



McLEOD RUSSEL INDIA LIMITED
ANNUAL REPORT AND ACCOUNTS 2004-05



McLEOD RUSSEL INDIA LIMITED

Registered Office :

FOUR MANGOE LANE, SURENDRA MOHAN GHOSH SARANI, KOLKATA - 700 001

PROXY

I/We
 of being a member/members
 of McLEOD RUSSEL INDIA LIMITED, hereby appoint
 of
 or failing him of
 or failing him of
 as my/our Proxy to attend and vote for me/us and on my/our behalf at the Seventh Annual General Meeting to be held at Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017 on Wednesday, the 31st August, 2005, at 10.30 a.m. and at any adjournment thereof.

Dated this..... day of2005.

Affix
Revenue
Stamp

Report Junction.com
Signature

Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

✂ -Tear from here -

McLEOD RUSSEL INDIA LIMITED

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Name & Address	R.F. No.
	Client ID No.
	D.P. ID No.

I hereby record my presence at the Annual General Meeting held at Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017 on 31st August, 2005, at 10.30 a.m.

SIGNATURE OF THE SHAREHOLDER/PROXY

Note : Shareholders/Proxy holders desiring to attend the Meeting are requested to bring their copy of the Annual Report for reference at the Meeting.

McLEOD RUSSEL INDIA LIMITED 2004-05
[Formerly Eveready Company India Limited]

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Board of Directors

B. M. Khaitan

Chairman

Deepak Khaitan

Vice-Chairman

Aditya Khaitan

Managing Director

R. S. Jhawar

R. Srinivasan

Bharat Bajoria

Ranabir Sen

Utsav Parekh

Directors

R. Takru

A. Monem

K. K. Baheti

Wholetime Directors

A. Guha Sarkar

Company Secretary

Audit Committee of the Board

R. Srinivasan - *Chairman*

Bharat Bajoria

Ranabir Sen

R. S. Jhawar

Shareholders'/Investors' Grievance

Committee of the Board

Ranabir Sen - *Chairman*

R.S. Jhawar

Bharat Bajoria

Utsav Parekh

Remuneration Committee of the Board

Bharat Bajoria - *Chairman*

R. Srinivasan

Ranabir Sen

Auditors

Price Waterhouse

Registered Office

Four Mangoe Lane

Surendra Mohan Ghosh Sarani

Kolkata - 700 001

Phone : {033} 2210-1221/ 2248-6661/
2243-5391

Fax : {033} 2248-8114

E-mail : administrator@wmg.co.in

Bankers

Allahabad Bank

Central Bank of India

Citi Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

Indian Bank

Standard Chartered Bank

State Bank of India

State Bank of Bikaner and Jaipur

UCO Bank

United Bank of India

Solicitors

Khaitan & Co.



REPORT OF THE DIRECTORS

For the financial year ended 31st March 2005

Your Directors have pleasure in presenting the Annual Report with the audited Accounts of your Company for the financial year ended 31st March 2005.

SCHEME OF ARRANGEMENT

The Scheme of Arrangement ('the Scheme') between the Company and Eveready Industries India Limited ('EIL') and their respective shareholders which was approved by the Members of the respective Companies at the Meetings convened by the Hon'ble High Court at Calcutta on 27th September 2004, received sanction of the Hon'ble Court on 17th January 2005. Upon completion of the relevant legal requirements on 24th February 2005, the Scheme became effective from the 'appointed date' i.e. 1st April 2004 retrospectively. Pursuant to the said Scheme the Bulk Tea Division of Eveready Industries India Limited with all its employees, assets, liabilities, rights and obligations was transferred to and vested in the Company as a going concern with retrospective effect from 1st April 2004.

CHANGE OF NAME

As envisaged in the Scheme the name of the Company has been changed from Eveready Company India Limited to McLeod Russel India Limited with effect from 14th February 2005 consequent upon issue of a fresh Certificate of Incorporation by the Registrar of Companies, West Bengal.

SHARE CAPITAL

Pursuant to the Scheme as also another Order of the Hon'ble High Court at Calcutta passed on 17th January 2005 in terms of Section 102 of the Companies Act, 1956 the paid-up capital of the Company was reduced from Rs.2,00,00,000/- to Rs.6,32,000/- by cancellation of 19,36,800 Equity Shares of Rs.10/- each. At the Extraordinary General Meeting of the Company held on 14th March 2005 suitable resolutions were passed by the Members for sub-division of face value of each Equity Share of Rs.10/- into two Equity Shares of Rs.5/- each and increase of Authorised Capital of the Company to Rs.28,00,00,000/- divided into 5,60,00,000 Equity Shares of Rs.5/- each.

Pursuant to the Scheme the Company allotted on 30th March 2005 5,57,79,002 Equity shares of Rs.5/- each to the shareholders of EIL whose names appeared in the Register of Members of EIL as on the record date i.e., 22nd March 2005. On the same date the Company also allotted 1,26,400 Equity shares of Rs.5/- each to the existing shareholders of the Company in lieu of 63,200 Equity shares of Rs.10/- each held by them earlier. After the aforesaid allotments the paid-up share capital of the Company as on date is Rs.27,95,27,010/- divided into 5,59,05,402 Equity shares of Rs.5/- each.

LISTING OF SHARES ON THE STOCK EXCHANGES

The Company has made Applications to The Stock Exchange, Mumbai [BSE], National Stock Exchange of India Limited [NSE] and The Calcutta Stock Exchange Association Limited [CSE] where the shares of Eveready Industries India Limited are listed for listing of 5,59,05,402 Equity shares of Rs.5/- each issued by your Company. The listing in the aforesaid Stock Exchanges will be granted after the Securities and Exchange Board of India [SEBI] gives its approval granting relaxation from applicability of Rule 19(2)(b) of the Securities Contracts [Regulation] Rules, 1957 for which the necessary Application was submitted through BSE, the designated Stock Exchange for the said purpose. The Company expects that trading of the Company's Shares on the Stock Exchanges will commence shortly.

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REVIEW OF PERFORMANCE

The Financial results of the Company for the year ended 31st March 2005 are summarized below :

	2004-05 Rs Crores	2003-04 Rs Crores
Profit before Interest, Depreciation and Taxation	1322.84	[198.07]
Less : Depreciation & amortisation	<u>1320.95</u>	<u>—</u>
	(58.11)	[198.07]
Less : Interest [Net]	<u>2326.67</u>	<u>—</u>
Profit / [Loss] before Taxation	<u>[2384.78]</u>	<u>[198.07]</u>
Deferred-tax written back	<u>410.00</u>	<u>—</u>
	<u>[1974.78]</u>	<u>[198.07]</u>
Profit/[Loss] brought forward from previous year [net of capital reduction]	<u>—</u>	<u>4.39</u>
Balance carried forward	<u>[1974.78]</u>	<u>[193.68]</u>

As mentioned earlier the Bulk Tea Division of Eveready Industries India Limited was transferred to and vested in the Company only with effect from 1st April 2004 and as such the figures for the year under review are not comparable with the figures of the previous year.

The operation of the Company during the year under review resulted in a Profit before Interest Depreciation and Tax (PBDIT) of Rs.13.23 crores. This reflected a significant improvement over the operations of the previous year when as 'Bulk Tea Segment' of Eveready Industries India Limited, the operations suffered loss before interest Depreciation and Tax of Rs.11.45 crores. Improvement would have been much more had the operation not been affected by adverse weather conditions resulting in shortfall in crop by 20.38 lakh kgs.

While it is little early to assess the trend of production and prices of tea for the current year, with the abolition of additional excise duty, cessation in the payment of royalty following the purchase of "WM" brand by your Company, and the continuing cost rationalization measures, the improving trend in the operations of the Company should continue in the current year.

DIVIDEND

In view of the loss for the year the Directors are unable to recommend any Dividend.

REVIEW OF OPERATIONS

During the year, the Company achieved production of 40 million kgs tea as compared to 42 million kgs in the previous year; the shortfall is in line with the industry trend due to adverse weather conditions. Despite the lower production the Company was able to achieve higher exports at 9 million kgs including the deemed exports routed through Hindustan Lever Limited for their Unilever Associates. Relations with all the overseas customers have remained excellent.

At all the tea estates of the Company, most upto date field and factory practices have been consistently followed and as a result all the tea estates are in an excellent condition. The uprooting and replanting programme being implemented for the last several years has resulted in the age composition of the tea bushes at the various tea estates being quite healthy.

The factories at the tea estates have been continuously upgraded and modernized enabling the Company to produce quality teas commanding premiums in both the domestic as well as in the international markets. During the year, the Company had undertaken extensive upgradation of machinery at three of its Assam tea estates and also extended and improved upon the withering facilities at another four estates.

The cost rationalization exercise undertaken during the last four years was given further thrust. To control the increasing cost of fuel, an energy audit was conducted during the year by a team of experts and their recommendations are gradually being implemented.

The average price realization for the Company's tea for the year was Rs.80/- per kg. which is higher than the North Indian auction average by Rs.9/- per kg.



ACQUISITION OF CONTROLLING STAKE OF BORELLI TEA HOLDINGS LIMITED, U.K.

Your Company has entered into a Share Purchase Agreement on 16th June 2005 with Williamson Tea Holdings Plc. ('WTH') with a view to acquire the entire share capital being 2,78,026 Ordinary Shares of Great Britain Pound [GBP] 1 each of Borelli Tea Holdings Limited, ('Borelli') a Company incorporated in the United Kingdom by way of purchase from WTH at a total cost of GBP 2,13,52,215 inclusive of non-compete premium. Borelli holds 70% of the share capital of Williamson Tea Assam Limited ('WTA') and by virtue of the acquisition of the entire share capital of Borelli your Company will gain control over WTA, a listed company incorporated in India engaged in the same Industry as your Company i.e. growing and manufacturing of Bulk Tea. WTA has 17 Tea Gardens and has an annual production of 20 million kgs of tea. The Board is of the opinion that through this acquisition, in view of total business synergy between the Company and WTA, economies of scale can be achieved which should not only rationalize costs but also enable the Company to continue to offer its customers high quality premium tea and in the process should enhance shareholder value.

In terms of the requirements of Securities and Exchange Board of India [Substantial Acquisition of Shares and Takeovers] Regulations, 1997 the Company alongwith four other Companies belonging to the Group namely Williamson Magor & Co. Limited, United Machine Company Limited, Ichamati Investments Pvt. Limited and Nitya Holdings & Properties Pvt. Ltd. will make open offer to acquire 28,35,000 fully paid up equity shares of Rs.10/- each of WTA representing 20% of the paid-up share capital of the said Company from the non-promoter shareholders of the Company at a price of Rs.145/- per share.

WELFARE ACTIVITIES

The company is sensitive towards the society in which it operates. It has continued its welfare activities for all round development. It has developed infrastructure around the Tea Estates by building roads, organizing health camps and supporting private schools. It has persisted in its efforts with the development of education, literature, culture and sports. Furthermore, the Company has supported the conservation of wild life, particularly in the Kaziranga National Park during the centenary celebration of the World Heritage site. It also contributed generously to the Chief Minister's Relief Fund for the flood-affected victims in Assam.

The Company continued its support to The Assam Valley Literary Award, which has now found wide acceptance in Assam. This year the award was conferred on eminent Assamese writer Dr. Lakshmi Nandan Bora by the well-known Bengali litterateur Shri Nirendra Nath Chakraborti. Under its scheme for support to higher education through the Williamson Magor Education Trust scholarship scheme, it has till date awarded scholarships to 78 students from Assam to pursue higher studies in prominent technical and management institutions of the country. The Law faculty building at the Guwahati University is another example of the Company's contribution and commitment to higher education.

The Company's support to The Assam Valley School which has quickly established its repute as one of the premier public schools of the country continues.

In the field of health care, the well-equipped hospitals, particularly the Central hospitals render excellent medical facilities to the workmen. The Company supports the Mother's Club to look after mother and childcare.

The Company is in the process of developing Tea Tourism at Balipara in Assam.

DIRECTORS

Since the last report Mr. D. Khaitan, Mr. A. Khaitan, Mr. R. Takru and Mr. A. Monem were appointed as Additional Directors with effect from 16th February 2005. Dr. R. Srinivasan, Mr. Bharat Bajoria and Mr. Ranabir Sen were appointed as Additional Directors with effect from 11th March 2005 and Mr. Utsav Parekh with effect from 26th May 2005. In terms of Articles 120(1) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 the aforesaid Additional Directors hold office up to the date of the next Annual General Meeting of the Company. The Company has received Notices in writing pursuant to Section 257(1) of the Companies Act, 1956 from eight members separately signifying their intention to propose them respectively for election to the Office of Directors at the ensuing Annual General Meeting.

Mr. A. Khaitan has been appointed as the Managing Director of the Company for a period of three years with effect from 1st April 2005. Mr. R. Takru, Mr. A. Monem and Mr. K. K. Baheti have been appointed as Wholetime Directors of the Company each for a period of three years with effect from 1st April 2005. The

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appointments of Mr. A. Khaitan as the Managing Director and Mr. R. Takru, Mr. A. Monem and Mr. K. K. Baheti as Wholetime Directors and remuneration payable to them have been approved by the Members at the Extraordinary General Meeting held on 29th March 2005.

In accordance with the Articles of Association of the Company, Mr. B. M. Khaitan will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for reappointment.

AUDITORS

Messrs. S. R. Batliboi & Co., Chartered Accountants, the Auditors of the Company, resigned as Auditors and their resignation was accepted by the Board at its Meeting held on 18th November 2004. At the said Meeting the Board of Directors appointed Messrs. Price Waterhouse, Chartered Accountants as the Auditors of the Company in the vacancy caused by the resignation of Messrs. S. R. Batliboi & Co. and this appointment was approved at the Extraordinary General Meeting of the Company held on 16th December 2004. Messrs. Price Waterhouse will hold the office as the Auditors of the Company till the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

MANAGEMENT DISCUSSION & ANALYSIS REPORT AND REPORT ON CORPORATE GOVERNANCE

Although the shares of the Company are yet to be listed on the Stock Exchanges, your Directors thought it fit to provide a Management Discussion and Analysis Report and a Report showing the status of implementation of the code on Corporate Governance prescribed under the Listing Agreement with Stock Exchanges and accordingly the same are annexed and forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors state as follows :-

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that, are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

A statement giving details of conservation of energy and technology absorption in accordance with the Companies [Disclosure of Particulars in the Report of the Board of Directors] Rules, 1988, is annexed.

EMPLOYEE RELATIONS

Your company has a large workforce in its Tea Estates. The Company continued to have cordial and harmonious relations with its employees.

The Board of Directors wish to record its appreciation for the dedication and support received from the employees at all levels throughout the period under review.

Particulars of employee/s required under Section 217(2A) of the Companies Act, 1956 are given in the Annexure forming part of this Report.

Kolkata, 30th June, 2005

For and on behalf of the Board
B. M. KHAITAN
Chairman



Annexure to the Directors' Report - 2004-2005

Information in accordance with the Companies [Disclosure of Particulars in the Report of the Board of Directors] Rules, 1988, and forming part of the Directors' Report for the year ended 31st March 2005.

A. CONSERVATION OF ENERGY

Energy conservation measures taken :

- Energy Audit was carried out by M/s DSCL Energy Services on 4 estates and their recommendations are being implemented.
- Energy efficient Coal Fired Boilers were installed in two factories as a substitute for Oil fired Heaters to reduce the cost of fuel. Four more Coal Fired Boilers are in the process of being installed.
- In the process of withering of green leaf, utilization of fans is being rationalised to reduce the power consumption by using energy efficient electrical motors.
- Water supply system on estates is also being looked at for possibility of reducing power consumption.

B. POWER & FUEL CONSUMPTION

Year ended
31.3.2005

1. Electricity

(a) Purchased :

- Units [Kwh]	24547845
- Total Amount (Rs.)	147751692
- Rate / Unit (Rs.)	6.02

(b) Own Generation :

Through Diesel Generator

- Units [Kwh]	11722424
- Units per Ltr of Diesel Oil	2.87
- Cost / Unit (Rs.)	8.59

2. Coal

- Quantity (Tonnes)	5726
- Total Amount (Rs.)	14327358
- Average Rate (Rs.)	2502.31

3. Furnace Oil

- Quantity (Litres)	6905810
- Total Amount (Rs.)	112623585
- Average Rate (Rs.)	16.31

4. Total Power and Fuel consumption per unit of production of Tea

- Saleable Production - Tea [Kgs]	40114221
- Electricity [Kwh]	0.90
- Furnace Oil [Litre]	0.17
- Coal [Kg.]	0.14
- Others [Rs.]	0.75

C. RESEARCH AND DEVELOPMENT

1. Specific areas in which R&D was carried out by the company :

Apart from all general areas, the 'clone mix' and methodology to improve upon the organic status of 'the soil'.

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2. Benefits derived as a result of above R&D :

Improved yield for all areas planted or replanted.

3. Future plan of action :

This being a long term process, will be carried on with required improvement from time to time, in future.

4. Expenditure on R&D :

	Year ended 31.3.2005
(a) Capital	Nil
(b) Recurring (Rs. in lakh)	47.53
(c) Total	47.53
(d) Total R&D Expenditure as % of turnover	0.15%

D. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1. Continuous efforts to improve the technology are being carried on. Seminars and group discussions with the feed back from the field workers are regularly held.
2. Effective Staff trainings with the definite approach towards improvement of their efficiency are conducted routinely.
3. Innovative achievements of the operating people in the agriculture and manufacture of tea are highly encouraged in the Company's interest.

E. FOREIGN EXCHANGE INCOME & OUTGO

During the year the company exported 9.05 million kgs. of Tea (including deemed export of 3.80 million kgs.)

	Year ended 31.3.2005 Rs. lakhs
Foreign Exchange Earnings	4989.45
Foreign Exchange Outgo	349.39

**Statement of particulars of Employee/s pursuant to the
Provision of Section 217(2A) of the Companies Act, 1956.**

Name	Designation/ Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Employment	Age	Previous Employment/ Position held
Mukherjee, S.	President	32,19,400	B. Com., (Hons.) FCA	29	01.04.2004	51	Eveready Industries India Ltd. President

Notes :

1. The above employee was a wholtime employee during the financial year ended March 31, 2005.
2. The above employee is not related to any Director of the Company within the meaning of Section 6 of the Companies Act, 1956.

Kolkata, 30th June 2005

For and on behalf of the Board
B. M. KHAITAN
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

India is the largest producer of tea in the world, annually producing about 850 million kgs, representing approximately 28% of the world production of 3.2 billion kgs. The other main producing countries are China with over 750 million kgs, Sri Lanka with 315 million kgs. and Kenya with 325 million kgs. During the last few years Indonesia with the production of 135 million Kgs and Vietnam with production of 100 million kgs. have also emerged as important producers. Of the total production in India, about 50% is accounted for by Assam, 25% by South India and the balance 25% by West Bengal.

Production of tea in India reached a peak of 870 million kgs in 1998 and thereafter it has tended to come down and has been hovering around 850 million kgs. During 2004, the production was only 825 million kgs.

Mainly accounted for by shortfall in production, the tea prices in India did see some improvement over the previous year although these were still far below the level reached in 1998. The North India Auction average price during the season 2004 was Rs.71.58 per kg compared to Rs.61.32 per kg in 2003.

Over the last four years exports have gradually come down due to various factors and in the year 2004, exports were at a level of 183 million kgs. There was also a significant spurt in imports as well and these were at a level of 30 million kgs in 2004 compared to only 10 million kgs in the previous year. This led to a fall in prices towards the end of the season.

The problem for the country's tea industry as well as for exports started with the termination of the bilateral Trade Agreement for tea with Russia affecting exports to that country. This was followed by the Kargil war, the ban on import of tea to Iran and unfavourable duty structure in Egypt, which favoured import of Kenyan tea. The happenings in Iraq further affected the industry as Iraq was importing upto 40 million kgs. of tea from India and this had virtually stopped. These problems brought to light comparatively low levels of competitiveness of the Indian Tea industry which has been mainly due to high level of taxes, both at the Centre and the State levels and also the high level of labour and social costs. These aspects have been receiving the serious attention of the Commerce Ministry and lately some relief has been provided in the form of abolition of additional excise duty and also deferment of cess on green leaf by the Government of West Bengal for a period of three years.

Some other relief measures including support for increase in production of Orthodox tea are under active consideration. The Finance Minister during his budget speech had also mentioned about a special package to be introduced for the Tea Industry for replanting and rejuvenating of tea bushes. These measures require to be expedited to help the Tea Industry in gaining back some part of its competitiveness.

OPPORTUNITIES AND THREATS

India is the largest consumer of tea with tea consumption growing every year by about 2%. During 2004, the domestic consumption was estimated at 710 million kgs and is likely to go up to 725 million kgs during 2005. Despite this large volume of consumption, the per capita consumption of tea in India is still very low and offers a significant potential for the industry. What is required to tap this vast potential is an effective promotion in the domestic market particularly highlighting the health qualities of tea and it is hoped that the industry and the Government together will be able to work much faster towards this agenda.

On the export side, some opportunities have opened up indicating the likely improvement in exports from now onwards. These include lifting of the ban on import of tea by Libya and Iran; reduction in the import duty on teas by Egypt to 5% from the earlier 30%; improved trade relations with Pakistan and awareness about