



59th Annual Report 2004-05



Jay Shree Tea & Industries Limited



B. K. BIRLA GROUP OF COMPANIES



Our Chairman Syt. B. K. Birla

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

59TH ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2005

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 D. P. Maheshwari
 President (Cachar, Upper Assam & South India)
 Shri R. K. Ganeriwala
 President (Finance & Corporate Affairs) & Secretary
 Shri S. Basu
 Senior Vice President (Tea Marketing & Exports)
 Shri P. K. Agrawal
 Vice President (Darjeeling & Dooars Tea Estates)
 Shri V. N. Jha
 Vice President (Tea Warehouse & Exports)

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
 HDFC Bank Ltd.
 Bharat Overseas Bank Ltd.
 ICICI Bank Ltd.
 Indus Ind Bank Ltd.
 UTI 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@giascl01.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

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NOTICE

To the Shareholders

NOTICE is hereby given that the Fifty Ninth Annual General Meeting of the shareholders of the Company will be held on Wednesday, the 29th June, 2005 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 2004-05.
2. To declare dividend for the year 2004-05.
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 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 up to 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 in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendment thereof, and subject to such approvals as may be necessary, the Company hereby accords its approval to the reappointment of Shri D.M.Jain as the Managing Director of the Company for a period of three years with effect from 29.4.2005 to 28.4.2008 at a maximum salary of Rs.1,50,000/- (Rupees one lac fifty thousand 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, 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 of 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."

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

Registered & Head Office :

"INDUSTRY HOUSE"

10, Camac Street,
Kolkata 700 017

Dated, the 28th April, 2005



Jay Shree Tea & Industries Limited

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 2005 to 29th June, 2005 (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, 2005 to those members whose names appear on the Register of Members of the Company as on 29th June, 2005 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 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> |
|-----------------------------------|--|---|
| 1997-1998 | 23.06.1998 | 9th August, 2005 |
| 1998-1999 | 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 |
| 2002-2003 | 27.06.2003 | 2nd August, 2010 |
| 2003-2004 | 28.06.2004 | 3rd August, 2011 |

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 as required under Clause 49 of the Listing Agreement with the Stock Exchanges :

a) **Shri S.K.Tapuriah**

Shri S.K.Tapuriah, 66, 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 experience and knowledge are beneficial to the operations of the Company.

Directorships held in other companies are :

- 1 Hindusthan General Trading Co. Pvt. Ltd.
- 2 Baldeodas Gajanand Auto Spares Pvt.Ltd.
- 3 Krishna Bihari Tea Co. Ltd.

b) Smt. Jayashree Mohta

Smt. Jayashree Mohta, 54, 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 experience and wisdom has been found to be beneficial in the interest of the Company.

Directorships held in other Companies are :

- 1 Avadh Mercantile Co. Ltd.
- 2 Jayantika Tea Co. Ltd.
- 3 Universal Plastocraft Pvt. Ltd.
- 4 Sanjay Estates Pvt. Ltd.
- 5 Padmavati Investment Ltd.
- 6 North Tukvar Tea Co. Ltd.

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

Item No.6

Shri D.M.Jain was appointed as the Managing Director of the Company at the 56th Annual General Meeting of the members held on 29th June, 2002 for a period of three years from 29.2.2002 to 28.4.2005.

Shri Jain, aged 70 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 Managing Director. Shri Jain is having wide experience in general management and operations of the tea industry and is responsible for the management of business and affairs of the Company and its day-to-day operations.

He is past president of Tea Association of India and regularly takes part in the activities of Tea Research Association, Darjeeling Planters' Association for the development of tea industry. His valuable experience in the gardens as well as administrative and managerial expertise in finance and administration makes him eminently suitable for the re-appointment.

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

| | | |
|-------------|---|---|
| Salary | : | To be decided by Remuneration Committee and/or Board from time to time subject to a maximum of Rs.1,50,000/- (Rupees one lac fifty thousand only) per month |
| Perquisites | : | Perquisites shall be allowed in addition to salary as under : |

P A R T – A

- | | | |
|------------------------------|---|--|
| i) Housing | : | House Rent Allowance @ 5% of the salary |
| ii) Medical reimbursement | : | Expenses incurred for self and family subject to ceiling of one month's salary or 3 months salary over a period of 3 years |
| iii) Leave Travel Concession | : | For self and family in accordance with the rules of the Company. |
| iv) Bonus | : | Bonus shall be payable as per rules of the Company |

Jay Shree Tea & Industries Limited



- v) Fees of Clubs : Fees for 2 Clubs. This will not include admission and life membership fees.
- vi) Personal Accident : Personal Accident Insurance Policy as applicable to senior employees.

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 unavailed leave with full pay at the end of the tenure.

PART - C

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

Subject to any statutory ceiling/s, he may be given any other allowances, perquisites, benefits and facilities as the Board of Directors from time to time may decide.

This may be treated as an abstract of the 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)

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

Registered & Head Office :

"INDUSTRY HOUSE"

10, Camac Street,

Kolkata 700 017

Dated, the 28th April, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Indian Tea production was lower at 820 m.kgs. compared to 857 m.kgs. harvested in 2003. Internationally world crops were generally higher in most major producing countries. The Company produced 198.50 lac kgs. tea against 180.60 lac kgs. last year. The initial improvement in domestic tea prices did not sustain for long because of increase in imports without any commensurate increase in exports. Your Company continues to lay emphasis on quality production of tea. This has helped to increase the exports even in unfavourable market conditions.

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 72.84% of gross turnover during 2004-05. The other segments i.e. chemicals & fertilisers account for 21.08% and others 6.08% of the gross turnover.

TEA

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

(Quantity in million kgs.)

| District | Tea Manufactured by the Company (April to March) | | | All India Production* | | |
|--------------------------|---|--------------|-------------------------|----------------------------|---------------|-------------------------|
| | 2004-2005 ** | 2003-04 ** | Increase/ Decrease % | 2004 (Jan. to December) | 2003 | Increase/ Decrease % |
| Cachar | 6.74 | 6.76 | (-) 0.30 | 53.10 | 56.26 | (-) 5.62 |
| Assam Valley | 7.53 | 6.46 | (+) 16.56 | 383.95 | 397.18 | (-) 3.33 |
| Total Assam | 14.27 | 13.22 | (+) 7.94 | 437.05 | 453.44 | (-) 3.61 |
| Darjeeling | 0.70 | 0.51 | (+) 37.25 | 11.16 | 11.52 | (-) 3.13 |
| Dooars | 0.97 | 0.58 | (+) 67.24 | 135.17 | 147.85 | (-) 8.58 |
| Teraï | 1.31 | 1.14 | (+) 14.91 | 41.75 | 41.23 | (+) 1.26 |
| Total West Bengal | 2.98 | 2.23 | (+) 33.63 | 188.08 | 200.60 | (-) 6.24 |
| Others | - | - | - | 9.35 | 9.55 | (-) 2.09 |
| Total North India | 17.25 | 15.45 | (+) 11.65 | 634.48 | 663.59 | (-) 4.39 |
| Tamilnadu | 2.27 | 2.31 | (-) 1.73 | 130.72 | 131.71 | (-) 0.75 |
| Kerala | 0.34 | 0.30 | (+) 13.33 | 49.67 | 56.62 | (-) 12.27 |
| Karnataka | - | - | - | 5.34 | 5.14 | (+) 3.89 |
| Total South India | 2.60 | 2.61 | (-) 0.38 | 185.73 | 193.47 | (-) 4.00 |
| Total Production | 19.85 | 18.06 | (+) 9.91 | 820.21 | 857.06 | (-) 4.30 |

* All India figures on calendar year basis and estimated for 2004.

** The above production includes tea manufactured from bought leaf.



Jay Shree Tea & Industries Limited

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

(Quantity in million kgs.)

| Tea Areas | This year | | Dist. | Previous year | | Dist. |
|-------------|--------------|---------------|------------------|---------------|---------------|-------------------|
| | Qty. | Rate Rs.P. | Average Rs.P. | Qty. | Rate Rs.P. | Average Rs. P. |
| Cachar | 6.34 | 63.43 | 58.02 | 6.32 | 54.98 | 44.81 |
| Assam | 7.09 | 81.23 | 73.55 | 6.35 | 79.99 | 63.03 |
| Darjeeling | 0.65 | 223.56 | 150.02 | 0.47 | 226.95 | 145.14 |
| Dooars | 2.23 | 63.75 | 64.99 | 1.64 | 53.36 | 54.15 |
| South India | 2.43 | 61.60 | 49.27 | 2.66 | 54.80 | 29.56 |
| | <u>18.74</u> | <u>75.54</u> | | <u>17.44</u> | <u>68.56</u> | |

OUTLOOK

The sustainable growth options for tea plantation activities in India does not seem to be encouraging in view of high costs and poor realisations. The weather conditions in the current year are favourable for higher production in India. However world production should be lower because of unfavourable weather reports from major tea producing countries. Whilst being cautiously optimistic for the market conditions, your Company's emphasis shall be on quality standards to safeguard the Company against depression in the market.

FERTILISERS

REVIEW OF OPERATIONS

The Single Superphosphate plants are facing severe crisis as the costs of imported raw materials have gone up substantially during the last three years, but there is no revision in the concession provided by the Govt. of India, which remains unchanged at Rs. 650/- per M.T. SSP is an essential input for balance fertilisation of soil and for sustainability of production.

It is considered to be poor man's fertiliser because of its applicability in rainfed conditions and lower price tag. Your SSP factory at Khardah, being a major player in Eastern India is striving towards cost reduction and improvement in productivity.

The Sulphuric Acid plant at Gurgaon is showing improved performance due to higher productivity, effective cost control, better marketing efforts and higher realisation.

OUTLOOK

The concerned authorities of the Govt. of India are aware of the critical situation of SSP industry and hopefully, upward revision in the concession is in the offing. The sooner it is done, it will be better as it will provide healing touch to the industry as well as poor farmers who are dependant on SSP to maintain production and quality of soil.

RISKS AND CONCERNS

Tea industry is an agricultural industry and its performance is dependant on vagaries of nature. Most of the tea areas in Northeast India have received useful rainfall. This should help in improvement in production in the current year. Domestic tea consumption has been growing at a slow pace which is an area of concern. The price pattern of last four years has taken its toll of the tea industry. The Government and the industry are taking continuous steps to promote tea as a health drink. The tea estates are no longer considered to be able to create value. In fact, with ever increasing cost of production and social costs, tea plantation is becoming a drag on the financial health of established tea companies and some of them are trying to move out of plantation activities. This is compelling us to struggle more for survival and growth.

FINANCIAL REVIEW AND ANALYSIS

The Company's financial position is strong enough which is helping it in turbulent time. The development work in garden is always given top priority for improvement in quantity as well as quality. The surplus fund of the company is deployed in such a way that reasonable returns are derived without any loss of capital.

All other financial parameters are strong and as such when there is any upsurge in market conditions, the Company will stand to benefit from that.

INTERNAL CONTROL

The Company has laid down policies, guidelines and procedures which form part of its internal control system. The Company's internal control systems are periodically tested and supplemented by an extensive programme of internal audit by independent firm of Chartered Accountants. Audits are finalised and conducted based on internal risk assessment. Significant findings are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation.

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

The statements in the report of the Board of Directors and the Management's Discussion and Analysis report describing the Company's projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities Laws and Regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company.