

McLEOD RUSSEL



The world's cup of tea

McLEOD RUSSEL INDIA LIMITED

ANNUAL REPORT AND ACCOUNTS 2006 - 07

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Bankers

Allahabad Bank
Central Bank of India
HDFC Bank Ltd.
ICICI Bank Ltd.
Indian Bank
State Bank of India
State Bank of Bikaner and Jaipur
UCO Bank
United Bank of India
UTI Bank Ltd.

Solicitors

Khaitan & Co.

Board of Directors

B. M. Khaitan *Chairman*
Deepak Khaitan *Vice-Chairman*
Aditya Khaitan *Managing Director*
R. S. Jhavar *Directors*
R. Srinivasan
Bharat Bajoria
Ranabir Sen
Utsav Parekh
Ajay Saraf (*Nominee of ICICI Bank Ltd.*)
R. Takru *Wholetime Directors*
A. Monem
K. K. Baheti

A. Guha Sarkar *Company Secretary*

Audit Committee of the Board

R. Srinivasan *Chairman*
Bharat Bajoria
Ranabir Sen
R. S. Jhavar
Ajay Saraf (*Nominee of ICICI Bank Ltd.*)

Shareholders'/Investors' Grievance Committee of the Board

Ranabir Sen *Chairman*
R. S. Jhavar
Bharat Bajoria
Utsav Parekh

Remuneration Committee of the Board

Bharat Bajoria *Chairman*
R. Srinivasan
Ranabir Sen

Auditors

Price Waterhouse
Plot No.Y-14, Block-EP, Sector-V
Salt Lake Electronic Complex, Bidhan Nagar,
Kolkata - 700 091

Registered Office

Four Mangoe Lane
Surendra Mohan Ghosh Sarani
Kolkata - 700 001

Phone : (033) 2210-1221/ 2248-9434/35
2243-5391

Fax : (033) 2248-8114/3683

E-mail : administrator@wmg.co.in

REPORT OF THE DIRECTORS

For the financial year ended 31st March 2007

Your directors have pleasure in presenting the Annual Report with the audited Accounts of your Company for the financial year ended 31st March 2007

AMALGAMATION OF DOOM DOOMA TEA COMPANY LIMITED WITH THE COMPANY

Members are aware that on acquisition of the entire controlling stake of Doom Dooma Tea Company Limited (Doom Dooma) on 23rd January 2006, Doom Dooma became a wholly owned subsidiary of your Company. During the year under review the Boards of Directors of your Company and Doom Dooma considered it prudent to merge Doom Dooma with your Company with effect from 1st April 2006. Accordingly, an Application was made to the Hon'ble High Court at Calcutta for approving the Scheme of Amalgamation. The Hon'ble High Court after following the legal procedure and obtaining the approval of the Members of the Company sanctioned the Scheme of Amalgamation on 8th May 2007. Upon completion of the legal requirements the Scheme of Amalgamation has become effective on 25th May 2007 with retrospective effect from the 'Appointed Date' i.e. 1st April 2006. Since Doom Dooma was a wholly owned subsidiary of your Company, the Company was not required to issue any share pursuant to the Scheme of Amalgamation. The amalgamation is expected to strengthen the position of the Company and should have beneficial results for the shareholders, employees and all concerned.

REVIEW OF PERFORMANCE

The Financial results of the Company for the year ended 31st March 2007 are summarized below :

	2006-07 Rs. in lakhs	2005-06 Rs. in lakhs
Profit before Interest, Depreciation and Taxation	10,921.67	5,860.50
Less: Interest and Exchange Fluctuation (Net)	4,179.88	3,591.27
	6,741.79	2,269.23
Less : Depreciation & amortisation	2,303.13	(1,066.76)
Profit before Taxation	4,438.66	3,335.99
Taxation Charge / (Credit)		
Current Tax	148.10	72.00
Deferred-tax	(570.00)	839.79
Fringe Benefit Tax	113.50	132.00
Profit after Taxation	4,747.06	2,292.20
Balance brought forward from previous year	2,061.18	(1,974.78)
Adjustment as per Scheme of Amalgamation	—	1,974.78
Debit balance (net) pursuant to Schemes of Amalgamation	—	(231.02)
Balance available for Appropriations	6,808.24	2,061.18
Proposed Dividend	1,083.37	—
Tax on proposed Dividend	184.12	—
Transfer to General Reserve	2,500.00	—
Balance carried forward	3,040.75	2,061.18

As mentioned earlier Doom Dooma was amalgamated with the Company with retrospective effect from 1st April 2006 and as such the figures for the year under review are not comparable with the figures in the previous year.

The operations of the Company during the year under review has resulted in a Profit before Interest, Depreciation and Taxation (PBIDT) of Rs.109.22 crore as compared to Rs.58.61 crore in the previous year. The current year's figures include the non-operating income of Rs.14.89 crore on sale of shares in the Company held as current asset.

The improvement in Tea prices during the year under review by Rs.6.48 per kg. as compared to last year resulted in significant improvement in PBIDT.

DIVIDEND

Your Directors are pleased to recommend for approval of the shareholders a dividend of 20% i.e. Re.1/- per share on 10,83,37,707 equity shares of Rs.5/- each for the financial year ended 31st March 2007.

REVIEW OF OPERATIONS

During the Financial year, the Company produced 70.12 million kgs. of tea as compared to 64.65 million kgs. produced in the previous year. A high standard of field maintenance and favorable weather conditions contributed to the increase in crop.

With a successful Uprooting and Replanting policy in place the tea bush of a younger age profile is on the rise, thus contributing to an increase in the average yield of estates. A high standard of nurseries with the respective clonal blends are being established.

Your Company's focus has always been to produce Quality teas, which commanded a premium both in the domestic as well as the international markets. As part of the upgradation programme and modernization of tea factories, the Company installed coal stoves/boilers on nine estates. This will contribute to a major saving in cost, over the use of tea drier oil. Withering facilities were increased on five estates and new machinery was installed in three factories to enhance the production of Orthodox tea. The packed tea storage area was increased on twelve estates. One factory in the Dooars was established to manufacture Green tea.

Three factories were awarded Hazard Analysis and Critical Control Point (HACCP) certification. The Company now has ten HACCP certified factories. More factories are being prepared to undertake the certification in the coming two years. Four factories were also 'Fairtrade' certified at the beginning of the year.

The average price realization for the Company's tea for the year was Rs.86.19, which is higher by Rs.6.48 as compared to last year.

The Company saw highest ever exports (both direct as well as deemed) of 25 million Kgs. in 2006/07 with an overall export turnover of over Rs.251 Crore. Favourable feedback was received from the buyers both in terms of quality and deliveries.

ISSUE OF SHARES

Pursuant to the Scheme of Amalgamation of Williamson Tea Assam Limited (WTA) with the Company duly approved by the Hon'ble High Courts at Calcutta and Gauhati by their respective Orders dated 19th May 2006 and 7th June 2006 the Company on 27th July 2006 allotted 4,25,25,000 equity shares of Rs.5/- each to the shareholders of the erstwhile WTA in the ratio of three shares of Rs.5/- each in the Company for every share of Rs.10/- held by them in WTA.

During the year under review the Company also allotted on 8th November 2006 99,07,305 Equity Shares of Rs.5/- each at a premium of Rs.115/- per share to the Qualified Institutional Buyers by way of Qualified Institutional Placement in terms of Chapter XIII A of SEBI (Disclosure and Investor Protection) Guidelines, 2000. After the aforesaid issues the paid up share capital of the Company has gone up to Rs.54,16,88,535 divided into 10,83,37,707 equity shares of Rs.5/- each.

ACQUISITION OF THE MORAN TEA COMPANY (INDIA) LIMITED

Your Company entered into a Share Purchase Agreement on 18th January 2007 with Moran Holdings Plc ('Moran Holdings') with a view to acquire 15,20,000 equity shares of Rs.10/- each representing 72.38% of the Equity capital of The Moran Tea Company (India) Limited ('Moran India') at a price of Rs.273/- per share. The Company also agreed to pay a non-compete fee of Pound Sterling 7,50,000 to Moran Holdings



in connection with the aforesaid acquisition. Moran India is a Listed Company engaged in the same industry as your Company i.e. growing, manufacturing and sale of bulk tea. Moran India has four Tea Gardens in the quality tea belt in the State of Assam and has an annual production of over 4 million kgs. of tea. The Board is of the opinion that through this acquisition, in view of total business synergy between the Company and Moran India, economies of scale can be achieved. This should rationalize costs and in the process expected to 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 two other Companies belonging to the same Group namely Williamson Magor & Co. Limited and Ichamati Investments Private Limited made an Open Offer in April 2007 to acquire upto 4,20,000 fully paid up equity shares of Rs.10/- each of Moran India 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.316.15 per share. All the 3,00,493 equity shares which were tendered in the Open Offer and found valid have been acquired by your Company. On completion of the Open Offer your Company will now proceed to acquire 15,20,000 equity shares of Moran India from Moran Holdings in terms of the Share Purchase Agreement. On acquisition of the aforesaid shares Moran India will become a subsidiary of your Company.

CORPORATE SOCIAL RESPONSIBILITY

Your Company acknowledges that its strength lies in its people and is conscious of the social responsibilities towards its employees and neighbours. Several projects have been undertaken in the field of education, culture and welfare activities in order to improve the general standard of living in and around the Tea Estates of the Company.

The Assam Valley School continues to provide excellent opportunity to the children of the planting community and the North East in terms of academics and overall development.

With the Company's continued support The Assam Valley Literary Award has gained Statewide recognition. This year the award was conferred on eminent writer and poet of Assam Sri. Nalindhar Bhattacharya in acknowledgement of his contribution in the field of Assamese literature. Scholarships were provided to meritorious students from the North East and this was funded by Williamson Magor Education Trust.

The Company continued with the welfare activities around its area of operation. The emphasis was on improvement of health, development of education, literature, culture and sports. Medical assistance was also provided to the nearby villages through medical camps.

A high standard of medical care is provided to the work force through well-equipped individual estate hospitals and specialized treatment at the Central hospitals. The company continued to support the Mother's club.

The Tea Tourism at Balipara in Assam in partnership with River Journeys and Bungalows of India Private Limited was inaugurated and excellent facilities are available for tourists. More such opportunities are being studied to develop it in other areas of Assam.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

After amalgamation of Doom Dooma, the Company is having one subsidiary namely Borelli Tea Holdings Limited, UK. As required under the Listing Agreements with the Stock Exchanges, consolidated financial statements of the Company and its subsidiary prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India is attached.

DIRECTORS

Since the last Report there has been no change in the Board of Directors of your Company. In accordance with the provisions of the Articles of Association of the Company Dr. R. Srinivasan, Mr. B. Bajoria, Mr. R. Sen and Mr. R. Takru will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

COST AUDIT

The Ministry of Company Affairs, Government of India has by an Order directed an audit of the Cost Accounts maintained by the Company under Section 209(1)(d) of the Companies Act, 1956 in respect of

the Plantation Product on a yearly basis commencing from the financial year 2005-2006. The Ministry has approved the appointments of four firms of Cost Accountants for conducting the Cost Audit of the Cost Accounts maintained in respect of Plantation Product for the financial year ended 31st March 2006. Application has been made for appointment of Cost Auditors for the year ended 31st March 2007.

AUDITORS

Messrs. Price Waterhouse retire as the Auditors at the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

In regard to the observation made by the Auditors in their Report relating to non ascertainment of value of green leaf consumed, reference is made to Note No.19(b) of Schedule 17 to the Accounts, which is self-explanatory.

MANAGEMENT DISCUSSION & ANALYSIS

REPORT AND REPORT ON CORPORATE GOVERNANCE

As required in terms of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance are annexed 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 2007, the applicable accounting standards had been followed with no material departures;
2. That the Directors had selected such accounting policies and applied them consistently and made judgments 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. Your Directors are sure that the Shareholders would like to join them in conveying their appreciation to the large number of employees engaged in the Tea Estates of the Company for their sincere and dedicated services without which such superior performance would not have been possible.

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

For and on behalf of the Board

A. Khaitan – *Managing Director*
K. K. Baheti – *Wholetime Director*

Kolkata, 4th June 2007



Annexure to the Directors' Report 2006-2007

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 2007.

A. CONSERVATION OF ENERGY

- i) The Company has been installing energy efficient coal fired boilers since year 2005-06 and it has added 2 (two) more tea factories during the year 2006-07 with annual production capacity of 35 lakh kgs. With these, the company has total 9 (nine) tea factories equipped with coal-fired boilers for producing 126 lakh kgs tea.
- ii) In order to conserve petroleum fuel, the Company during the year 2006-07 converted tea drying from furnace oil to coal using energy-efficient coal-heaters in 7 (seven) tea-factories producing 75 lakh kgs. of tea. The company has total 16 (sixteen) tea-factories equipped with coal stoves for production of 180 lakh kgs of tea.
- iii) The Company has replaced oil fired heating system with coal-fired stove in Withering Trough as a pilot project in 2 nos. tea estates. This will be replicated in other estates on evaluation of results.
- iv) Utilisation of captive generating sets have been rationalized with improved efficiency and lesser consumption of fuel.
- v) Energy consumption in tea factories has been reduced with improved productivity of machinery resulting in lesser hours of manufacture.
- vi) The energy consumption for domestic purposes has been rationalized through creation of awareness and regular monitoring.

B. POWER & FUEL CONSUMPTION

	Year ended 31.03.2007	Year ended 31.03.2006
1. Electricity		
(a) Purchased :		
- Units (Kwh)	39648542	36396256
- Total Amount (Rs.)	241205842	226222811
- Rate / Unit (Rs.)	6.08	6.22
(b) Own Generation :		
Through Diesel Generator		
- Units (Kwh)	21264146	19943205
- Units per Ltr of Diesel Oil	2.88	2.80
- Cost / Unit (Rs.)	11.48	10.53
2. Coal		
- Quantity (Tonnes)	21133	8520
- Total Amount (Rs.)	65377451	25639433
- Average Rate (Rs.)	3093.61	3009.32
3. Furnace Oil		
- Quantity (Litres)	5277704	10123143
- Total Amount (Rs.)	141924342	216324029
- Average Rate (Rs.)	26.89	21.37
4. Total Power and Fuel consumption per unit of production of Tea		
- Saleable Production - Tea (Kgs)	70123675	64653994
- Electricity (Kwh)	0.87	0.87
- Furnace Oil (Litre)	0.08	0.16
- Coal (Kg.)	0.30	0.13
- Others (Rs.)	1.02	0.78

C. RESEARCH AND DEVELOPMENT

The Company continues with the policy of reviewing clone blend to improve the yield and quality of teas being planted.

Vermi Compost is being developed by the Estates to improve upon the organic status of the soil. This will result in improved yield in all areas of planted or replanted in the years to come. This being a long-term process, it will be carried on with required improvement from time to time, in future.

Expenditure on R&D :

	Year ended 31.03.2007	Year ended 31.03.2006
(a) Capital	Nil	Nil
(b) Recurring (Rs. in Lakh)	<u>76.83</u>	<u>69.85</u>
(c) Total	<u>76.83</u>	<u>69.85</u>
(d) Total R&D Expenditure as % of turnover	0.13	0.14

D. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

1. The Company undertakes modernization and upgradation of factory on regular basis with improved technology.
2. Seminars and group discussions with the feed back from the field workers are regularly held.
3. Effective Staff training with the definite approach towards improvement of their efficiency are conducted routinely.
4. Innovative achievements of the operating people in the agriculture and manufacture of tea are highly encouraged in the Company's interest.
5. The Company has built green tea manufacturing facility in one of the tea estates in West Bengal.

E. FOREIGN EXCHANGE INCOME & OUTGO

During the year the Company's direct exports were 13.96 million kgs. (2005-06 : 11.13 million kgs.) of Tea.

	Year ended 31.03.2007	Year ended 31.03.2006
	Rs. lakhs	Rs. Lakhs
Foreign Exchange Earnings	14324.80	10649.36
Foreign Exchange Outgo	936.27	672.19

Statement of particulars of Employees pursuant to the Provision of Section 217(2A) of the Companies Act, 1956.

Name	Designation/ Nature of Duties	Remuneration (Rs. in Lakhs)	Qualifications	Experience (Years)	Date of Employment	Age	Previous Employment/ Position held
A. Khaitan	Managing Director	72.85	B. Com. (Hons.)	16	01.04.2005	39	N. A.
R. Takru	Wholetime Director	34.80	B. A. (Hons.)	32	01.04.2005	52	Eveready Industries India Limited Senior Vice-President
A. Monem	Wholetime Director	31.40	B. Com. (Hons.)	27	01.04.2005	47	Eveready Industries India Limited Senior Vice-President
K.K. Baheti	Wholetime Director	34.70	B. Com. (Hons.) FCA., ACS., GRAD. CWA.	18	01.04.2005	44	Eveready Industries India Limited Vice-President

Notes :

1. Remuneration as shown above includes, inter alia, value of perquisites and Company's contribution to retiral funds as applicable.
2. The above employees were the Wholetime employees during the financial year ended 31 March 2007.
3. None of the above employees is related to any Director of the Company within the meaning of Section 6 of the Companies Act, 1956 except Mr. A. Khaitan, who is a relative of Mr. B.M. Khaitan and Mr. D. Khaitan.

For and on behalf of the Board

A. Khaitan – Managing Director
K. K. Baheti – Wholetime Director

Kolkata, 4th June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

India is the largest producer of black tea in the world, producing approximately 950 million Kgs. annually representing 43% of the world black tea production of 2.3 billion Kgs. The other main black tea producing countries are Kenya, Sri Lanka, Indonesia, Vietnam, and Bangladesh.

During 2006 all the countries other than India registered lower production due to unfavorable weather conditions. India however produced 955 million Kgs. higher by 28 million Kgs. as compared to 2005. Exports from India increased by 16 million Kgs. to 204 million Kgs. during 2006 on the backdrop of drought in Kenya and various initiatives taken by the Tea Board and the Industry. These initiatives resulted in increase in the level of exports to Pakistan, Iraq, other Middle East countries and CIS. Due to robust consumption growth in India, lower carry forward stocks and higher exports, tea prices in India improved by Rs. 7/- to Rs. 8/- per Kg. during 2006 as compared to 2005. However increase in wage cost, energy cost, and falling yield continues to be a concern for the industry.

Special Purpose Tea Fund (SPTF) set up by Tea Board as announced in the last budget and support for orthodox production should help the industry to increase yield thereby reduce cost in the years to come.

OPPORTUNITIES AND THREATS

India is the largest consumer of Tea with annual consumption growth of over 3%. The Domestic consumption is estimated at 805 million Kgs. during 2006 and is likely to go up to 830 million Kgs. in 2007. Since land under tea cultivation remain static, production in the next 3 – 5 years is likely to be stagnant at current level. Stagnant production, coupled with healthy consumption growth should result in increase in tea prices in the future. On the export side even though Kenya's production during first three months is higher by 50 million Kgs, new opportunity namely increasing demand of Orthodox Tea, lower production by Sri Lanka and duty reduction by Egypt, indicate improvement for exports in future.

RISKS AND CONCERNS

The Tea Industry is largely dependant on the vagaries of nature. The Industry is highly labour intensive and is subject to stringent labour laws. Comparatively high labour costs, high social cost over most other tea producing countries, high infrastructure costs and the increasing energy costs remain the major problems for the Indian Tea Industry.

These problems need to be addressed by improved productivity and energy conservation besides better realization for the produce. The Tea Industry both in Assam and West Bengal have discussed with the Trade Unions and implemented productivity linked wage rates for the tea workers with a view to partially regain the Industry's competitiveness in the global market.

The Special Purpose Tea Fund (SPTF) has been set up by Commerce Ministry to implement uprooting and replanting programme which would help improvement in the productivity and yield thereby reduce cost in the coming years.

The small tea growers and bought leaf factories form a considerable part of the Industry. A recent compilation of figures shows a total production of around 80 – 100 million Kgs. through these bought leaf factories in North India. There is a need to regulate these factories to maintain the quality. The Industry is also subject to taxation from the State Government as well as Central Government and while the level of direct taxes have come down over a period from its peak, some of the State levies like the cess on green leaf in Assam puts the industry at a very disadvantageous position.

Steep appreciation of the Indian Rupee in the recent past is a cause for concern and may adversely affect our competitive position in the international market.

To mitigate various types of risks that the company has to face, the Board of Directors of the Company has recently adopted a Risk Management Policy and implemented the same during the year at the Tea Estates and at Head office of the Company. The Company has introduced Hazardous Analysis and Critical Control Point (HACCP) at all the Tea Gardens to ensure better quality product. This process will be completed by 2008.

OUTLOOK

Based on estimates for production and consumption for 2006, the industry's carry forward stock to 2007 is almost nil. Further, due to unfavorable weather conditions in the first quarter of Calendar year 2007, India's tea production is lower by 13 million Kgs. These factors together with strong consumption growth indicate built-up of shortage which should lead to firm prices in domestic market. However, the exports may get adversely impacted due to higher production in Kenya and recent rupee appreciation.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies. Three independent firms of Chartered Accountants carry out the internal audit at the Tea Estates on a regular basis. Another firm of Chartered Accountants conducts internal audit at the Head Office.

The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up the implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time. The Risk Management Policy adopted by the Company is expected to further strengthen the internal control system.

FINANCE

The financial position of the Company improved significantly during the year under review. Operating profit, profit from sale of investments and proceeds from placement shares under Qualified Institutional Placement allowed the company to improve financial ratio and gave acquisition opportunities.

The Company has prepaid a part of its term debts apart from scheduled repayments. Consolidated debt as on 31st March 2007 was Rs.403 crore as compared to Rs.566 crore as on 31st March 2006.

HUMAN RESOURCES

Tea Industry is highly labour intensive. The Company employs around 74,000 personnel at its Tea Estates and other establishments in India. Employee relations remained satisfactory during the period under review. The Company would like to record appreciation of the wholehearted support and dedication from employees at all levels in maintaining smooth production and manufacture of tea from all the Tea Estates during the year.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report in regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Market data and product information contained in this Report have been based on information gathered from various published and unpublished reports, and their accuracy, reliability and completeness cannot be assured.

For and on behalf of the Board

A. Khaitan – *Managing Director*
K. K. Baheti – *Wholetime Director*

Kolkata, 4th June 2007