



THE PERIA KARAMALAI TEA AND PRODUCE
COMPANY LIMITED

101st
ANNUAL REPORT
2013-2014



Sustainable
Agriculture
Network
INDOCERT



This Certification has been awarded to:

**M/s. The Peria Karamalai Tea & Produce Company Limited,
Karamalai Group Office,
Karamalai Bazaar P.O.,
Valparai – 642130, Coimbatore Dt., Tamilnadu.**

Certificate number: **IND-F-008427**

INDOCERT herewith certifies that the areas/sites listed below are found in compliance with Sustainable Agriculture Standard, July 2010 and Farm and Group Administrator Certification Policy, January 2013.

Crop name	Production Area (Ha.)	Production Volume(Kg.)
Tea (Camellia sinensis)	1518.46 Ha.	4042000 kg.

Effective date of Certification : **26/07/2014**

Expiration date : **25/07/2017**

Date of revision:
(In case of revision of certificate only)

Aluva

26/07/2014



INDOCERT, Thottumugham P.O., Aluva, Ernakulam Dist., Kerala - 683 105, Phone / Fax : 0484 - 2630908, 2620943
e-mail : info@indocert.org, website : www.indocert.org

Recently, the company has been awarded certification by INDOCERT for complying with Sustainable Agriculture Standard in respect of tea under Sustainable Agriculture Standard, July 2010 and Farm and Group Administrator Certification Policy, January 2013.



THE PERIA KARAMALAI TEA AND PRODUCE COMPANY LIMITED

CORPORATE INFORMATION

Board of Directors : Shri L.N. Bangur - Chairman
Smt. Alka Bangur - Managing Director
Shri Shreeyash Bangur - Deputy Managing Director
Shri R.L. Gaggar
Shri H.M. Parekh
Shri P.R. Ramakrishnan
Shri N. Swaminathan

Corporate Management Team : Smt. Alka Bangur - Managing Director
Shri Shreeyash Bangur - Deputy Managing Director
Shri Rohan Jhawar - Principal Executive
Shri S.K.Singh - Chief Executive Officer
Shri R.V.Sridharan - Chief Financial Officer &
Company Secretary

Registered Office : 286, Race Course Road
Coimbatore - 641 018 Tamil Nadu

Statutory Auditors : M/s. S. Krishnamoorthy & Co
Chartered Accountants
ICAI Regn. No. 001496S
Coimbatore

Bankers : Union Bank of India

**Registrar & Share
Transfer Agents** : M/s. SKDC Consultants Ltd.
Kanapathy Towers
1391/A-1, III Floor
Sathy Road, Ganapathy
Coimbatore - 641 006
Tel No. +91 (422) 6549995, 2539835, 2539836
Fax No. +91 (422) 2539837
Email: info@skdc-consultants.com



Contents	Page
Directors' Report	3
Management Discussion & Analysis.....	8
Report on Corporate Governance	10
Auditors' Report	19
Financial Statements	24
Notes to Financial Statements	27
Consolidated Financial Statements	45



DIRECTORS' REPORT

Your Directors have pleasure in presenting the 101st Annual Report for the year ended 31st March 2014.

FINANCIAL RESULTS

₹ in lakhs

	2013-14	2012-13
Profit before interest, depreciation and tax	383.16	345.41
Interest	31.60	11.48
Profit before depreciation	351.56	333.93
Depreciation	156.43	156.71
Profit before Tax	195.13	177.22
Provision for tax:		
Current tax	50.00	33.00
Deferred tax liability	(1.24)	1.49
Profit after tax	146.37	142.73
Add: Balance brought forward from previous year	1314.33	1254.74
Profit available for appropriation	1460.70	1397.47
APPROPRIATIONS		
Proposed Dividend @ Rs.1.50/- per share	46.44	61.92
Tax on proposed dividend @ 16.995%	7.89	10.52
Transfer to General Reserve	7.32	10.70
Surplus carried to Balance Sheet	1399.05	1314.33
Total	1460.70	1397.47

DIVIDEND

The Board of Directors is pleased to recommend a dividend of ₹ 1.50 /- per share (last year ₹ 2/- per share) for the year ended 31st March 2014.

OPERATIONS

PRODUCTION

During the financial year 2013-14, the Company harvested a crop of 37,72,001 kg of made tea as against 38,11,721 kg harvested in 2012-13. The production suffered set back due to unprecedented monsoon rains in the months of June and July. However, with the adoption of best agricultural practices, the Company managed to compensate the crop loss and at the end financial year the crop was marginally down by 1% only.

PRICE & SALES

Your company's average tea price realized ₹103.82 per kg as against ₹ 100.91 per kg realized last year despite depressed market conditions. The Company has made a total sales realization of ₹ 3658.48 lakhs compared to ₹ 3974.61 lakhs during the same period last year.

FUTURE PROSPECTS

The major black tea producer Kenya has reported 67% increase in its crop. Other major producing countries like Sri Lanka, Uganda and others also reported higher crop. India has reported a crop of 1200.04 million kg during 2013 as against 1126 million kg reported in 2012.

There is a surplus black tea production of 211 million kg globally, part of which is carried over to the current year. This has increased the availability of tea both in India and abroad to a larger extent. This surplus had a negative effect in the market which is currently felt in global auctions. From the beginning of the current financial year, the weather conditions have not been favorable to India and other major tea producing countries including East Africa.

North India has reported huge crop loss in April and May of the current financial year. As per the figures available from Tea Board, total production till May was 148.18 million kg. as against 178.84 million kg. during the same period last year, resulting in crop loss of 30.66 million kg. Moderately good crop has been reported from June onwards. However, it seems unlikely that the shortfall will be made up.

If the consumption growth in India which is estimated at about 25 to 35 million kg annually is factored in, then it would indicate change in supply demand ratio that might result in shortage in the later part of the year.

As the major cropping months are between July and November, the buyers will adopt the wait and watch policy and most probably will react later when situation become clear.

We are optimistic that CTC Tea market will make a turn-around in the later part of the year and eventually end on better note. In the short term, the accent will be on quality and every effort needs to be made to cater to the market requirements.

The Company has started host of initiatives towards increasing the quality of tea since in the depressed market conditions, only good liquoring tea will have a smooth market.



In order to generate additional revenue in future, the Company has taken up pepper and cinnamon cultivation.

REPLANTING

I mentioned in my last report that the company will take up replanting of tea for stable and sustainable growth. I am pleased to inform that your Company has completed replanting of tea in 10 hectares at Nadumalai Estate during the first quarter of the current financial year.

RAIN FOREST ALLIANCE CERTIFICATE

I am pleased to inform that recently, the Company has been awarded certification by INDOCERT for complying with Sustainable Agriculture Standard in respect of tea under Sustainable Agriculture Standard, July 2010 and Farm and Group Administrator Certification Policy, January 2013.

WIND TURBINES

During the year under review, the Wind Mills generated 46,98,607 units as against 44,04,522 units generated during the same period last year which is satisfactory. The Company has entered into an agreement with TANGEDCO for banking the surplus energy generated by the windmills.

PUBLIC DEPOSITS

Deposits outstanding as on 31st March 2014 were Rs.13.58 lakhs. There were no unclaimed deposits as on 31st March 2014.

LISTING

Your Company's shares are listed in Madras Stock Exchange Limited, Chennai and Calcutta Stock Exchange Limited, Kolkata. The Annual Listing Fee for the year 2014-15 has been paid to them.

TRANSFER OF UNCLAIMED AMOUNTS TO IEPF

In terms of Section 205C of the Companies Act, 1956 an amount of Rs.98,184/- being unclaimed dividend for the season 2005-06 was transferred during the year to the Investor Education and Protection Fund (IEPF) established by the Central Government.

STATUTORY STATEMENTS

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure I which forms part of this report.

PARTICULARS OF EMPLOYEES

There are no employees attracting the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 as amended.

DIRECTORS

Shri L.N.Bangur is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for reappointment.

In order to comply with the provisions of Section 149 read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreements entered into with the stock exchanges, Shri R.L.Gaggar, Shri H.M.Parek, Shri P.R.Ramakrishnan and Shri N.Swaminathan are proposed to be appointed as Independent Directors. The said Directors have consented to act as Independent Directors and in respect of whom nominations with required deposit have been received from members.

The present terms of Smt.Alka Bangur as Managing Director of the Company expire on 16th September 2014. Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on 8th August 2014 has given its approval for the re-appointment of Smt Alka Bangur for further terms of three years subject to the approval of the Company in the General Meeting.

A brief profile of the above directors as stipulated under Clause 49 of the Listing Agreement form part of the Notice of the ensuing Annual General Meeting.

INDUSTRIAL RELATIONS

The relation between management and labour was cordial during the year.

INFORMATION RELATING TO SUBSIDIARY COMPANIES

Pursuant to the provision of Section 212 (8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular No.2/2011 dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the company's subsidiaries for the year ended March 31, 2014 is included in the Annual Report. The annual accounts of the subsidiaries and the related detailed information will be made available to any member of the company/subsidiary seeking such information at any point of time and are also available for inspection by any



member of the company/subsidiaries at the registered office of the company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the registered office of the respective company. The Company shall furnish a copy of details of annual accounts of subsidiaries to any member on demand.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards (AS 21, AS 23 and AS 27) issued by the Institute of Chartered Accountants of India and the same together with Auditor's Report thereon forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by Companies (Amendment) Act, 2000, the Directors of your Company confirm that:

1. all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departure.
2. such accounting policies have been selected and applied consistently and such judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2014 and of the profit of the Company for the year ended on that date.
3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
4. the annual accounts have been prepared on a going concern basis.

STATUTORY AUDITORS

M/s. S. Krishnamoorthy & Co., Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Board on the recommendation of the Audit Committee has proposed that S. Krishnamoorthy & Co., Chartered Accountants, Coimbatore be re-appointed as the Statutory Auditors of the Company.

The Company has received letter from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013 and that they are not disqualified for such reappointment within the meaning of Section 141 of the said Act.

COST AUDIT

The Company has received the approval of the Central Government for the appointment of M/s. S. Mahadevan & Co., Cost Accountants, Coimbatore as Cost Auditor to conduct cost audit for the financial year 2013-14. The Cost Audit Report for the financial year 2012-13 has been filed within the due date.

ADDITIONAL DISCLOSURES

Management Discussion and Analysis Report, Corporate Governance Report, Segment Report and Related Party Disclosures provided elsewhere in the Annual Report forms part of this report as required under the Listing Agreement entered into with the Stock Exchanges. The Managing Director of the Company has certified to the Board on the financial statements and other matters in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO certification for the financial year ended 31st March 2014.

ACKNOWLEDGEMENTS

The Board wishes to thank all the shareholders, customers, vendors, financial institutions, banks and depositors for the support extended by them.

The Board also wishes to place on record their appreciation of the contribution made by the employees at all levels during the year.

For and on behalf of the Board

Kolkata,
8th August 2014.

L.N. Bangur
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

ANNEXURE I

A. CONSERVATION OF ENERGY

Energy conservation is an on-going activity and it is being closely monitored to a specific programme of reduction.

(FOR TEA ONLY)

FORM A

(See Rule 2)

Particulars with respect to conservation of energy

A. POWER & FUEL CONSUMPTION	31.3.2014	31.3.2013
1. Electricity		
a) Purchased:		
Units	35,70,265	32,44,168
Total Amount (₹)	2,83,24,834	2,32,21,466
Rate/Unit (₹)	7.93	7.16
b) Own Generation		
(i) Through Diesel Generators - Units	32,451	2,15,767
Units per Litre of Diesel	1.63	2.43
Cost/Unit (₹)	35.72	19.11
(ii) Through Wind Turbine Generators - Units	46,98,607	44,04,522
2. Others		
(i) Firewood		
Quantity (Kg.)	66,09,742	33,64,470
Total Cost (₹)	2,11,16,275	1,33,76,895
Average Rate (₹/Kg.)	3.19	3.98
(ii) Bio fuel		
Quantity (Kg.)	10,47,801	28,55,670
Total Cost (₹)	62,19,392	1,53,77,364
Average Rate (₹/Kg.)	5.94	5.38

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Product - Tea

(kgs. of made tea per unit of Power/Fuel)

Electricity : Unit

0.96

0.91

Fuel : Kg.

2.03

1.63

Note : No standards are available for comparison.

B. TECHNOLOGY ABSORPTION**FORM B**

(See Rule 2)

Particulars with respect to Absorption

1.	Research and Development (R&D)		
	a.	Specific area in which R & D carried out by the Company	Focus is on achieving higher yields, improvement in quality and energy conservation.
	b.	Benefits derived, as a result of above R & D	Quality up gradation off the field and on the field.
	c.	Future plan of action and expenditure on R & D	Development work is an ongoing process. No separate record of expenditure incurred is maintained.
2.	Technology absorption, adaptation and innovation		The Company is continuously adapting suggestions/ recommendations of UPASI besides its own efforts for improvement in better upkeep, productivity etc. Benefits derived are cost reduction, improvement in yield and quality of tea.
3.	Import of Technology		There is no import of technology

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings	Nil
Outgo	Nil

Kolkatta,
8th, August 2014

For and on behalf of the Board
L.N. BANGUR
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Global tea production in 2013 went up by 4.58% compared to 2012. Global tea production was reported at 4819.08 million kg in 2013 compared to 4,608.31 million kg in 2012. The increase in production was 211 million kg compared to last year. The Indian Tea Industry saw the production figure surging ahead to end at 1200 million kg in 2013.

India produced 1200.04 million kg in 2013 compared to 1126.33 million kg in 2012. South Indian Tea industry produced 242.6 million kg compared to 239.83 million kg in 2012. North India produced 957.44 million kg in 2013 compared to 886.95 million kg in 2012.

There was an increase of 5.57% in the auction average. All India auction average stood at Rs. 132.23 per kg in 2013 compared to Rs.125.25 per kg in 2012. North India averaged Rs.137.25 per kg compared to Rs.117.43 per kg in 2012. South Indian Tea averaged Rs.100.53/-per kg compared to Rs.88.69/- per kg.

Export of tea from India was 211.86 million kg in 2013 compared to 208.23 million kg in 2012 and imports were 20.01 million kg in 2013 compared to 20.62 million kg in 2012.

OUTLOOK FOR 2014

Kenya, Sri Lanka, Uganda and other tea producing countries reported significant increase in the crop. Part of the last year's surplus tea which was carried over to the current year has increased the availability of tea both in India and abroad to a large extent. As a result, market has become sluggish.

North Indian gardens reported significant reduction in crop in the first two months of the current financial year. However, moderately good crop has been reported from June onwards.

It is expected that the CTC tea market will make a turn around in the later part of the year and eventually end on the better note.

The Company has started host of initiatives towards increasing the quality of tea since in the depressed market conditions, only good liquoring tea will have a steady market.

OPPORTUNITIES

Demand for green tea is surging in India and around the globe. Presently, India's green tea production constitutes 1.5% of the total production. The presence

of anti-oxidants in green tea has an added advantage in pushing up the green tea consumption.

Domestic consumption of tea is increasing by about 2.5 to 3.0 % annually. Opportunities are plenty for Indian Tea Companies to set-up tea gardens in other countries.

CHALLENGES

The ageing tea bushes causes worry for the Indian Tea Industry particularly South Indian tea gardens. Since the overall wages in South India is significantly higher in comparison with North India, areas with old bushes are to be replaced with clonal fields to get the advantages of enhancement in quality, better realisation and lower cost of production.

Lack of standardisation and quality with regard to packing, usage of pesticide and MRL problems affect export of teas from India. Planning / budgeting may not really work in tea industry due to unpredictable weather conditions. The tea industry has to face severe competition from soft drinks manufacturers Tea gardens, especially South Indian Tea gardens are facing severe shortage of labour. Cost of labour and other input cost have gone up significantly leaving very little margin for the industry. Tea being agriculture based, production is very much dependent on conducive weather conditions.

RISK & CONCERNS

The Company has put in place a risk management policy to identify the nature and magnitude of risk associated with the Company and to take steps for mitigating the impact of such risks. These are reviewed periodically and placed before the Board.

INTERNAL CONTROL

The Company has a sound internal control system which ensures that all assets are protected against loss from unauthorized use and all transactions are recorded and reported correctly. The Audit Committee of the Board assures the existence of effective internal control environment.

HUMAN RESOURCE

Employer - employee relations continued to remain cordial during the year. Training and development of employees continue to be an area of prime importance. The devotion and commitment of our employees has enabled the Company to fulfill its targets and deadlines in time. The total number of employees on the rolls of the company as on 31st March 2014 was 2028.