Grievance Committee were held in 2002-2003 on 27th April, 2002 and 25th October, 2002.

Attendance record of the Investors/Shareholders Grievance Committee meetings.

Name of Directors	No. of Meetings Attended
Shri S. S. Kothari	2
Shri S. K. Tapuriah	2
Shri D. K. Pant	2

7. GENERAL BODY MEETINGS

Particulars of the last three Annual General Meetings.

A.G.M.	Year	Venue	Date	Time
Fifty fourth	1999-2000	Kala Kunj 48, Shakespeare Sarani Kolkata - 700 017	26th July, 2000	10.00 A.M.
Fifty fifth	2000-2001	-do-	23rd June, 2001	10.30 A.M.
Fifty sixth	2001-2002	-do-	29th June, 2002	10.30 A.M.