



**McLEOD RUSSEL**

*Believe in tea*

McLeod Russel India Limited

Annual Report  
2019 - 20

# Corporate Information

## BOARD OF DIRECTORS

Mr. Aditya Khaitan  
*Chairman & Managing Director*

Mr. Amritanshu Khaitan

## Independent Directors

Mrs. Arundhuti Dhar  
(w.e.f. 30.05.2019)

Mr. Suman Bhowmik  
(w.e.f. 19.07.2019)

Mr. Raj Vardhan  
(w.e.f. 19.07.2019)

Mr. Ranabir Sen  
(up to 19.07.2019)

Dr. Raghavachari Srinivasan  
(up to 19.07.2019)

Mr. Utsav Parekh  
(up to 30.05.2019)

Mrs. Ramni Nirula  
(up to 30.05.2019)

Mr. Ashok Bhandari  
(up to 29.04.2019)

Mr. Jyoti Ghosh  
(up to 10.05.2019)

## Wholetime Directors

Mr. Rajeev Takru  
(up to 09.09.2019)

Mr. Azam Monem

## Wholetime Director & CFO

Mr. Kamal Kishore Baheti  
(up to 19.07.2019)

## Chief Financial Officer

Mr. Pradip Bhar  
(w.e.f. 19.07.2019)

## COMPANY SECRETARY

Mr. Debanjan Sarkar  
(upto 24.01.2020)

Mr. Alok Kumar Samant  
(w.e.f. 19.06.2020)

## BOARD COMMITTEES

### Audit Committee

Mrs. Arundhuti Dhar  
Mr. Suman Bhowmik  
Mr. Aditya Khaitan  
Mr. Raj Vardhan

### Nomination & Remuneration Committee

Mrs. Arundhuti Dhar  
Mr. Suman Bhowmik  
Mr. Amritanshu Khaitan

### Stakeholders' Relationship Committee

Mrs. Arundhuti Dhar  
Mr. Suman Bhowmik  
Mr. Azam Monem

### Corporate Social Responsibility Committee

Mr. Azam Monem  
Mrs. Arundhuti Dhar  
Mr. Aditya Khaitan

### Auditors

Lodha & Co.  
14, Government Place East  
Kolkata 700069

## Solicitors

Khaitan & Co. LLP

## REGISTERED OFFICE

Four Mangoe Lane  
Surendra Mohan Ghosh Sarani  
Kolkata – 700001

Corporate Identity Number  
CIN: L51109WB1998PLC087076  
Phone No (033) 2210-1221/2243-5391/  
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  
Standard Chartered Bank  
IndusInd Bank

## REGISTRAR

Maheshwari Datamatics Pvt.Ltd.  
23, R.N. Mukherjee Road  
5th Floor, Kolkata 700001  
Tel: (033) 2248-2248/2243-5029  
(033) 2231-6839  
Fax: (033) 2248-4787  
E-mail: mdpldc@yahoo.com

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## Report of the Directors

For the year ended 31st March 2020

Your Directors have pleasure in presenting the Twenty-second Annual Report with the Audited Financial Statements of your Company, for the financial year ended 31 March 2020.

### REVIEW OF PERFORMANCE

The financial results of the Company for the year ended 31 March 2020 are summarized below:

Rs in lakhs

	2019-20	2018-19
Revenue from Operations	85640	131319
Other Income	9347	31212
Total Revenue	94987	162531
Profit before Finance Costs, Depreciation, Exceptional Items and Taxation	13121	21546
Less : Finance Costs	21441	32665
Less : Depreciation and Amortization Expenses	6247	6922
Profit/(Loss) before Exceptional Items and Tax	(14567)	(18041)
Add : Exceptional Items	11769	18041
Profit before Tax	(2798)	-
Tax Expense	(4026)	442
Profit/(Loss) for the year	1228	(442)

### FINANCIAL PERFORMANCE

The year that we have left behind was not a very favourable year to the Company. With the reduced number of tea estates, the operational turnover of the Company was lower at Rs. 85640 lakhs against Rs. 130992 lakhs in the earlier year. The Company made a profit of Rs. 4004 lakhs from sale of tea estates and received Rs. 8003 lakhs from buy back of Shares by its overseas Subsidiary. The Company also earned a sum of Rs. 6670 lakhs as dividend from its overseas subsidiary during the year. With the help of the aforesaid income, the Company managed to earn a post-tax profit of Rs. 1228 lakhs in the year under review as against a loss of Rs.442 lakhs in the earlier year despite steep rise in costs of various inputs with no proportionate rise in sale price.

During the year the Company was not able to meet terms of facilities/loans availed from various Lenders. The Company is in discussion with the Lenders for restructuring/change in terms of the loans. Accordingly the Lenders have appointed independent professionals for carrying out Techno Economic Viability Study (TEV), valuation of business and forensic audit. Further a leading investment banker has been appointed by the Lenders to recommend a draft Debt Resolution Plan, which is pending before the Lenders for their consideration and decision.

### TRANSFER TO GENERAL RESERVE

The Board has decided not to transfer any amount to the General Reserve for the year ended 31st March 2020.

### DIVIDEND

In view of inadequate profit earned by the Company during the

year under review, the Board decided to not to recommend any dividend for the year ended 31st March 2020.

### REVIEW OF OPERATIONS

During the Financial year under review, saleable production of your Company was Rs. 419 Lakh Kgs tea, as compared to 718 Lakh Kgs in the previous year. Abnormal rainfall pattern and overcast conditions upto July 2019 resulted in a subdued growth. Inclement weather, coupled with lack of timely inputs of fertilizer due to non-availability of working capital resulted in a drop in harvest in comparison to the previous year. A better standard of Pest Management was achieved and only the chemicals, as permitted under the Plant Protection Code were sprayed.

Improvement in plucking standards remained a priority and quality of leaf harvested improved considerably, resulting in a better quality of teas produced. 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 now over 75% of the area. "Integrated Pest Management" practice followed was very effective resulting in improved pest control and reduced cost. A high standard of Clonal Tea nurseries with requisite, approved Clonal Blend was established on all estates. The Shade Nurseries are also of a good standard which is a key factor in developing a healthy plantation. The Afforestation program continues to be enhanced along with creation of new water-bodies, to improve the "micro-climate", in selected 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 continued to command a premium both in the domestic and international markets. Production of premium Orthodox Teas was increased with an aim to optimize the product-mix and thereby fetch even better prices. Factory infrastructure and machinery was enhanced, accordingly, to meet the requirements. Two additional Color Sorters were provided in the factories to improve the process of Orthodox Tea manufacture. To improve field operations and overcome the acute shortage of workers, Plucking Shears were made available. Face recognition system for recording attendance was undertaken on thirteen estates to improve on attendance of workers.

The Company has thirty one ISO 22000:2005 certified Factories which are in the process of upgradation to ISO 22000:2018. Your Company also has three estates certified as "Fairtrade" and twenty nine estates certified under "Rainforest Alliance." All our factories are certified under the "Trustea" certification. 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 forum for international buyers and producers to promote sustainable practices jointly. Due to such initiatives we have, over the last three years, engaged with "UN Women" to build awareness among all levels of our employees on "Violence Against Women and Girls," and have also set up "Community Development Forums" on some of our estates, which are functioning well. These were initiated 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.

On declaration of a nationwide lockdown, operations on the plantations came to a halt from 24th March 2020 until we reopened again in the middle of April 2020.

The Company has exported 97.52 lakh Kgs of Tea in 2019-20 with an export turnover of Rs. 23453.87 lakhs. Favorable feedback was received from the buyers both in terms of quality and deliveries, where your Company continues to be the leading producer exporter of tea from India.

#### SALE OF ASSETS OF TEA ESTATES

The Board of Directors at its meeting held on 30th May 2018 had decided to dispose off certain Tea Estates or assets thereof 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 and the teas produced by the overseas subsidiaries of the Company.

In line with the decision, the Company also obtained the approval of the shareholders under Section 180(1)(a) of the Companies Act, 2013, by way of a Special Resolution passed at the 20th Annual General Meeting of the Company held on 9th August 2018 authorizing the Board for selling, leasing, or otherwise disposing off certain Tea Estates of the Company or the assets thereof having value not exceeding 35% of the value of the Undertaking of the Company. In line with the aforesaid decision, the Company sold assets of 14 Tea Estates in Assam and 2 in Dooars for an aggregate consideration of Rs. 61491 lakhs within the Financial Year ended

31st March 2019. Subsequent to this the Company sold the assets of 3 more Tea Estates during the year ended 31 March 2020 for a total consideration of Rs. 15045 lakhs. The Company also entered into a Memorandum of Understanding for sale of assets of yet another Tea Estate in Assam for a consideration of Rs. 2815 Lakhs but the sale could not be completed. The amounts received from the buyers of the aforesaid assets have been used for repayment of certain high cost debts, in buying back the shares of the Company from the open market, supporting the operations of the Company and other miscellaneous purposes.

#### IMPACT OF THE COVID-19 PANDEMIC ON THE COMPANY

The pandemic is the most defining global crisis in living memory. The virus was declared a global pandemic by the World Health Organisation (WHO) in March 2020. The Indian government implemented a national lockdown in late March 2020, which covered the comprehensive closure of offices, factories and public places.

The Company have taken a series of measures in view of the COVID-19 pandemic to ensure safety and health of all our employees, workers etc., and to ensure compliance with various directives being issued by the WHO, Central Government, State Government and Local Authorities from time to time.

The Company, being a part of the Tea Industry, suffered crop loss in its estates in Assam and West Bengal in the initial period of financial year 2020-21 on account of the nationwide lockdown. This had resulted in an adverse impact on revenue. With the easing of lock down, the Company has started operations at Tea Estates. We estimate that with the rolling back of economy on its track, business of the Company will be in motion.

For the employees at Kolkata and Guwahati, the Company has adopted work from home policy during the entire duration of the lockdown, and Employees who are attending the office for certain critical tasks, have been advised to follow all safety precautions like mandatory wearing of mask, use of hand sanitizer, social distancing, non-use of air conditioners etc. Primary Crisis Management Team and Line Level Crisis Management Team were formed in Assam and West Bengal tea estates to monitor the situation. Isolation wards were set up on each tea estate for migrant workers returning back. Awareness programmes were conducted on the tea estates. A Primary Crisis Management Team was formed at Head Office at Kolkata and standard protocol guidelines for precautions to be followed at work for Covid-19 management was circulated to all employees. Safety precautions are being followed at all locations.

#### 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 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 four 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 2020 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) McLeod Russel Middle East DMCC, UAE – controlling stake of Borelli being 100%
- (iv) McLeod Russel Africa Limited, Kenya – controlling Stake of Borelli being 100%

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 Profit & Loss Statement of the Company and its five subsidiaries and the Consolidated Balance Sheet of the Company and its five subsidiaries prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standard) Rules 2015 as amended ("IND AS") 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 Five 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.

In terms of Regulation 34(2)(a) of the Listing Regulations, Statements on impact of Audit Qualifications as stipulated in Regulation 33(3)(d) of the Listing Regulations are appended in the Annual Report.

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, Dubai and Kenya. During the year under review, Borelli earned a profit after tax equivalent to Indian Rs. 3219 lakhs which included a profit of Rs. 671 Lakhs on sale of remaining 45% of its holding in Pfunda and Rs 1549 Lakhs on

sale of the Treasury Shares it held in McLeod Russel India Limited. The remaining equity stake of Borelli in Pfunda was sold in April 2019 for a consideration of USD 78,76,694. During the year Borelli paid dividend equivalent to Indian Rs. 6670 lakhs. The Board of Directors of Borelli has recommended payment of final dividend of 2 GBP per share on its equity capital entirely held by your Company.

During the year Borelli bought back 110000 of its own shares held by your company at a price of GBP 155 per share. After such buy back the share capital of Borelli has reduced to GBP 252000 divided into 252000 shares of GBP 1 each entirely held by your Company.

### PHU BEN TEA COMPANY LIMITED (PBT)

PBT is a fully owned subsidiary of Borelli Tea Holdings Limited. It prepares its accounts on calendar year wise. During the year 2019, the company incurred loss (both pre-tax and post-tax) of USD 0.96 million as against loss (both pre-tax and post-tax) of USD 2.29 million in year 2018. During the year 2019 PBT manufactured 7.20 million kg of tea (2018 – 8.76 million kg).

During the year 2019, PBT sold 7.22 million kg tea (2018 -7.41 million kg). Average selling price per kg during 2019 was USD 1.50 (2018 – 1.49). Closing Stock of tea as at 31.12.2019 was 6.11 Million kg (31.12.2018 – 6.13 million kg).

In order to improve PBT's profitability going ahead, many measures are being taken. These include widening the Customer base to reach out to new markets, Cost reductions in fixed overheads, optimisation of Purchase-price of raw material (green leaf) in order to improve quality of green-leaf, reduction of Transport and warehousing-cost by improvements in logistics management, improved Forex-management, reduction in cost of power and fuel by improving the operating efficiencies in factories.

All efforts are being made to ensure that Phu Ben does not incur cash-loss, and makes some cash-profit in year 2020.

### MCLEOD RUSSEL UGANDA LIMITED (MRUL)

MRUL is a wholly owned subsidiary of Borelli and its primary business is cultivation and manufacture of tea. During the year 2019, MRUL's performance has been somewhat average due to reduction in sale price by USD 0.46 per kg caused by excessive crop in Kenya. During the year 2019, MRUL's total comprehensive loss is USD 1.79 million as against the total comprehensive profit of USD 2.38 million in year 2018.

During the year 2019, MRUL manufactured 19.94 million kgs (2018 – 17.72 million kgs), an increase of approximately 12%.

The sale price during the year 2019 has declined to USD\$ 1.13 per kg as compared to USD\$ 1.59 in previous year registering reduction of USD 0.46 per kg.

### MCLEOD RUSSEL MIDDLE EAST - DMCC (MRME)

During the year 2019, MRME's total comprehensive income is USD 124785 as compared to USD 170690 in year 2018.

### MCLEOD RUSSEL AFRICA LIMITED (MRAL)

During the year 2019, MRAL's total comprehensive loss is USD 66650 as compared to USD 59505 in year 2018.



**PFUNDA TEA COMPANY LIMITED**

During the year Borelli Tea Holdings sold its remaining 45% of its holding in Pfunda Tea Company in April 2019 to Rwanda Tea Investments Limited for a consideration of USD 82,60,601.

**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 improve the general standard of living in and around the Tea Estates of the Company and other areas where it operates. A report on CSR activities voluntarily undertaken by the Company during the year is attached as Annexure X.

The Company has a CSR Committee and adopted a CSR Policy which can be accessed at <http://www.mcleodrussel.com/investors/policies.aspx>. The Corporate Social Responsibility Committee of the Board as on 31st March, 2020 consisted of 2 Executive Directors, namely, Mr. Aditya Khaitan, Mr. Azam Monem and Mrs. Arundhuti Dhar, an Independent Director. Mr. Azam Monem is the Chairman of the CSR Committee.

**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 IV. The Policy is hosted on the website of the Company and can be viewed at <http://www.mcleodrussel.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 2020 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 were operating effectively and subject to continuous improvement.
- (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**

The Board of Directors of the Company as on 31st March 2020 comprised of 6(six) Directors of whom 3(three) were Independent Directors including one woman Director.

During the year Dr. Raghavachari Srinivasan and Mr. Ranabir Sen, Independent Directors resigned from the Board with effect from 19th July 2019 and Mr. Suman Bhowmik and Mr. Raj Vardhan were appointed as Independent Directors with effect from 19th July 2019. Mr. Kamal Kishore Baheti Whole time Director also resigned from the Board with effect from 19th July 2019. Mr. Rajeev Takru, retired by rotation at the Annual General Meeting held on 9th September 2019 but did not seek re-appointment.

The Board wishes to place on record its sincere appreciation for the valuable services rendered by Dr. Raghavachari Srinivasan, Mr. Ranabir Sen, Mr. Kamal Kishore Baheti and Mr. Rajeev Takru during their association with the Company as Directors.

In accordance with the provisions of the Articles of Association of the Company read with Section 152 of the Company Act, 2013, Mr. Amritanshu Khaitan will retire by rotation at the forthcoming Annual General Meeting. Mr. Khaitan however is offering himself for reappointment.

A certificate of Non-Disqualification of Directors furnished by M/s. A.K. Labh & Co., Company Secretaries as required under Regulation 34(3) read with Schedule V Para C sub-clause 10(i) of SEBI (LODR) Regulations, 2015 is attached as Annexure-XI.

During the year Mr. Pradip Bhar was appointed as the Chief Financial Officer (CFO) of the Company with effect from 19th July 2019 and Mr. Debanjan Sarkar resigned as the Company Secretary of the Company with effect from 24th January 2020. Mr. Alok Kumar Samant has been appointed as the Company Secretary of the Company, w.e.f. 19th June 2020.

During the year, the Company had 4 Key Managerial Personnel, being Mr. Aditya Khaitan, Chairman and Managing Director, Mr. Azam Monem, Wholetime Director, Mr. Pradip Bhar, CFO and Mr. Debanjan Sarkar (till 24th January 2020).

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 seven times during the year on 30th May 2019, 29th June 2019, 19th July 2019, 14th August 2019, 9th September 2019, 14th November 2019 and 13th February 2020. 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 3rd March 2020 without the attendance of non-independent Directors and members of management. All 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 2019-20.

## AUDIT COMMITTEE

The Audit Committee of the Board as on 31st March 2020 consisted of Mrs. Arundhuti Dhar, Mr. Suman Bhowmik, Mr. Raj Vardhan, Independent Directors and Mr. Aditya Khaitan (Executive Director). Mrs. Arundhuti Dhar, a Non-Executive Independent Director is the Chairperson 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 2020 comprised of Mrs. Arundhuti Dhar, Mr. Suman Bhowmik, Non-Executive Independent Directors and Mr.

Amritanshu Khaitan, a Non-Executive Director as its Members. Mrs. Arundhuti Dhar was the Chairperson of the Nomination and Remuneration Committee.

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-V.

## 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 Note 50 to the Financial Statements for the year ended 31st March 2020.

## 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

During the year under review, there were no significant or material order passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

However, in the matter of Arbitration between Aditya Birla Finance Limited (ABFL) vs McNally Bharat Engineering Company Limited (MBECL) and others, the Sole Arbitrator, passed an Interim Order on 30th June 2020 upon the Company to perform obligations under the Put Option Agreement dated 24th March 2018. The Company had filed an application challenging the award which is presently pending adjudication before the Hon'ble Calcutta High Court. The stay granted by Hon'ble Calcutta High Court was subject to deposit of Rs.40 crores approx. Against the order, the Company preferred an appeal before the Hon'ble Supreme Court of India on the ground that it simply provided a Letter of Comfort. The Supreme Court on perusing the appeal passed an order of status quo in the matter.

Members' attention is also invited to Notes on Contingent Liabilities, in the notes forming part of the Financial Statements.

## MATERIAL CHANGES AFTER END OF THE FINANCIAL YEAR

Except as disclosed below and 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 except the effect of the Covid -19 pandemic.

#### 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 various functional personnel on the basis of supporting documents & records, then the accounting entries are checked by accounts personnel and finally those are validated by managerial personnel.

At periodic intervals, the accounting data are compiled, and financial statements are prepared. While preparing the financial statements, it is ensured that all transactions pertaining to the accounting period are recorded. Fixed assets, stock of tea, all significant items of stores and monetary assets are physically verified. Balance confirmations are obtained for all significant items of trade receivable and advances.

After preparation of the financial statements, all items appearing in the statements are analysed in order to ensure overall reasonableness.

The Company has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of fraud and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial disclosures.

#### CEO AND CFO CERTIFICATION

In terms of Part B of Schedule II of Listing Regulations, the CEO and the CFO of the Company certify to the Board regarding review of the financial statements, compliance with the accounting standards, maintenance of internal control systems for financial reporting and accounting policies, etc.

#### HEALTH, SAFETY AND WORKING ENVIRONMENT

The Company considers its people as one of the most valuable resources and recognises that safe and healthy working environment motivate employees to be more productive and innovative. The Company takes adequate measures to keep its field and factories safe in all respects. Regular training is imparted to the employees for promoting awareness on safety and skill enhancement. The Company runs a hospital in each of its Tea Estates where the employees of the concerned Estate get regular medical attention. In addition, the Company has set up a few central hospitals which are equipped with modern medical instruments. These hospitals are accessible to the employees of the surrounding areas. The Company also provides facilities for sporting and cultural activities for the employees in the Tea Estates.

#### ANNUAL RETURN

The extract of Annual Return pursuant to the provisions of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is attached to this Report as Annexure-VI.

#### AUDITORS AND AUDIT REPORT

In terms of Section 139 of the Companies Act, 2013, M/s. Lodha & Co., Chartered Accountants (Registration firm No. 301051E) was appointed as the Statutory Auditors of the Company to hold office for a term of 5 (five) consecutive years, from the conclusion of this 21st Annual General Meeting till the conclusion of the 26th Annual General Meeting. M/s. Lodha & Co. has conducted audit for the Financial Year ended 31st March 2020 and furnished their report.

In their Report dated 31st July 2020, M/s. Lodha & Co. has given an adverse opinion in relation to the Standalone and Consolidated Financial Statements of the Company for the Financial Year ended 31st March 2020. The Board's response in relation to the said opinion is as under:-

Sl.no.	Audit-Qualification	Board's Response
(a)	Inter Corporate Deposits (ICD) aggregating to Rs. 2,86,947 lakhs as on March 31, 2020 (including Interest of Rs. 2337 lakhs accrued till March 31, 2019) given to certain companies are subject to compliances, as required under Companies Act, 2013. The amount outstanding as on this date as given above is doubtful of recovery. In absence of provision there against, the profit for the period is overstated to that extent. Impact in this respect have not been ascertained and disclosed in the financial results.	The Company is working out a plan for restructuring including reduction/liquidation such outstanding amount synchronising with the proposed restructuring of borrowings in terms of the resolution plan presently under consideration of lenders.  In respect of the aggregate amount of ICD given, shareholders' approval has been obtained.
(b)	The Company had given advance in earlier year to a body corporate aggregating to Rs. 1400 lakhs which are outstanding as on March 31st, 2020. In absence of appropriate audit evidence and status thereof, we are unable to comment on the validity and recoverability of such advances.	Efforts are being made to recover the advance.



(c)	<p>Non-recognition of interest Rs. 2182 lakhs on Inter Corporate Deposits and thereby the profit for the period is overstated to that extent.</p> <p>Further penal/compound interest against borrowings from banks/financial institution have not been recognised and other adjustments as stated in the said note have been given effect to, which are subject to confirmation from lenders and reconciliation with their balances and claims. Pending final determination of amount in this respect, adjustments arising therefrom and consequential impacts has not been ascertained.</p>	<p>There are disputes regarding the interest on Inter-corporate borrowings. Therefore interest-expenditure has not been accounted on inter-corporate borrowings pending resolution of the same.</p> <p>In the absence of adequate information from banks/financial institution on penal interest and compounding of interest after non-compliance of terms of loans, the Company has provided the interest based on the stipulation in the loan facility letters. This is expected to be restructured in the Debt Resolution Plan.</p>
(d)	<p>Non reconciliation of certain debit and credit balances with individual details and confirmation thereof. Adjustments/impact in this respect are currently not ascertainable and as such cannot be commented upon by the Auditors.</p>	<p>Impact will become ascertainable only upon reconciliations and confirmations; and necessary accounting will be undertaken.</p>
(e)	<p>The Predecessor auditor in respect of loans included under paragraphs (a) above have reported these to be in excess of the limit specified in Section 186 of the Companies Act, 2013 and as stated these include amounts given to group companies whereby applicability of Section 185 could not be ascertained and commented upon by them. They have not been able to ascertain if the aforesaid promoter companies could, in substance, be deemed to be related parties to the Company in accordance with paragraph 10 of Ind AS-24 "Related Party Disclosures". Further certain ICD's as reported were in nature of book entry and/or prejudicial to the interest of the Company. These loans are outstanding as on this date and uncertainty in this respect still exists. As represented by the management the parties involved are not related parties requiring disclosure in terms of said accounting standard and provisions of companies Act 2013. The matter as reported is pending before regulatory authorities. We are therefore, unable to ascertain the impact of non-compliance with the disclosure and other requirements in respect of related parties and consequential impact, if any, on the financial results of the Company.</p>	<p>The Shareholders have since approved the loans given in excess of limit prescribed in Section 186 of Companies Act, 2013 by special resolution.</p> <p>The matter as reported is pending before regulatory authorities.</p>

#### SECRETARIAL AUDIT

In terms of the requirements of Section 204 of the Companies Act, 2013, the Secretarial Audit of the Company for the year ended 31st March 2020 was conducted by Messrs. A. K. Labh & Co., Company Secretaries. The Secretarial Auditors' Report is attached to this Report as Annexure-VII and forms part of the Directors' Report.

There are certain qualifications or reservations or adverse remarks made by the Secretarial Auditors in their Report and the response

of the Company to the same is as under:-

- (1) The Company had approved the Financial Results for the quarter ended 30.06.2019 at the Board Meeting held on 14.08.2019; however the results which were required to be published in the newspaper on or before 16.08.2019 were published on 17.08.2019 resulting in a delay of 1 day pursuant to Regulation 47(1)(b) and 47(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The management has informed that the result could not be published on 16.08.2019 as there was no official newspaper publication on that day post Independence Day.

- (2) The Annual General Meeting of the Company was held on 09.09.2019 and the Annual Report along with the Notice was sent to the shareholders not less than 21 days before the AGM; however the same was submitted with the Stock Exchange on 05.09.2019.

The management has informed that the show cause notice issued by stock exchange in this connection was withdrawn after being satisfied by the Company's submission.

- (3) The Company has delayed in submission of particulars of default in payment of interest / installment obligations on loans, including revolving facilities like cash credit, from banks / financial institutions as on quarter ended 31st December, 2019 within 7 days from the end of the said quarter.

The management has informed that the Company has submitted the quarterly disclosure as on 31st December, 2019 for default in the table prescribed in Clause 3(C2) on 19.02.2020.

#### **COST AUDIT**

In accordance with the requirements of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, the Board of Directors of the Company has appointed the following firms of Cost Accountants to conduct audit of Cost Records maintained by the Company for the Tea Plantations of the Company for the year ending 31st March 2021;

- (i) M/s Mani & Company
- (ii) M/s SPK Associates
- (iii) M/s DGM & Associates.

Pursuant to the provisions of Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration of the Cost Auditors is required to be ratified by the Members of the Company, a resolution for which will be placed before the Members at the ensuing Annual General Meeting.

The Cost Audit Report furnished by the Cost Auditors in respect of the year ended 31st March 2019 which did not contain any qualification, reservation or adverse remark was filed with the Ministry of Corporate Affairs within the time prescribed under the Companies Act, 2013.

#### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings & outgo in accordance with Section 134(3)(m) of the Act read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is attached to this Report as

Annexure-VIII.

#### **RISK MANAGEMENT**

The Company has adopted and implemented a Risk Management Policy after identifying various risks which the Company encounters with during the course of its business none of which in the opinion of the Board may threaten the very existence of the Company itself. The Company has taken adequate measures to mitigate various risks encountered by the Company.

#### **PREVENTION OF INSIDER TRADING**

Your Company has adopted a Code of Conduct for prevention of Insider Trading in compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015. All Directors, employees and other designated persons, who could have access to unpublished price sensitive information of the Company, are governed by this Code. The trading window for dealing with equity shares of the Company is duly closed during declaration of financial results and occurrence of any other material events as per the code. During the year under review there has been due compliance with the code.

#### **PARTICULARS OF EMPLOYEES**

The ratio of the remuneration of each Director to the median employee's remuneration and other particulars or details of employees pursuant to Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached to this Report as Annexure-IX.

#### **EMPLOYEE RELATIONS**

The Company's large work force continues to remain the backbone of its operations and their welfare has remained a prime area of focus. Upgradation and introduction of new housing facilities, water supply and sanitation, medical infrastructure etc. have been given priority.

In terms of requirements of Section 4 of the Sexual Harassment of Women at Workplace (Prevention, prohibition and redressal) Act, 2013, the Company has formed Internal Complaints Committees (ICC) for its workplaces. No complaint under the Act has been received by ICC during the year.

Your Board of Directors wish to place on record its sincere appreciation for the dedicated services rendered by the executives, staff and workers at all levels for smooth functioning of all the estates.

For and on behalf of the Board of Directors

**Aditya Khaitan**  
Managing Director  
DIN : 00023788

**Azam Monem**  
Wholtime Director  
DIN : 00023799

Date: 11th November 2020

Place: Kolkata