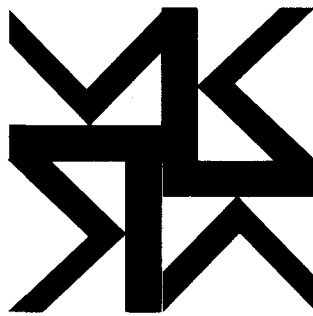




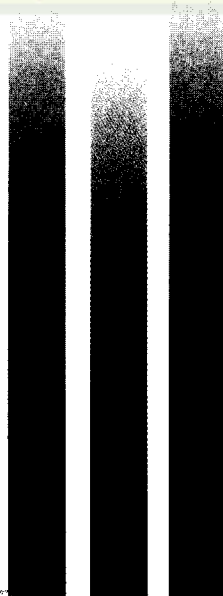
**ANNUAL  
REPORT  
AND  
ACCOUNTS  
2002-2003**



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**KANCO  
ENTERPRISES  
LIMITED**





## KANCO ENTERPRISES LIMITED

### Annual Report & Accounts 2002-2003

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#### **BOARD OF DIRECTORS**

**Sri U. Kanoria**  
Chairman & Managing Director

**Sri Atul Doshi**  
Wholtime Director

**Sri G. Momen**

**Sri P. K. Bhattacharjee**

**Sri A. K. Jain**

**Sri P. K. Poddar**  
Directors

#### **COMPANY SECRETARY**

**Sri D. Arya**

#### **AUDITORS**

M/s. Jain & Co.  
Chartered Accountants

#### **BRANCH AUDITORS**

M/s. Dalal & Shah  
Chartered Accountants

#### **COST AUDITORS**

M/s. N D Birla & Co.  
Cost Accountants

#### **BANKERS**

State Bank of India  
Punjab National Bank

#### **REGISTERED OFFICE**

Jasmine Tower, 3rd Floor  
31, Shakespeare Sarani, Kolkata 700 017  
Telefax : 2281 5217-19  
Email : kanco@cal3.vsnl.net.in

#### **BRANCH OFFICE**

207, Shitiratna  
2nd Floor, Panchavati Circle  
Ahmedabad 380 006

#### **TEA DIVISION**

**Mackeypore Tea Estate**  
P.O. Nazira  
Dist. Sivasagar (Assam)

#### **TEXTILE DIVISION**

**Kanco Overseas**  
Village : Walthera  
Taluka : Dholka  
Dist. Ahmedabad (Gujarat)

#### **SHARE REGISTRARS**

**M C S Limited**  
77/2A, Hazra Road  
3rd & 5th Floor, Kolkata 700 029  
Phone : 2476 7350-54, 2454 1892-93  
Fax : 2454 1961  
Email : mcscal@cal2.vsnl.net.in



## KANCO ENTERPRISES LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **TWELFTH ANNUAL GENERAL MEETING** of the Members of **KANCO ENTERPRISES LIMITED** will be held at "KALAKUNJ", 48, Shakespeare Sarani, Kolkata-700 017 on Tuesday, the **29th day** of July, 2003 at 10.30 A.M. to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003, Audited Profit & Loss Account for the year ended on that date and Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri P K Bhattacharjee who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri P K Poddar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

#### SPECIAL BUSINESS

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

5. "RESOLVED THAT re-appointment of Mr. U Kanoria as Managing Director w.e.f. 16th May, 2003 by the Board of Directors at the meeting held on 12th May, 2003 for a period ending on 31st July, 2007 on the terms and conditions, and remuneration approved by a resolution passed by the Remuneration Committee, as circulated to the members pursuant to Section 302 of the Companies Act, 1956 being annexed to this Notice, be and is approved."

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

6. "RESOLVED THAT re-appointment of Mr. Atul Doshi as Wholetime Director w.e.f. 15th May, 2003 by the Board of Directors at the meeting held on 12th May, 2003 for a period ending on 31st July, 2007 on the terms and conditions, and remuneration approved by a resolution passed by the Remuneration Committee, as circulated to the members pursuant to Section 302 of the Companies Act, 1956 being annexed to this Notice, be and is approved."

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

7. "RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors, at Head Office as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and to fix their remuneration for the audit of accounts of its Textile Division at Ahmedabad for the financial year ending 31st March, 2004."

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

8. "RESOLVED THAT the Register of Members, Index of Members, Register of Renewed and Duplicate Certificates be kept at the Office of the Registrar & Transfer Agents, MCS Limited, 77/2A Hazra Road, 3rd & 5th Floor, Kolkata-700 029 upon approval of this resolution by the members pursuant to the Section 163 of the Companies Act, 1956."

#### Registered Office :

Jasmine Tower, 3rd Floor,  
31, Shakespeare Sarani, Kolkata 700 017  
12th May, 2003

By Order of the Board  
For KANCO ENTERPRISES LIMITED

D. ARYA  
Company Secretary

#### NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll, in his stead. The proxy need not be a member of the Company.
2. Proxies in order to be effective, must be received by the Company at the Registered Office address not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Register shall remain closed with effect from July 25, 2003 to July 29, 2003 (both days inclusive).
4. The shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any at the address given in the Annual Report.



# KANCO ENTERPRISES LIMITED

## NOTICE OF ANNUAL GENERAL MEETING (Contd.)

5. The members are advised to submit their Bank Account particulars to the Company for building database to be used for remittance of dividend/other benefits as and when applicable, through Electronic Clearing Service (ECS) as ECS wherever available, has been made mandatory by the concerned authorities.
6. Members are requested to preferably send their queries to the Registered Office 7 days before the date of the AGM.
7. The documents pertaining to the Items 5 and 6 are available for inspection at the Registered Office of the Company during 11 A.M. to 1.30 P.M. on all working days.
8. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is appended below.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ("the Act")

#### Item No. 5

Mr. U Kanoria has been re-appointed Managing Director w.e.f 16th May, 2003 by the Board of Directors pursuant to Sections 198, 269, 309, Schedule XIII thereto and other applicable provisions of the Act on the terms and conditions set out in the abstract of terms circulated to the members pursuant to Section 302 of the Act and the remuneration payable to him has been approved by a resolution passed by the Remuneration Committee. The resolution is placed before the members for their approval. The Directors recommend passing of the resolution.

None of the directors except Mr. U Kanoria, is concerned or interested in the resolution.

#### Item No. 6

Mr. Atul Doshi has been re-appointed Wholetime Director w.e.f. 15th May, 2003 by the Board of Directors pursuant to Sections 198, 269, 309, Schedule XIII thereto and other applicable provisions of the Act on the terms and conditions set out in the abstract of terms circulated to the members pursuant to Section 302 of the Act and the remuneration payable to him has been approved by a resolution passed by the Remuneration Committee. The resolution is placed before the members for their approval. The Directors recommend passing of the resolution.

None of the Directors except Mr. Atul Doshi, is concerned or interested in the resolution.

#### Item No. 7

The Company has decided to appoint Branch Auditors other than the Auditors appointed at Head Office for carrying out audit of the Accounts of its Textile Division at Ahmedabad in Gujarat for the financial year ending 31st March, 2004. The resolution seeks to obtain the members' consent as required under Section 228 of the Act.

The Directors recommend the resolution for your acceptance. None of the Directors is concerned or interested in this resolution.

#### Item No. 8

The Company has decided to keep the Register of Members, Index of Members and Register of Renewed & Duplicate Certificates at the Office of MCS Limited (Registrar & Transfer Agents) at 77/2A Hazra Road, 3rd & 5th Floor, Kolkata-700 029 in addition to the other documents required by them to maintain share transfer activities. The resolution requires the members' consent in terms of Section 163 of the Act.

The Directors recommend passing of the resolution. None of the Directors is concerned or interested in this resolution.

### Abstract of the terms of re-appointment of Mr. U Kanoria as Managing Director and Mr. Atul Doshi as Wholetime Director pursuant to Section 302 of the Companies Act, 1956

Mr. Umang Kanoria's present term as Managing Director and that of Mr. Atul Doshi as Wholetime Director ends on 15th May and 14th May, 2003 respectively. The Remuneration Committee at its meeting held on 12th May, 2003 approved the remuneration of Managing Director and Wholetime Director, and their re-appointment w.e.f. 16th May, 2003 and 15th May, 2003 respectively on the terms and conditions and their remuneration has also been approved by the Board of Directors of the Company (hereinafter called 'the Board') at its meeting held on 12th May, 2003.

Mr. Umang Kanoria is an Industrialist having extensive experience in Tea and Textiles Industries. Mr. Kanoria's educational qualifications are B.Com., AICWA and MBA. He is a member of Executive Committee of Indian Chamber of Commerce and Co-Chairman of Education Committee of Young Presidents' Organisation and has been President of Tea Association of India.

Mr. Atul Doshi is a professional having over 18 years' experience in finance, corporate affairs and management of tea industry. He is B.Com., ACA and ACMA (U.K). Mr. Doshi has co-authored books on management and investments.



# KANCO ENTERPRISES LIMITED

## NOTICE OF ANNUAL GENERAL MEETING (Contd.)

The terms of re-appointment and remuneration of Mr. U Kanoria and Mr. Atul Doshi are as follows :

Terms	Managing Director	Wholetime Director
Period of Agreement	16th May, 2003 to 31st July, 2007	15th May, 2003 to 31st July, 2007
Salary	Rs. 100,000/- per month	Rs. 36,000/- per month in the scale of 36,000-38,500-41,000-43,500-46,000 or such increment in salary as may be decided by the Board.
Commission	Nil	Nil
Perquisites (Restricted to an amount equal to Annual Salary)		
Housing	Furnished residential accommodation or house rent allowance.	Nil
Gas, Electricity, water and furnishings	Expenditure incurred to be valued as per Income Tax Rules, 1962	Expenditure incurred to be valued as per Income Tax Rules, 1962
Medical Reimbursement	Medical expenses incurred in India or abroad including hospitalisation, surgical charges, for self and family and travel relating thereto.	Medical expenses incurred in India or abroad including hospitalisation, surgical charges, for self and family and travel relating thereto, restricted to a half month's salary.
Leave Travel Concession	For self and family in accordance with the Rules of the Company.	For self and family in accordance with the Rules of the Company.
Personal Accident Insurance	Annual Premium not to exceed Rs. 5,000/-	Annual Premium not to exceed Rs. 5,000/-
Club Fees	Fees of maximum two clubs. No life membership admission fees.	Fees of maximum two clubs. No life membership admission fees.
Perquisites not to be included in the computation of ceiling on remuneration specified above : (i) Provision of Company car for official purpose and telephone at residence (including payment for local calls and long distance official calls), (ii) The Company's contribution towards Provident Fund as per the Rules of the Company but restricted to the extent this is not taxable under the Income Tax Act, 1961. (iii) Gratuity not exceeding one-half month's salary for each completed year of service. (iv) One and a half month's leave with full pay and perquisites. Accumulation of leave upto maximum of 180 days. Encashment of leave at the end of service not to be included in the computation of ceiling. (v) Reimbursement of entertainment expenses actually incurred for the Company.		

The remuneration mentioned above including the value of the perquisites will be subject to the overall ceilings laid down under Sections 198 and 309 of and where applicable in the Schedule XIII to the Companies Act, 1956.

### Minimum Remuneration

In the event that the Company in any financial year during the aforesaid period, has no profits or its profits are inadequate, the remuneration payable to Mr. Kanoria and Mr. Doshi by way of salary and perquisites shall be the remuneration drawn by them as given above and in accordance with and to the extent provided in the Schedule XIII to the Companies Act, 1956.

### Terms and Conditions

1. Managing Director and Wholetime Director will not, so long as they function as such Managing Director and Wholetime Director, become interested or otherwise concerned directly or through their spouse and/or minor children in any selling agency of the Company in future unless permissible by the applicable laws prevailing at the relevant time.
2. Managing Director and Wholetime Director and the Company shall have the right to terminate the appointment by giving six months' prior notice in writing to the other.
3. Subject to supervision, direction and control of the Board, the Managing Director and Wholetime Director would be entrusted with power of management. Their powers shall be such as are necessary for the overall general management of the Company and such as may be conferred upon them by the Board of Directors as it may deem fit/expedient from time to time.

### Memorandum of Interest

None of the Directors other than Mr. U Kanoria and Mr. Atul Doshi are interested in their respective appointments.

By Order of the Board  
For KANCO ENTERPRISES LIMITED

D. ARYA  
Company Secretary

Kolkata, 12th May, 2003



# KANCO ENTERPRISES LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twelfth Annual Report and Audited Accounts for the year ended 31st March, 2003.

## FINANCIALS

Your Company's financial performance was as follows :

	2002-2003 (Rs. in lacs)	2001-2002 (Rs. in lacs)
Profit before Interest, Depreciation and Tax	1097.69	1147.75
Less : Interest	428.91	565.13
Gross Profit for the year	668.78	582.62
Less : Depreciation	578.03	556.74
: Taxation	5.71	0.63
Profit After Tax	85.04	25.25
Add : Taxation for earlier years (net)	—	5.71
Add/(Less) : Provision for Deferred Tax	27.34	-5.31
Amount available for appropriation	112.38	25.65
Less : Transfer to Debenture Redemption Reserve	50.00	25.00
Add : Balance Brought Forward from Last Account	38.17	37.52
Balance Carried to Balance Sheet	100.55	38.17

## DIVIDEND

With a view to conserving resources, the Directors do not recommend any dividend for the year under review.

## LISTING

The Company's Equity Shares are listed at the Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata-700 001 ('CSE') and the listing fees till the financial year ending on 31st March, 2004 have been paid. Listing and trading approval to the 25,00,000 Equity Shares allotted on 16th March, 2002 were received from the CSE on 15th June and 19th September, 2002 respectively.

## OPERATIONS

### Tea Division

Tea Industry witnessed another difficult year with falling realisations and steep increase in costs like wages, power and fuel and transport costs. All India production of teas registered a marginal drop but due to sluggish demand coupled with import of cheaper varieties of teas, the realisation registered a drop. However, the division posted increase in production of 5.5% and the fall in realisations was stemmed at less than 2% due to its quality manufacture, as compared to the last financial year. Margins were lower due to higher labour wages and other input costs.

To combat the vagaries of monsoon, an Irrigation project has been taken in hand and the 1st phase thereof has already been implemented. Completion of the entire project would be over within the next 3 to 4 years whereafter a steady and assured water supply will enable the division to maintain healthy tea bushes resulting in better yields in future.

Crop during the early part of the current financial year is marginally better and the division expects to produce tea as per the target. The outlook is adversely affected due to war in Iraq resulting in lower export enquiries. Your Directors are confident of posting reasonable returns due to continuous adherence to Good Manufacturing Practices and consistent manufacture of superior quality produce.

Fiscal incentive under Section 33 AB of the Income Tax Act, 1961 is being availed and the funds would be deployed for the development of tea estate in accordance with the provisions of the Scheme and the Company's policy.

The Company has invested over Rs. 65 lacs to upgrade its facilities at its tea estates.





## KANCO ENTERPRISES LIMITED

### DIRECTORS' REPORT (Contd.)

#### Textile Division

The year commenced on a promising note with subdued cotton prices and improved demand. However, due to subnormal monsoon, the supply of cotton was adversely affected resulting in increased cotton price during the latter part of the financial year. Following dismantling of Administered Price Mechanism, the cost of power and fuel increased substantially. Your division has been able to leverage its presence with increase in production and sales of yarn. It has produced 4166 tonnes against 4145 tonnes in the preceding year. However, the sale of yarn for the year was at an all time high of 4247 tonnes as against 4130 tonnes last year representing an increase of over 2.5%. Realisation fell by about 2.5% as against fall in cost of raw material of about 13% widening the gross margins earned by the division. It is very heartening to note that all round cost cutting has helped this division to improve its earnings as is explained in detail in the Management Discussion and Analysis forming part of the Report on Corporate Governance.

Current year outlook for this division is challenging following Iraq war and uncertainty on account of outbreak of SARS affecting adversely the operation of the division. It is expected that the problems due to SARS shall be resolved in near future and the division would be forging ahead with its modernisation programme and improvement in productivity plans. Uncertainty coupled with high raw cotton prices is expected to keep the margin under pressure in the first half of the current year. Price of raw cotton is likely to witness fall in the second half of the current year which should help this division post better result in the latter part of this year.

It is a matter of satisfaction that the Certification for Standard ISO 9002 has been renewed for a period of three years—a confirmation of due observance of procedures for Quality Management systems followed by the division.

#### FIXED DEPOSITS

The amount outstanding as on 31st March, 2003 on account of Fixed Deposits aggregating Rs. 39.50 lacs is yet to mature and all deposits that matured during the year were repaid with interest due thereon and nothing remains unclaimed.

#### CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Corporate Governance incorporating therein the Management Discussion & Analysis along with Auditors' Certificate on its compliance is attached as Annexure-1 to this Report.

#### DIRECTORS

Mr. P. K. Bhattacharjee and Mr. P. K. Poddar retire by rotation at the ensuing Annual General Meeting and are eligible for re-election. The present term of Mr. U. Kanoria, Managing Director and that of Mr. Atul Doshi, Wholetime Director end on 15th May and 14th May, 2003 respectively and both have been re-appointed by the Board of Directors after approval of their terms of service, and remuneration by the Remuneration Committee, for a period ending on 31st July, 2007 subject to the members' approval at the ensuing Annual General Meeting.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors state that :

- Appropriate Accounting Standards as are applicable to the Annual Statement of Accounts for the financial year ended 31st, March, 2003 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 19 (Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

#### AUDITORS

Messrs Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and have consented to continue, if re-appointed.

**KANCO ENTERPRISES LIMITED****DIRECTORS' REPORT (Contd.)****PERSONNEL**

The particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules. Industrial relations were cordial during the year under review. The Directors express appreciation of efficiency of employees in their services rendered.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement pursuant to the Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

**ACKNOWLEDGEMENT**

The Directors place on record their appreciation of the co-operation and support extended by the Banks/Financial Institutions and all other business partners.

For and on behalf of the Board

Kolkata,  
12th day of May, 2003

U. KANORIA  
Chairman

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# KANCO ENTERPRISES LIMITED

## ANNEXURE TO DIRECTORS' REPORT

**INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2003**

**(a) Energy Conservation measures taken :**

The Company implemented energy conservation measures to keep energy cost under tight control. Various steps have been taken to reduce consumption of energy by increase in productivity levels etc. However, reduction in per unit consumption of energy has been effected in the following manner.

During the year under review :

- (i) The Company has implemented energy conservation measures by way of modification of Humidification plant in Ring Frame area. In this modification we have increased air washer eliminator area, spray nozzles of improved quality, damper area in supply air and return air and exhaust air return air grills. There is gain in plant capacity of 70000 cfm and increases up to a level of 41 air changes.
- (ii) Besides this, power saving is achieved by reducing fan angle of supply air system and replacing higher H. P. Pumping sets by lower H. P. Pumping sets with the improved flow rate and head. After this modification we have observed power saving of 900 kwh/day.

(b) Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

### FORM-A

#### Particulars with respect to Conservation of Energy

	TEA DIVISION		TEXTILE DIVISION	
	Current Year	Previous Year	Current Year	Previous Year
<b>(A) POWER &amp; FUEL CONSUMPTION</b>				
<b>(1) Electricity</b>				
(a) Purchased (Units)	5,00,028	3,14,761	13,66,560	5,86,765
Total Amount (Rs.)	25,72,120	25,81,362	81,29,415	50,53,450
Rate/Unit (Rs.)	5.14	8.20	5.95	8.61
(b) Own Generation				
i) Through LDO/FO/Diesel (Units)	5,79,300	3,61,230	1,90,19,594	1,91,20,931
Unit per ltr.	2.63	2.31	4.07	4.11
Cost/Unit (Rs.)	6.86	7.37	2.43	2.06
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm3)	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
<b>(2) Coal (Specify quality and where used)</b>				
Quantity (Tonnes)	—	—	—	—
Total Cost (in Rs.)	—	—	—	—
Average Rate (Rs.)	—	—	—	—
Quality : Dust khasi, 4500 kilo calories/kg. used in drier : Ash 40% to 60% and 30% to 35%				
<b>(3) Furnace Oil</b>				
Quantity (K. Ltr.)	139	75	4,297	4,291
Total Amount (Rs.)	22,22,490	9,71,280	4,19,26,228	3,48,04,195
Average Rate (Rs./K.Ltr.)	15,989	12,950	9,757	8,111
<b>(4) Others/Internal Generation</b>				
(a) Gas :				
Quantity (cm3)	13,82,079	13,85,899	—	—
Total Cost (Rs.)	25,15,944	26,23,992	—	—
Rate/Unit (Rs./cm3)	1,820	1,893	—	—
(b) LDO/Diesel				
Quantity (K Ltr.)	—	—	377	365
Total Cost (Rs.)	—	—	43,43,614	45,40,349
Average (Rs./K. Ltr.)	—	—	11,522	12,439
<b>(B) CONSUMPTION PER UNIT OF PRODUCTION</b>				
(i) <b>Black Tea</b>		Unit	Current Year	Previous Year
Electricity		Kgs.		
Furnace Oil		Unit	0.59	0.39
Coal (Quality as above)		Ltrs.	0.08	0.04
Gas		Kgs.	—	—
		CM3	0.75	0.80
(ii) <b>Yarn</b>		Kgs.		
Electricity		Unit	4.89	4.75
Coal		Kgs.	—	—

For the above, there is no prescribed standard.

**KANCO ENTERPRISES LIMITED****ANNEXURE TO DIRECTORS' REPORT (Contd.)****FORM-B****RESEARCH & DEVELOPMENT (R & D)**

	TEA	TEXTILE															
(1) Specific areas in which R & D carried out by the Company	The Division subscribes to Tea Research Association which is registered u/s 35(1) (ii) of the Income Tax Act, 1961.	(a) With the help of the AFIS-II, we have optimised the drawing settings. (b) With the continuous application of Classimat-3, optimized the clearer settings in Autoconer. (c) With the application of Uster Tester-3, Hairiness Module and R & D, we have optimised the spacer size in Ring Frame.															
(2) Benefits derived as a result of the above R & D	The Division benefits from the suggestions received from the Association out of R & D activities.	(a) Reduced mass variation in the drawing sliver there thereby improved the product quality. (b) Reduced yarn faults in the final yarn resulting in better appearance of the product and customer satisfaction. (c) Reduction in total imperfections and hairiness in the yarn resulting in better quality of the product.															
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	(a) We are planning to modify preparatory and post spinning humidification plant to optimise utilisation and for energy saving.															
(4) Expenditure on R & D	Nil	<table> <tr> <th></th><th>2002-2003</th><th>2001-2002</th></tr> <tr> <td>(a) Capital</td><td>Rs. —</td><td>Rs. —</td></tr> <tr> <td>(b) Recurring</td><td>Rs. 7,12,257</td><td>Rs. 6,99,674</td></tr> <tr> <td>(c) Total</td><td>Rs. 7,12,257</td><td>Rs. 6,99,674</td></tr> <tr> <td>(d) Total R &amp; D Expenditure as a percentage of total turnover</td><td>0.13%</td><td>0.13%</td></tr> </table>		2002-2003	2001-2002	(a) Capital	Rs. —	Rs. —	(b) Recurring	Rs. 7,12,257	Rs. 6,99,674	(c) Total	Rs. 7,12,257	Rs. 6,99,674	(d) Total R & D Expenditure as a percentage of total turnover	0.13%	0.13%
	2002-2003	2001-2002															
(a) Capital	Rs. —	Rs. —															
(b) Recurring	Rs. 7,12,257	Rs. 6,99,674															
(c) Total	Rs. 7,12,257	Rs. 6,99,674															
(d) Total R & D Expenditure as a percentage of total turnover	0.13%	0.13%															

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- (1) Efforts, in brief, made towards technology absorption, adaptation and innovation.
- For our new generation cards like LC-300, LC-300A and also C1/3 card, we have installed "Continuous Waste Collection System" for eight cards.
  - We have done technological upgradation for our new ring frames. Earlier we were having ring dia 38/40/42 mm with 180 mm lift. In our new ring frame we have taken 36mm ring dia with 160 mm lift for 40s count and 38 mm ring dia with 170 mm lift for 24s to 36s count.
  - We have done modification in ring frame humidification on plant and increased air washer size.
- (2) Benefits derived as a result of the above efforts.
- By introducing "Continuous Waste Collection System" sliver quality is improved.
  - With above upgradation production will increase by 10% and energy saving also.
  - With above modification we have saved power by 900 units per day and air flow supply is increased by 70000 cfm.
- (3) There is no imported technology involved.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company continues its efforts to enhance exports with vigorous steps to find new markets and develop existing ones.

	2002-2003	2001-2002
1. Foreign Exchange Earnings	Rs. 31,43,52,345	Rs. 32,11,66,154
2. Foreign Exchange Outgo	Rs. 1,20,01,134	Rs. 5,07,11,992

Kolkata,  
12th day of May, 2003

For and on behalf of the Board  
U. KANORIA  
Chairman