



McLEOD RUSSEL

Believe in tea

Annual Report **2017-18**
McLeod Russel India Limited



*Brewing Excellence
for Centuries...*



“

Tea is not a mere commodity for us. It is a heritage based on values and culture full of sentiments and commitments.

B M Khaitan
Chairman

”

Corporate Information

BOARD OF DIRECTORS

Mr. Brij Mohan Khaitan
Chairman

Mr. Aditya Khaitan
Vice-Chairman & Managing Director

Mr. Amritanshu Khaitan
Dr. Raghavachari Srinivasan
Mr. Bharat Bajoria
Mr. Ranabir Sen
Mr. Utsav Parekh
Mrs. Ramni Nirula
Mr. Padam Kumar Khaitan

Wholetime Directors

Mr. Rajeev Takru
Mr. Azam Monem

Wholetime Director & CFO

Mr. Kamal Kishore Baheti

COMPANY SECRETARY

Mr. Amitabha Guha Sarkar

BOARD COMMITTEES

Audit Committee

Dr. Raghavachari Srinivasan
Mr. Aditya Khaitan
Mr. Bharat Bajoria
Mr. Ranabir Sen

Nomination & Remuneration Committee

Mr. Bharat Bajoria
Dr. Raghavachari Srinivasan
Mr. Ranabir Sen

Stakeholders' Relationship Committee

Mr. Ranabir Sen
Mr. Bharat Bajoria
Mr. Utsav Parekh

Corporate Social Responsibility Committee

Mr. Rajeev Takru
Mr. Azam Monem
Mr. Kamal Kishore Baheti
Mr. Ranabir Sen

AUDITORS

Deloitte Haskins & Sells LLP
Bengal Intelligent Park,
Building Omega, 13th & 14th Floor,
Block – EP & GP, Sector – V,
Salt Lake Electronics Complex,
Kolkata – 700091.

SOLICITORS

Khaitan & Co. LLP

REGISTERED OFFICE

Four Mangoe lane,
Surendra Mohan Ghosh Sarani,
Kolkata – 700001.
Corporate Identity Number
(CIN): L51109WB1998PLC087076
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2248-9434/35
Fax: (033) 2248-8114/2248-6265
Email: administrator@mcleodrussel.com
Website: www.mcleodrussel.com

BANKERS

Allahabad Bank
Axis Bank Limited
HDFC Bank Limited
ICICI Bank Limited
State Bank of India
UCO Bank
United Bank of India
Yes Bank Limited
RBL Bank Limited

REGISTRAR

Maheshwari Datamatics Pvt. Ltd.
23, R.N. Mukherjee Road,
5th Floor,
Kolkata – 700001
Tel: (033) 2248-2248/2243-5029
Fax: (033) 2248-4787
E-mail: mdpldc@yahoo.com

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Report of the Directors

For the year ended 31st March 2018

Your Directors have pleasure in presenting the Twentieth Annual Report with the Audited Financial Statements of your Company, for the financial year ended 31st March 2018.

REVIEW OF PERFORMANCE

The financial results of the Company for the year ended 31st March 2018 are summarized below:

Rs. In lakhs

	2017-18	2016-17
Revenue from Operations	159634	148540
Other Income	32285	18448
Total Revenue	191919	166988
Profit before Finance Costs, Depreciation, Exceptional Items and Taxation	33684	21508
Less : Finance Costs	17093	12757
Less : Depreciation and Amortization Expenses	8268	8252
Profit before Exceptional Items and Tax	8323	499
Less : Exceptional Items	-	-
Profit before Tax	8323	499
Tax Expense	1597	(2554)
Profit for the year	6726	3053

FINANCIAL PERFORMANCE

The Company registered an improved financial performance during the year under review. The revenue from operation was higher at Rs. 159634 lakhs as compared to Rs. 148540 lakhs in the previous year. The total income during the year stood at Rs. 191919 lakhs which is higher by Rs. 24935 lakhs. The higher income is primarily attributable to higher income from operations and higher dividend income. The profit after tax was Rs. 6726 lakhs as against Rs. 3053 lakhs achieved in the previous year. The profit could have been higher but for substantial increase in employee benefits expense which was higher by Rs.7075 lakhs as also increase in certain other input costs.

TRANSFER TO GENERAL RESERVE

Your Directors decided to transfer Rs.15000 lakhs to the General Reserve from the Retained Earnings of the Company and after such transfer Rs.3618 lakhs will remain in the Retained Earnings of the Company.

DIVIDEND

Your Directors have recommended a dividend of Re. 0.50 per equity share, being 10% on 109455735 fully paid up equity shares of Rs. 5/- each for the year ended 31st March 2018 for your approval.

REVIEW OF OPERATIONS

During the Financial year under review, saleable production of your Company was 888.71 Lakh Kgs tea, as compared to 846.10 Lakh Kgs in the previous year. Favourable weather, with better distribution of rainfall through the year contributed towards a better cropping pattern and ultimately, increased harvests. Pests and disease were better controlled, in spite of the restrictions on use of many key chemicals by the recently imposed Plant Protection Code.

The Uprooting and Replanting Policy of your Company continued to remain in focus and has further improved the percentage of tea under fifty years which is approximately 75% of the area. All tea Estates established good Clonal Tea nurseries with requisite, approved Clonal Blend. The Shade Nurseries are also of a good standard which is a key factor in developing a healthy plantation. The Afforestation programme was enhanced along with creation of new water-bodies, to improve "micro-climate", in select areas which has become essential to counter the effects of climate change.

It has always been Your Company's endeavor to produce Quality teas, which has continued to command a premium both in the domestic and international market. Production of premium Orthodox Teas was increased with an aim to fetch better prices and factory infrastructure and machinery was enhanced to meet

the requirements. As part of a continuous up-gradation and modernization programme of factories, withering capacity was increased on some estates. With positive results from the trial of Continuous Withering Machine undertaken during 2013-14, another such machine was installed. In addition, the factories were provided with additional Rotorvanes, where required, CTC Machines, 65 Khari Sifters, 2 Orthodox ECP Dryers, 3 Milling/Chasing Machines, Coal Stoves and 7 Colour Sorters. To improve quality and grade mix 45 Sorting Machines and 3 De-humidifiers for tea storage bins were installed. In some factories extension of building was undertaken to accommodate additional sorting machinery. To augment the standby generating capacity, 4 Diesel Generating Sets and 15 new transformers were also installed. To facilitate weighing and recording of bought leaf an additional 10 Weighing Machines and 40 Easy Weigh Machines were provided. To improve field operations and overcome the acute shortage of workers, 2300 Plucking Shears and 157 Pruning Machines were made available. With prevailing drought conditions every year, additional irrigation equipment was augmented on 25 Estates along with creation of new Water Bodies. The Transport Fleet was upgraded on Estates with the purchase of 24 new Tractors. Water supply to the residents of the estates was enhanced with the installation of 14 new Water Filtration Units. The increased requirement of Housing and Sanitation infrastructure for our workers and their families are being met under a planned programme and will continue to remain one of our key commitments.

The Company has forty seven ISO 22000 certified Factories. Your Company also has four estates certified as "Fairtrade" and forty five estates certified under "Rainforest Alliance." Our endeavor to have all our factories certified under the new Indian "Trustea" certification is progressing satisfactorily with several factories already certified. We are also in the process of assisting our Bought Leaf Suppliers to be compliant under this certification. Your Company also participates in the Ethical Tea Partnership, a global initiative. We have, over the year, engaged with "UN Women" to build awareness among all levels of our employees on "Violence Against Women." This programme will continue over the next two years. "Community Development Forums" have been set up on some of our estates in partnership with Taylor's of Harrogate and Ethical Tea Partnership to bring about better awareness and improve the livelihood of our workers and their families.

The Company saw a total export quantum of 195.60 lakh Kgs in 2017-18 with an overall turnover of over Rs. 41704 lakhs. Favourable feedback was received from the buyers both in terms of quality and deliveries.

DISPOSAL OF CERTAIN TEA ESTATES

The Board of Directors (the "Board") at its Meeting held on 30th May, 2018, after considering all relevant factors, has decided to dispose of certain tea estates to achieve rationalization with the objective to optimize the operational performance by way of bringing balance amongst the Company's own production, production using bought leaf procured from small growers and the teas produced by the overseas subsidiaries of the Company. For this purpose, the Board has formed a Committee authorizing it to identify the tea estates and carry out the process of disposal. The Board decided to utilize the sale proceeds in repayment of certain high cost debts, for buying back Company's own shares to the tune not exceeding Rs. 100 Crores being below 10% of the Paid up capital and free reserves of the Company and making investment for diversification into packet tea business for which the Company has already agreed in principle to join hands with Eveready Industries India Limited for developing packet tea business through a third entity. Earlier, during the year under review, the Company, subject to the approval of the Government of West Bengal, sold Bhatpara Tea Estate, a loss making unit in Dooars.

BUY BACK OF SHARES

The Board at its Meeting held on 30th May, 2018 decided for buying back shares of the Company for an amount not exceeding Rs. 100 Crores at a maximum price of Rs. 210 per share from the existing shareholders from the open market through the stock exchanges. The Promoters of the Company will not participate in the proposed buy back of shares. The Board feels that the buy back would reduce the outstanding number of equity shares and consequently increase Earnings Per Share over a period of time, enable effective utilisation of available cash and improve key return ratios. The Company believes that the buy-back will create long term shareholder value for the continuing shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of requirements of Regulation 34(2)(e) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), a Management Discussion and Analysis Report is attached as Annexure - I forming part of this Report.

Report of the Directors (Contd.)

REPORT ON CORPORATE GOVERNANCE

In terms of requirements of Regulation 34(3) of the Listing Regulations, a Report on Corporate Governance together with the Auditors' Certificate regarding Compliance of Conditions of Corporate Governance are attached as Annexure II and Annexure III respectively, forming part of this Report.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has one wholly owned subsidiary namely, Borelli Tea Holdings Limited, U.K. (Borelli) and six step down Subsidiaries. Borelli is inter alia engaged in the business of investing funds in various companies engaged in tea production, blending and marketing activities. As at the end of the year on 31st March 2018 Borelli had the following Subsidiaries in different countries:-

- (i) Phu Ben Tea Company Limited, Vietnam –controlling stake of Borelli being 100%
- (ii) McLeod Russel Uganda Limited – controlling stake of Borelli being 100%
- (iii) Gisovu Tea Company Limited, Rwanda – controlling stake of Borelli being 60%
- (iv) McLeod Russel Middle East DMCC, UAE – controlling stake of Borelli being 100%
- (v) McLeod Russel Africa Limited, Kenya – controlling Stake of Borelli being 100%
- (vi) Pfunda Tea Company Limited, Rwanda – controlling stake of Borelli being 90%

The performances of the Subsidiaries are summarised below for your information.

As required under Section 129 (3) of the Companies Act, 2013 and Regulation 33 and 34(2)(b) of the Listing Regulations, Consolidated Financial Statements of the Company and its seven Subsidiaries prepared in accordance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India are appended in the Annual Report. Investments made in D1 Williamson Magor Bio Fuel Limited, an Associate Company, have been fully provided for in the Accounts of the earlier years and as such the Financial Statements of the said Company have not been considered for consolidation.

A statement containing the salient features of the financial statements of the Company's seven Subsidiaries and the Associate Company pursuant to the first proviso to sub-section (3) of Section 129 of the Companies Act, 2013 prepared in Form AOC-1 is attached to the financial statements of the Company for your information.

The Company has formulated a Policy for determining "Material Subsidiary" and the same is disclosed on the website of the Company and can be accessed at: <http://www.mcleodrussel.com/investors/policies.aspx>

BORELLI TEA HOLDINGS LIMITED

Borelli Tea Holdings Limited ('Borelli') has invested in its subsidiaries in Vietnam, Uganda, Rwanda, Dubai and Kenya. During the year under review, Borelli earned a profit after tax equivalent to Indian Rs.26326.61 lakhs which includes a profit of Rs.19881.74 lakhs on sale of a part of its long-term investments and paid interim dividends equivalent to Indian Rs.15395.43 lakhs. The Board of Directors of Borelli has recommended payment of final dividend at the rate of 200%, being 2 GBP per share on its equity capital entirely held by your Company.

PHU BEN TEA COMPANY LIMITED (PBTCL)

The Company produced 73.9 lakh kgs in 2017 as compared to 84.30 lakh kgs in 2016. Sales quantity in 2017 was 74.3 lakh kgs compared to 68.6 lakh kgs for 2016. Inclement weather conditions hampered harvests and production during the peak production months. Cyclones, storms, heavy rainfall and flooding disrupted operations and also damaged some plantation areas and infrastructure. The Company incurred a loss equivalent to Rs.1397 lakh during the year 2017 as compared to a loss of Rs.1708 lakh incurred during the year 2016.

The diversified range of Phu Ben's products including Black CTC, Green CTC, Green Orthodox & Black Orthodox teas, have contributed to our presence in the market positively and our teas are well sought after. The Company continues to lay stress on quality control in both field and factory and adheres to GAP for plantation activities, along with IPM for pest control.

All Phu Ben estates and factories including Tai Trung and Ngoc Hai are accredited ISO 9000: 2008 and ISO 22000: 2005, GMP & Halal and are also Rainforest Alliance certified.

McLEOD RUSSEL UGANDA LIMITED (MRUL)

The operating results and the profitability of McLeod Russel Uganda Limited (MRUL) received a new height in 2017 due to increased sale price.

The company earned a post-tax profit equivalent to Indian Rs.7544 Lakh in the year 2017 compared to a profit of Rs.5646 Lakhs in 2016. The sale price of MRUL teas improved in 2017 compared to 2016 and the cost of production was controlled resulting in higher profits during the year.

During the year 2016, MRUL manufactured 166.7 lakh kgs (2016 – 173.1 lakh kgs), a reduction of approximately 4% due to drought weather experienced in tea growing areas of Africa. The decrease in production in company's own crop was 12.6 lakh kgs which was in the first half of the year. However there has been increase in tea produced from out-growers' leaf by 6.2 lakh kgs.

MRUL paid an interim dividend equivalent to Rs.3561 Lakh for the year 2017 (2016 – Rs.3092 Lakh).

The company has expanded its production capacity at Ankole Tea Estate by 1.5 million kg per annum during the year which will be used in processing increasing volume of green leaf from out growers. The factory has successfully installed Continuous Withering Machine which will give consistent wither and is cost effective process. It has commenced setting up a new factory at Kisaru Tea Estate to process additional volume of leaf.

There has been continuous effort to enhance the quality of tea by improved plucking technique and it has paid result in terms of better sale price, especially at Bugambe Tea Estate. The company has received prestigious President's Exporter award of the year for two years in succession.

Development of Sports Activity is the key focus for the company and it has been holding inter estate soccer tournament with active participation of the employees. This has resulted in improvement in the moral and has contributed in improved human productivity.

GISOVU TEA COMPANY LIMITED (GTCL)

There has been record production of crop in the year 2017 at 27.4 lakh kgs as against 24.1 lakh kgs in 2016 registering an increase of 14%. The sale price of tea also improved during the year. The cost of sales for the year 2017 was at USD 2.40 per kg as compared to USD 2.31 per kg in the previous year.

The above factors have resulted in a very impressive profit after tax at Rs.2371 Lakh in 2017 as compared to Rs.1229 Lakh in 2016. The company had declared dividend of Rs.1359 Lakh in the year 2017 as compared to Rs.713 Lakh in the previous year.

The strength of the company is to produce high quality tea in Rwanda and it maintained its lead during the year in terms of highest sale price even with increased volume of crop.

The company has received the charge of development of about 61 Hect of land given on short term renewable lease by local government. The estate is developing it on a fast pace.

The company has focused its CSR activities in terms of providing improved housing and drinking water to neighbouring villages. This has gathered the momentum during the year and has completed 10 houses and one water project.

McLEOD RUSSEL MIDDLE EAST DMCC (MRME)

MRME maintained its performance with a post tax profit of Rs.131 Lakh (2016 – Rs.127 Lakh). The total revenue of the company has been Rs 2438 Lakh (2016 – Rs.2123 Lakh) The company purchased 15.75 lakh kgs of tea compared to 13.33 lakh kgs in 2016. It sold 16.12 lakh kgs of tea compared to 13.87 lakh kgs in previous year.

McLEOD RUSSEL AFRICA LIMITED (MRAL)

There had been decline in the volume of business in MRAL during 2017 due to less crop produced in Kenya. The company had purchased and sold 22 lakh kgs of tea in 2017 compared to 37 lakh kgs in 2016. The low volume of business had resulted in a net loss of Rs.67 Lakh in 2017 as compared to net profit of Rs.16 lakh in previous year. The business outlook for the year 2018 has brightened and increased volume has been experienced in the quarter ended 31st March 2018.

PFUNDA TEA COMPANY LIMITED (PTCL)

The production of tea in 2017 was less at 24.7 lakh kgs as compared to 25.4 lakh kgs in previous year. However, improved sale price in 2017 has helped in enhancing post tax profit equivalent to Rs.1415 Lakh as compared to Rs.661 Lakh in 2016. The cost of sales at USD 2.08 in 2017 is marginally higher than previous year. The company declared a dividend of Rs.679 Lakh in 2017 (2016 –Rs.238 Lakh).

Report of the Directors (Contd.)

The company has a young tea plantation on about 254 hectare of land which is expected to enhance the volume of crop and bring in new character to the present tea due to its high elevation. The estate has been undertaking necessary upkeep and consolidation of the area where harvesting is expected to commence in a couple of years.

The company has developed one basketball court under CSR to enhance the sporting events in the estate.

CORPORATE SOCIAL RESPONSIBILITY

The philosophy of your Company towards fair governance going hand-in hand with social responsibilities is deeply embedded in its day to day working. The Company has, over the years, successfully formulated a methodology aimed towards improving the life of the people and the environment, which surround the units of the Company and thereby enriching the society.

In terms of Section 135 (5) of the Companies Act, 2013, certain class of companies are required to spend at least 2% of Average Net Profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. Although your Company did not have Average Net Profit during the above period computed in terms of Section 198 of the Act, still like earlier years, it continued with its welfare activities for development in the field of education, culture and other welfare measures to create livelihood and improve the general standard of living in and around the Tea Estates of the Company and other areas where it operates. The details of the said projects pursued by the Company are given in Annexure IV in the form prescribed under the Companies (Corporate Social Responsibility) Rules, 2014.

In addition to the above, like the earlier years, the Company was also associated with various other Social Welfare activities which include the following:

- Facilitating Cataract Operation Camps in association with Shankardev Netralaya where good number of patients has undergone successful eye surgeries.
- Supported Moran Blind School like earlier years.
- Associated with Williamson Magor Education Trust in awarding the Assam Valley Literary Award which was conferred on this year to three eminent persons of the literary world of Assam, namely, poet Shri

Sananta Tanti, novelists Shri Yeshe Dorjee Thongchi and Dr. Rita Chowdhury.

- Involved in preservation of ecosystem and natural habitats.
- Supporting heritage conservation.

The Company has a CSR Committee and adopted a CSR Policy which can be accessed at <http://www.mcleodrusel.com/investor/policies.aspx>. The Corporate Social Responsibility Committee of the Board as on 31st March, 2018 consisted of 3 Executive Directors, namely, Mr. R. Takru, Mr. A. Monem, Mr. K. K. Baheti and Mr. R. Sen, an Independent Director. Mr. R. Takru is the Chairman of the CSR Committee.

BUSINESS RESPONSIBILITY REPORT

In compliance with Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report of the Company for the year ended 31st March, 2018 is attached as Annexure V and forms a part of the Directors' Report.

DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of the Listing Regulations, the Company has formulated a Dividend Distribution Policy and the same is annexed herewith as Annexure VI. The Policy is hosted on the website of the Company and can be viewed at <http://www.mcleodrusel.com/investor/policies.aspx>.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board acknowledges the responsibility for ensuring compliance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013 for the year ended 31st March 2018 and state that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed with no material departure.
- (b) 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 and loss of the Company for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies

Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS & KEY MANAGERIAL PERSONNEL

Since the last Report there has been no change in the Board of Directors. In accordance with the provisions of the Articles of Association of the Company read with Section 152 of the Companies Act, 2013, Mr. Amritanshu Khaitan and Mr. Azam Monem will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

In terms of Regulation 17(1A) of Listing Regulations as inserted by the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, which is effective from 1st April 2019, the continuation of the directorship of Mr. B. M. Khaitan and Dr. R. Srinivasan, who have already attained the age of 75 years is recommended for the approval of the Members by way of Special Resolutions at the forthcoming Annual General Meeting.

During the year, the Company had five Key Managerial Personnel, being Mr. Aditya Khaitan, Vice-Chairman and Managing Director, Mr. R. Takru, Wholetime Director, Mr. A. Monem, Wholetime Director, Mr. K. K. Baheti, Wholetime Director and CFO and Mr. A. Guha Sarkar, Company Secretary.

The Independent Directors have submitted their disclosures to the Board that they meet the criteria as stipulated in Section 149(6) of the Companies Act, 2013.

The Board met four times during the year on 30th May 2017, 8th August 2017, 10th November 2017 and 5th February 2018. The intervening gap between any two Board Meetings was within the period prescribed by the Companies Act, 2013.

The Company has adopted a Familiarization Programme for Independent Directors and the same is disclosed on the website of the Company and can be accessed at <http://www.mcleodrussel.com/investors/policies.aspx>.

SEPARATE MEETING OF INDEPENDENT DIRECTORS

In terms of requirement of Schedule IV to the Companies Act, 2013, the Independent Directors had a separate meeting on 30th March 2018 without the attendance of non-independent Directors and members of management. All the Independent Directors were present at the said meeting. The activities prescribed in paragraph VII of Schedule IV to the Act were carried out at the said meeting.

BOARD EVALUATION

The Securities Exchange Board of India (SEBI) vide its circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated 5th January 2017 had issued a guidance note on Board Evaluation which inter alia contains indicative criterion for evaluation of the Board of Directors, its Committees and the individual members of the Board.

The Board of Directors at its Meeting held on 30th March, 2017 had considered and adopted the indicative criterion for evaluation of the Board of Directors, the Committees of the Board and the individual directors as enumerated in the said Circular and amended the Board evaluation framework accordingly.

Pursuant to the new Evaluation Framework adopted by the Board, the Board evaluated the performance of the Board, its Committees and the Individual Directors for the financial year 2017-18. After the evaluation process was complete, the Board was of the view that the performance of the Board as a whole was adequate and fulfilled the parameters stipulated in the evaluation framework in its pro-growth activity and facing challenging operational, climatic and economic adversities during the year. The Board also ensured that the Committees functioned adequately and independently in terms of the requirements of the Companies Act, 2013 and the Listing Regulations and at the same time supported as well as coordinated with the Board to help in its decision making. The individual Directors' performance was also evaluated and the Board was of the view that the Directors fulfilled their applicable responsibilities and duties as laid down by the Listing Regulations and the Companies Act, 2013 and at the same time contributed with their valuable knowledge, experience and expertise to grab the

Report of the Directors (Contd.)

opportunity and counter the adverse challenges faced by the Company during the year.

AUDIT COMMITTEE

The Audit Committee of the Board as on 31st March 2018 consisted of Dr. R. Srinivasan, Mr. B. Bajoria, Mr. R. Sen and Mr. Aditya Khaitan. Dr. R. Srinivasan, a Non-Executive Independent Director, is the Chairman of the Audit Committee.

The Company has established a Vigil Mechanism/ Whistle Blower Policy and oversees through the Audit Committee, the genuine concerns, if any, expressed by the employees and the Directors. The Company has also made provisions for adequate safeguards against victimization of employees, Directors or any other person who express their concerns. The Company has also provided direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The Vigil Mechanism / Whistle Blower Policy of the Company has been uploaded on the website of the Company and can be accessed at <http://www.mcleodrussel.com/investors/policies.aspx>.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board as on 31st March 2018 comprised Mr. B. Bajoria, a Non-Executive Independent Director, as its Chairman and Dr. R. Srinivasan and Mr. R. Sen, Non-Executive Independent Directors as its Members.

The Company's Policy relating to appointment of Directors, payment of managerial remuneration, Directors' qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013 and Regulation 19 of the Listing Regulations is attached to this report as Annexure VII.

LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The particulars of loans, guarantee or investment made under Section 186 of the Companies Act, 2013 are furnished in the Notes to the Financial Statements for the year ended 31st March 2018.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

The Related Party Transactions entered into by the Company during the year under review were on arm's length basis in the ordinary course of business for mutual benefits. There was no contract, arrangement or transaction with Related Parties which could be considered as material and which may have a potential conflict with the interest of the Company. The Company has formulated a Related Party Transaction Policy and the same is disclosed on the website of the Company and can be accessed at <http://www.mcleodrussel.com/investors/policies.aspx>.

DEPOSITS

The Company has neither accepted nor renewed any deposits during the year under review.

GOING CONCERN STATUS

No significant and material orders have been passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operation in the future.

MATERIAL CHANGES AFTER END OF THE FINANCIAL YEAR

Except as disclosed elsewhere in this Annual Report, no material changes and commitments which could affect the financial position of the Company, have occurred between the end of the last financial year and the date of this Annual Report.

DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

Financial statements (i.e. Balance Sheet, Profit & Loss Statement and Cash-Flow Statement, together with notes) are prepared through the process which has automated as well as manual controls to ensure accuracy of recording all transactions which have taken place during any accounting period, and the resultant financial position at period end. All data pertaining to payroll, purchases, agricultural activities, plucking, manufacturing, dispatch, selling and other activities are recorded through ERP systems operating in tea estates as well as head office. All data/transactions entered in systems are checked by