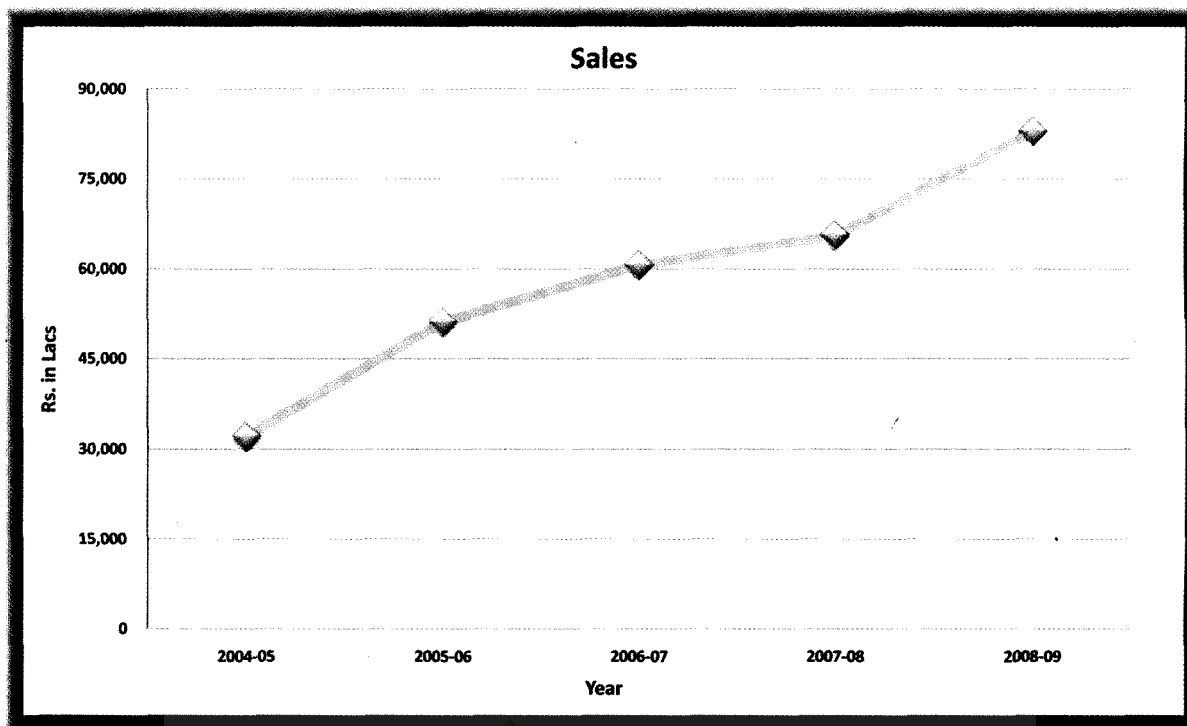


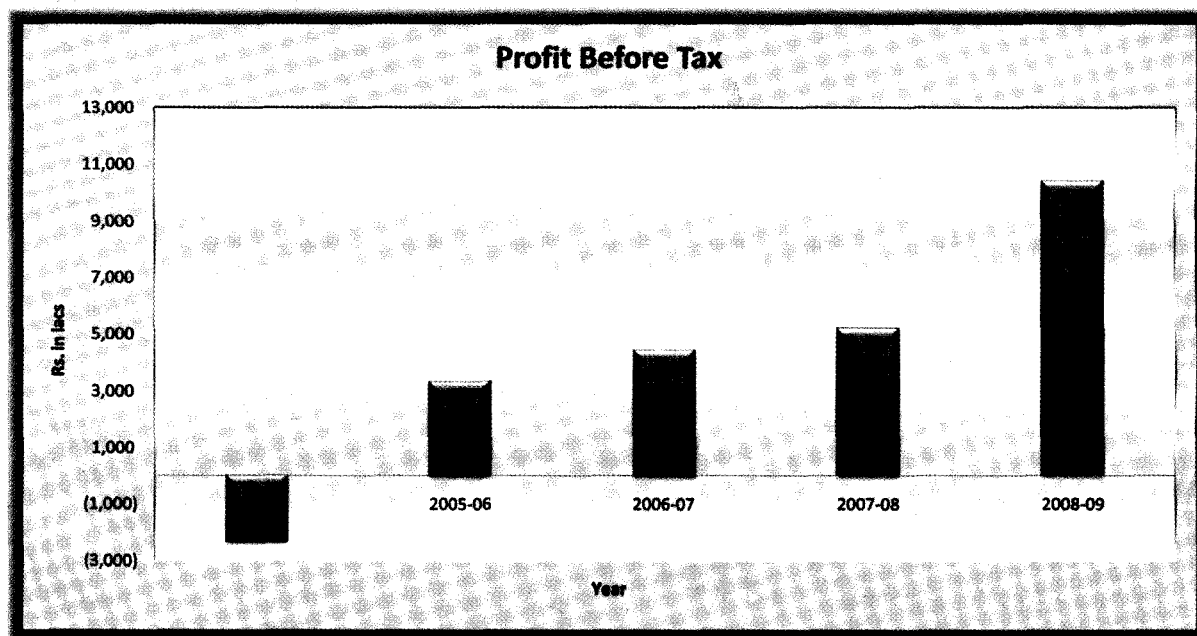
McLEOD RUSSEL
The world's cup of tea



McLEOD RUSSEL INDIA LIMITED
ANNUAL REPORT AND ACCOUNTS 2008 - 09



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Contents

Page

Report of the Directors	2
Management Discussion and Analysis	7
Report on Corporate Governance	9
Report of the Auditors	22
Balance Sheet	26
Profit and Loss Account	27
Schedules to Accounts	28
Cash Flow Statement	53
Consolidated Accounts	58
Particulars of Tea Estates	88

Bankers

Allahabad Bank
Axis Bank Ltd.
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

Solicitors

Khaitan & Co.

Registrar

Maheshwari Datamatics Pvt Ltd.
6, Mangoe Lane, 2nd Floor
Surendra Mohan Ghosh Sarani, Kolkata – 700001.
TEL : (033) 2243-5809; 2243-5029; 2248-2248
FAX : (033) 2248-4787
E-mail : mdpl@cal.vsnl.net.in

Board of Directors

Brij Mohan Khaitan	Chairman
Deepak Khaitan	Vice-Chairman
Aditya Khaitan	Managing Director
Raghavachari Srinivasan	
Bharat Bajoria	
Ranabir Sen	
Utsav Parekh	
Srikandath Narayan Menon	
Balaji Swaminathan	
Rajeev Takru	Wholetime Director
Azam Monem	Wholetime Director
Kamal Kishore Baheti	Wholetime Director
Amitabha Guha Sarkar	Company Secretary

Audit Committee of the Board

Raghavachari Srinivasan	Chairman
Bharat Bajoria	
Ranabir Sen	
Srikandath Narayan Menon	

Shareholders'/Investors' Grievance Committee of the Board

Ranabir Sen	Chairman
Bharat Bajoria	
Utsav Parekh	

Remuneration Committee of the Board

Bharat Bajoria	Chairman
Raghavachari 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) 2210-1221/2243-5391/2248-9434/35
Fax : (033) 2248-8114 / 2248-3683
E-mail : administrator@wmg.co.in



REPORT OF THE DIRECTORS

For the financial year ended 31st March 2009

Your Directors have pleasure in presenting the Annual Report with the audited Accounts of your Company, for the financial year ended 31st March 2009.

REVIEW OF PERFORMANCE

The Financial Results of the Company for the year ended 31st March 2009 are summarized below:

	2008-09 Rs.In Lakhs	2007-08 Rs.In Lakhs
Profit before Interest, Depreciation and Taxation	20,672.91	11,092.01
Less: Interest and Exchange Fluctuation (Net)	7,657.89	3,721.58
	13,015.02	7,370.43
Less: Depreciation & amortisation	2,604.37	2,182.29
Profit before Taxation	10,410.65	5,188.14
Taxation Charge		
Current Tax	1,015.00	152.68
Deferred-Tax	297.06	187.00
Fringe Benefit Tax	220.00	127.40
Profit after Taxation	8,878.59	4,721.06
Balance brought forward from previous year	3,991.58	3,040.75
Balance added pursuant to Scheme of Amalgamation	—	510.35
Balance available for Appropriations	12,870.17	8,272.16
Proposed Dividend	2,189.11	1,094.56
Tax on Proposed Dividend	372.04	186.02
Transfer to General Reserve	6,000.00	3,000.00
Balance carried forward	4,309.02	3,991.58

The Board is pleased to report that in the year under review your Company reached new milestones surpassing all previous records in terms of sales and profitability. The Company achieved a sales turnover of Rs.82887 lakhs during the year which was 26% higher compared to the turnover recorded in the previous year.

The operations of the Company during the year resulted in a profit before interest, depreciation and taxation (PBITD) of Rs.20673 lakhs as compared to Rs.11092 lakhs in the earlier year. The net profit for the year was Rs.8879 lakhs which is higher by 88% as compared to the net profit earned in the previous year. The considerable growth in profit is attributed to the significant improvement in tea prices during the year, both in India and in the export market.

DIVIDEND

Your Directors are pleased to recommend for approval of the shareholders a dividend of Rs.2/- per equity share on 10,94,55,735 fully paid up equity shares of Rs.5/- each being 40% on the paid up value of the equity shares of the Company for the year ended 31st March 2009 as against 20% (Re.1/- per share) paid for the earlier year.

REVIEW OF OPERATIONS

During the financial year, your Company produced 748.47 lakh kgs tea as compared to 743.82 lakh kgs in the previous year. Overall favourable weather conditions prevailed during most of the year, except during the month of March 2009.

The ongoing Uprooting and Replanting Policy being undertaken for the last several years has resulted in substantial increase of the younger age profile of tea bushes. This has helped sustain the yield, inspite of uprooting taking place annually.

The focus of your Company has always been to follow the most updated field and factory practices as a result of which all the tea estates are in an excellent condition. The manufacture of quality tea was maintained, which commanded a premium both in the domestic as well as the international markets. As part of the upgradation and modernization programme of tea factories, withering facilities were enhanced on eight estates. Twelve Rotorvanes, three Rolling tables, seven CTC machines, two CFM's, five VFBD's, four Coal stoves and one Boiler were newly installed in various factories. In some, extension of the factory building was necessary to accommodate additional sorting machinery. Seven new colour sorters, with a larger capacity for sorting orthodox teas were imported and installed in the factories. For development of drains and strengthening the river embankments bordering tea estates three new JCB Excavators were also purchased.



The Company now has forty five HACCP certified factories. The Nilpur Blending Unit is also a HACCP certified unit. Your Company also has four factories certified as "Fairtrade". Other Compliance certification as per specific customer requirement is also being followed.

The average price realization for the Company's tea for the year was Rs.111.03 which is higher by Rs.23.87 as compared to previous year.

The Company saw a total export quantum (both direct as well as deemed) of 266.75 lakh kgs tea in 2008-2009 with an overall turnover of over Rs.31665 lakhs. Favourable feedback was received from the buyers both in terms of quality and deliveries.

CORPORATE SOCIAL RESPONSIBILITY

Your Company acknowledges that its strength lies in its people and is conscious of the responsibilities towards its employees and neighbours. It is sensitive towards the environment in which it operates and is conscious of its social responsibilities. It has continued its welfare activities for all round development in the field of education, culture and welfare activities and 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. It has established its repute as one of the premier public schools of the country.

The Company continued to support The Assam Valley Literary Award which has found wide acceptance. This year the award was conferred on eminent Assamese Writer Sri Rong Bong Terang in acknowledgement of his contribution in the field of Assamese literature. Scholarship was provided to meritorious students from the North East and this was funded by the Williamson Magor Education Trust.

In the field of health care, the well equipped hospitals, particularly the Central hospitals render excellent medical facilities to the workmen and nearby villages through medical camps. The Company continued to support the Mother's club. The Tea Tourism facility developed at Balipara in Assam, in association with River Journeys and Bungalows of India, attracted stream of tourists. Your Company is studying the possibility of developing more such opportunities in other areas of Assam.

D1 WILLIAMSON MAGOR BIO FUEL LIMITED

Williamson Magor & Co. Ltd., (WML) and D1 Oils Trading Ltd. of U.K. formed a 50:50 Joint Venture Company viz., D1 Williamson Magor Bio Fuel Ltd., (D1WM) in July 2006 to facilitate development of Jatropha Oil seeds through contract farming operations for production inter alia of Bio Diesel. Being an associate of WML, your Company presently holds 30.81% of Equity Capital of D1WM.

Bio Diesel is a clean fuel alternative to fossil fuel. It is generally blended with petroleum fuel in advanced countries to operate vehicles and many other diesel run engines.

There is acute shortage of Bio-fuel feedstock which is being developed by D1WM. D1WM has promoted Jatropha plantation on over 1,32,000 Hectares of land till 31st March, 2009. It expects to secure sizeable feedstock from the plantations presently under development.

The Company expects to make a sub-commercial harvest of crop during the year 2009-10 and commence commercial production in 2010-11.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

Borelli Tea Holdings Ltd., U.K. ('Borelli') the Wholly Owned Subsidiary of the Company acquired 100% of the Charter Capital of Phu Ben Tea Company Limited, Vietnam ('Phu Ben') engaged in plantation, manufacture and sale of black tea. The annual production of Phu Ben is around 4.5 million kgs. of tea. Your Company being the global leader in plantation and manufacturer of tea, Phu Ben is expected to benefit from the rich experience of the Executives of your Company in the fields of plantation, manufacture and marketing of tea.

As required under the Listing Agreement with the Stock Exchanges, Consolidated Financial Statements of the Company, its two Subsidiaries Borelli and Phu Ben and an associate namely D1WM prepared in accordance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India are attached.

DIRECTORS

Since the last Report Mr. Ajay Saraf ceased to be the nominee Director of ICICI Bank Ltd., on withdrawal of the nomination by the Bank with effect from 11th July, 2008. The Board wishes to place on record its sincere appreciation for the valuable services rendered by Mr. Saraf during his tenure as a Director of the Company.

Mr. Srikanth Narayan Menon and Mr. Balaji Swaminathan were appointed as Additional Directors with effect from 29th July, 2008 and 3rd October, 2008 respectively. In terms of Article 120(1) of the Articles of Association of the Company read



with Section 260 of the Companies Act, 1956 Mr. Menon and Mr. Swaminathan hold office upto 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 two Members signifying their intention to propose them respectively for election to the Office of Directors at the ensuing Annual General Meeting.

In accordance with the provisions of the Articles of Association of the Company, Mr. Deepak Khaitan, Mr. Rajeev Takur and Mr. Kamal Kishore Baheti will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

COST AUDIT

The Ministry of Corporate Affairs, Government of India by an Order directed 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. In terms of the said Order, Cost Audit is being conducted by four firms of Cost Accountants appointed with the approval of the Ministry of Corporate Affairs.

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

With 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.20(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, 2009, 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

The Company has a large workforce employed on the tea estates. The welfare and well being of the workers is a matter of high priority to the Company. The Company maintained cordial and harmonious relations with its employees throughout the year.

The Board of Directors wishes to place on record its appreciation for the dedicated services rendered by the workers, staff and executives, at all levels and for the smooth functioning of the estates. The policy of transparency and recognition inspired the employees to contribute their best which is apparent in the growth and satisfactory results of the Company. 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

Place : Kolkata
Date : 3rd June 2009

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



Annexure to the Directors' Report 2008-2009

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 2009.

A. CONSERVATION OF ENERGY

- The Company has been installing various energy efficient machinery in the tea estates. Withering facilities have been enhanced on eight estates. Twelve Rotorvanes, three Rolling tables, seven CTC machines, two CFM's, five VFBD's, four Coal stoves and one Boiler were newly installed in various factories.
- Utilisation of captive generating sets have been rationalized with improved efficiency and lesser consumption of fuel.
- The energy consumption for domestic purposes has been rationalized through creation of awareness and regular monitoring.

B. POWER & FUEL CONSUMPTION

	Year ended 31.03.2009	Year ended 31.03.2008
1. Electricity		
(a) Purchased :		
- Units (Kwh)	53957794	50921450
- Total Amount (Rs.)	312221647	298126366
- Rate / Unit (Rs.)	5.79	5.85
(b) Own Generation :		
Through Diesel Generator		
- Units (Kwh)	14382559	15532910
- Units per Ltr of Diesel Oil	2.94	2.86
- Cost / Unit (Rs.)	11.46	11.17
2. Coal		
- Quantity (Tonnes)	40202	30605
- Total Amount (Rs.)	181335932	93243674
- Average Rate (Rs.)	4510.61	3046.72
3. Furnace Oil		
- Quantity (Litres)	1146025	3989006
- Total Amount (Rs.)	42592505	110287085
- Average Rate (Rs.)	37.17	21.65
4. Total Power and Fuel consumption per unit of production of Tea		
- Saleable Production - Tea (Kgs)	74846606	74381630
- Electricity (Kwh)	0.91	0.89
- Furnace Oil (Litre)	0.02	0.05
- Coal (Kg.)	0.54	0.41
- Others (Rs.)	1.21	1.04

C. RESEARCH AND DEVELOPMENT

The Company continues with the policy of reviewing clonal 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 tea 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 RESEARCH & DEVELOPMENT

	Year ended 31.03.2009	Year ended 31.03.2008
(a) Capital	Nil	Nil
(b) Revenue	82.85	82.75
(c) Total	82.85	82.75
(d) Total R&D Expenditure as % of turnover	0.10	0.13

D. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- The Company undertakes modernization and upgradation of factory on regular basis with improved technology.
- Seminars and group discussions with the feed back from the field workers are regularly held.
- Effective Staff training with the definite approach towards improvement of their efficiency are conducted routinely.
- Innovative achievements of the operating people in the agriculture and manufacture of tea are highly encouraged in the Company's interest.
- The company has installed a state of the art blending unit at Nilpur Division of Pertabghur Tea Estate, which is HACCP certified.

E. FOREIGN EXCHANGE INCOME & OUTGO

During the year the Company's direct exports were 266.38 lakh kg. (2007-08 : 142.84 lakhs kg.) of Tea.

	Year ended 31.03.2009	Year ended 31.03.2008
	Rs. Lakhs	Rs. Lakhs
Foreign Exchange Earnings	30839.63	13810.26
Foreign Exchange Outgo	1122.65	1561.63

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	160.68	B. Com. (Hons.)	18	01.04.2005	41	N. A.
R. Takru	Wholetime Director	69.42	B. A. (Hons.)	34	01.04.2005	54	Eveready Industries India Limited Senior Vice-President
A. Monem	Wholetime Director	60.37	B. Com. (Hons.)	29	01.04.2005	49	Eveready Industries India Limited Senior Vice-President
K.K. Baheti	Wholetime Director	69.43	B. Com. (Hons.) FCA., ACS., GRAD. CWA.	20	01.04.2005	46	Eveready Industries India Limited Vice-President
N.L. Ganguly	Visiting Agent, Margherita	27.98	M.A. (Economics)	35	22.05.1974	59	Eveready Industries India Limited General Manager Margherita
D.K. Sharma	Visiting Agent, Pertabghur	25.26	B.A. (Economics)	35	01.04.1974	59	Eveready Industries India Limited General Manager Addabarie

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 2009.
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.

Place : Kolkata
Date : 3rd June 2009

For and on behalf of the Board

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



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

India is the world's largest black tea producer, producing approximately 980 million kgs during calendar year 2008 which represents 41% of the global black tea production of 2.4 billion kgs. Black tea production during 2008 by major other black tea producers were Kenya (346 million kgs), Sri Lanka (318 million kgs), Indonesia (80 million kgs), Vietnam (140 million kgs), and Bangladesh (59 million kgs).

During 2008, the production of black tea in India and Sri Lanka was higher by 30 million kgs and 15 million kgs respectively. However, Kenya lost approximately 25 million kgs during 2008. Export from India during 2008 was estimated at 190 million kgs. Despite higher production in India, negative carried forward stocks, strong consumption growth in India and higher exports had a positive impact on the prices of tea which went up by Rs. 22 per kg during 2008 as compared to the previous year. Normal increase in wages and substantial increase in all the input cost during the peak season had taken the overall cost higher by Rs. 7/- per kg.

OPPORTUNITIES AND THREATS

India is the largest consumer of tea with estimated annual growth of 3.5% per annum. Domestic consumption is estimated at 850 million kgs during the year 2009. Since no addition to the land under tea cultivation by organized sector has taken place in last 5 years and uprooting and replanting of low yielding section takes 3 – 5 years to materialize, the production in next few years is estimated to be stagnant to very insignificant growth. Global financial crisis had some impact on the demand of orthodox teas by Middle East and CIS countries during the last quarter of 2008. With easing of global liquidity the demand for orthodox teas is expected to increase. Depreciating Rupee during 2008 had a positive impact on exports from India. However any reversal of the trend may impact export realization.

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 increasing energy and other input costs remain the major problems for the Indian Tea Industry.

These problems need to be addressed by improved productivity and energy conservation. The Tea Industry both in Assam and in West Bengal have discussed with the Trade Unions and implemented productivity linked wages for the tea workers with a view to 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 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, some of the State levies like cess on green leaf in Assam and substantial increase in Land Revenue Charges put the industry at a very disadvantageous position.

To mitigate various types of risks that the company has to face, the Board of Directors of the Company has adopted a Risk Management Policy and implemented the same at the Tea Estates and at Head office of the Company. The Company has introduced Hazard Analysis Critical Control Point (HACCP) at all the Tea Factories to ensure better quality product. This process will be completed by 2009.

OUTLOOK

Adverse weather conditions during the first quarter of the calendar year 2009 in almost all the tea producing countries affected the production substantially. The global shortfall in the first quarter is estimated to be over 50 million kgs as compared to last year. Based on estimated production and consumption for 2008, the stock in the Trade at the beginning



of 2009 is estimated to be lower by 25 million kgs as compared to last year. These factors together with continuous strong consumption growth indicate further built up of shortages and should lead to higher prices both in domestic and export markets. The tea price currently ruling is higher by 25% over last year. Due to revision of wages and normal increase in other cost, cost of production is also likely to increase.

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 of 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 steps. 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 has further strengthened the internal control systems.

FINANCE

Net debt as on 31st March 2009 amounted to Rs.385 Crores as compared to Rs. 452 crores as on 31st March 2008. Internal generation has been used to reduce the net borrowing by Rs. 67 crores. Financial ratios are comfortable.

HUMAN RESOURCES

Tea Industry is highly labour intensive. The Company employs around 80,000 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 Tea Estates during the year.

CAUTIONARY STATEMENT

Statements in the Management Discussions 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

Place : Kolkata

Date : 3rd June 2009

A. Khaitan – *Managing Director*

K. K. Baheti – *Wholetime Director*