



Report Junction.com

# ANNUAL REPORT 2002-2003

## ROSSELL TEA LIMITED

### BOARD OF DIRECTORS

H. M. Gupta, *Executive Chairman*

Dr. S. S. Bajjal, *Director*

H. M. Parekh, *Director*

P. L. Agarwal, *Director*

R. N. Deogun, *Director*

C. S. Bedi, *Executive Director*

### VICE PRESIDENT (FINANCE) -CUM-COMPANY SECRETARY

N. K. Khurana

### CONTENTS

	Page
Notice	2
Directors' Report	7
Report on Corporate Governance	13
Auditors' Report	20
Balance Sheet	22
Profit and Loss Account	23
Schedules to the Balance Sheet	24
Schedules to the Profit and Loss Account	29
Notes to Accounts	31
Cash Flow Statement	37
Statement Regarding Subsidiary Company	39
Consolidated Financial Statements	40
Report and Accounts of Subsidiary Company	52

### AUDITORS

S. S. Kothari & Co.

### BANKERS

Bank of Baroda

HDFC Bank Ltd.

State Bank of India

UTI Bank Ltd.

### REGISTERED OFFICE

14B, Gurusaday Road  
Kolkata 700 019

**ROSSELL TEA LIMITED**

**Notice to the Members**

Notice is hereby given that the Ninth Annual General Meeting of the Members of Rossell Tea Limited, will be held on Tuesday, the 9th September, 2003 at 3.30 P.M. at Kala Kunj, 48, Shakespeare Sarani, Kolkata-700 017, to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2003 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. H.M. Gupta , who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.R.N.Deogun, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolutions:

**5.1 As an Ordinary Resolution :**

"RESOLVED THAT a notice in writing under Section 257 of the Companies Act, 1956 having been received from a Member signifying his intention to propose Mr. C.S. Bedi for appointment as a Director, Mr. C.S. Bedi be and is hereby appointed as Director of the Company."

**5.2 As an Ordinary Resolution :**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company do appoint Mr. C.S. Bedi ("Mr. Bedi") as the Executive Director of the Company with effect from April 1, 2003 on the following terms and conditions, including remuneration as approved by the Remuneration Committee of the Board of Directors, in accordance with the provisions of Schedule XIII (as amended) of the Companies Act, 1956, effective from the date of his appointment:

**1. Salary :**

Upto a maximum of Rs.75,000 only per month as may be decided by the Board from time to time, upon approval by the Remuneration Committee of the Board.

**2. Perquisites :**

**2.1 Housing:** The Company shall provide rent-free accommodation ensuring that expenditure incurred by the Company on hiring furnished accommodation for Mr. Bedi shall not exceed 50 percent of the Salary. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be subject to a ceiling of 10 percent of the Salary.

**2.2 Medical :** Reimbursement of expenses incurred for self and family, subject to a ceiling of one month's salary in one year or three months' salary over a period of three years.

**2.3 Leave Travel Concession :** For self and family, once in the year incurred in accordance with the Rules of the Company.

**2.4 Club Fees :** Membership Fees of Clubs, subject to a maximum of two Clubs. This will not include Admission and Life Membership Fees.

**2.5 Personal Accident Insurance :** Of an amount, the annual premium of which shall not exceed Rs.10,000.

**2.6 Contribution to Provident Fund and Superannuation Fund :** As per the Rules of the Company, subject to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961.

**ROSSELL TEA LIMITED**

- 2.7 **Contribution to Gratuity Fund** : As per the Rules of the Company but shall not exceed half month's Salary for each completed year of Service.
- 2.8 Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to Mr. Bedi.
- 2.9 **Earned Leave**: On full pay and allowances as per the Rules of the Company. Leave accumulated at the end of the tenure shall be allowed to be encashed.
3. **Minimum Remuneration** :
- In the event of loss or inadequacy of profit in any Financial Year during the tenure of Mr. Bedi, the above Salary and Perquisites shall be payable to him as Minimum Remuneration.
4. **Reimbursement of Expenses** :
- Mr. Bedi shall be entitled to reimbursement of all Entertainment and other expenses actually and properly incurred by him in connection with the business of the Company.
5. **Disentitlement to Director's Fees** :
- Mr. Bedi shall not, so long as he functions as the Executive Director of the Company, be entitled to receive any fee for attending any Meeting of the Board or a Committee thereof.

Registered Office:  
14B, Gurusaday Road,  
Kolkata-700 019  
Place : Kolkata  
Date : 30th July, 2003

By Order of the Board

**N. K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

Report Junction.com

**NOTES:**

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote on a Poll on his/her behalf. A Proxy need not be a Member of the Company. However, proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Annual General Meeting.**
2. Members who are holding shares in identical order of names in more than one Folio are requested to write to the Company to consolidate their holdings in one Folio.
3. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
4. Members are requested to
  - (i) quote their Registered Folio Numbers / Client ID Nos. in all correspondences with the Company / with the Registrars; and
  - (ii) promptly notify any change in their address to the Company / the Registrars, CB Management Services (P) Limited, P-22, Bondel Road, Kolkata-700 019.
5. **Unpaid Dividend 1995-96**  
Those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1996 may immediately approach the Company for revalidation of such Dividend Warrants. Please note that pursuant to Section

## **ROSSELL TEA LIMITED**

205A of the Act, the Company is obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of transfer in such Unpaid Dividend Account to the credit of Investor Education and Protection Fund (the Fund) established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Fund or the Company in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first became due for payment and no payment shall be made in respect of any such claims. Accordingly, the money lying in the Unpaid Account for the year ended 31st March, 1996, will be so transferred in October, 2003.

**6. Further, those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1997 to the year ended 31st March, 2001 may immediately approach the Company for revalidation of such Dividend Warrants.**

### **7. Appointment of Common Agency for Share Registry Work**

In accordance with the SEBI directive vide Circular No.D&CC/FITTC/CIR-15/2002 dated December 27, 2002, all the work related to Share Registry in terms of both physical and electronic mode should be maintained at a single point. Accordingly, following SEBI registered Registrar and Share Transfer Agents have been appointed by the Company:

**C.B. Management Services (P) Limited,**  
**P-22, Bondel Road,**  
**Kolkata-700 019**  
**Tel.: 2280-6692 / 93 / 94 / 2486 / 2937**  
**Fax: 2247-0263**  
**E-mail: cbmsl1@cai2.vsnl.net.in**

The Members are requested to contact the above Registrar and Share Transfer Agents for all their queries, transfer requests, conversion from physical form to dematerialised form or any other matter relating to their shareholding in the Company.

### **8. Dematerialisation of the Equity Shares of the Company**

The Equity Shares of the Company are now available under OPTIONALLY DEMAT mode and can be held in electronic form with any Depository Participant (DP) with whom the Members / Investors have their Depository Account.

The Members / Investors may contact the Registrar & Transfer Agent of the Company at their address mentioned above in case of any query / difficulty in the matter or at the Registered Office of the Company.

**9. We once again request that those Members, who have still not sent their "Tear Off Slip" circulated by us along with Share Certificates at the time of original allotment on 25th November, 1995, to send the same duly filled and signed, immediately.**

Please note that unless the "Tear Off Slip" is received by us, any request for transfer / dematerialisation of shares will not be entertained.

### **10. MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING.**

Registered Office:  
14B, Gurusaday Road,  
Kolkata-700 019  
Place : Kolkata  
Date : 30th July, 2003

By Order of the Board  
  
**N.K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

## Explanatory Statement

[Pursuant to Section 173(2) of the Companies Act, 1956]

Attached to the Notice convening the Ninth Annual General Meeting to be held on 9th September, 2003.

### Items No. 5.1 & 5.2

At their Meeting held on March 7, 2003, the Board of Directors of the Company, in terms of Article 137 of the Articles of Association, appointed Mr. C. S. Bedi (Mr. Bedi) as an Additional Director with effect from 1st April, 2003, pursuant to Section 260 of the Companies Act, 1956 to hold office only upto the date of this Annual General Meeting.

A Notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose the appointment of Mr. Bedi, as a Director of the Company.

Pursuant to Article 159 of the Articles of Association, the Board of Directors of the Company in the same Meeting also appointed Mr. Bedi as the 'Executive Director' of the Company with effect from 1st April, 2003 for a period of 3 years upto 31st March, 2006, subject to the approval of the Members of the Company by way of an Ordinary Resolution, at the remuneration to be approved by the Remuneration Committee of the Board. Accordingly, the said Committee at their Meeting held on 17th March, 2003 approved the remuneration payable to Mr. Bedi in accordance with the provisions of Schedule XIII of the Companies Act, 1956 and the same was confirmed by the Board in its Meeting held on 5th April, 2003.

Mr. Bedi has been associated with the Company since its inception. With his specialisation and vast experience in the tea industry, the Company has been immensely benefited. The Directors, therefore, recommend adoption of the proposed Resolutions.

Except Mr. Bedi himself, none of the Directors of the Company is concerned or interested in the proposed Resolutions.

Registered Office:  
14B, Gurusaday Road,  
Kolkata-700 019  
Place : Kolkata  
Date : 30th July, 2003

By Order of the Board

**N.K. Khurana**  
*Vice President (Finance)*  
*-cum-Company Secretary*

**ROSSSELL TEA LIMITED****DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT AT THE FORTHCOMING NINTH ANNUAL GENERAL MEETING**

Name of Director	Mr. H. M. Gupta	Mr. R.N. Deogun	Mr. C. S. Bedi
Date of Birth	September 13, 1954	December 11, 1932	September 18, 1947
Date of Appointment/ Re-appointment	June 10, 1994 (As Director) February 01, 2001 (As Executive Chairman) May 01, 2001 (As Managing Director)	June 10, 1994 (As Director) July 01, 1994 to June 30, 2003 (As Managing Director)	April 01, 2003 (As Director) April 01, 2003 (As Executive Director)
Qualifications	B.A. (Hons.)	M.A.	B. A. (Hons.)
Expertise in specific functional areas	International Trade and Business besides having comprehensive knowledge of Tea Industry	Tea Cultivation, Manufacture and Marketing	Tea Cultivation, Manufacture and Marketing
List of public companies in which Directorship is held	BMG Enterprises Ltd. (Managing Director designated as 'Executive Vice Chairman') Rossell Tea Ltd.	Dhunseri Tea & Industries Ltd. Warren Tea Ltd. Rossell Tea Ltd.	Rossell Tea Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	Nil	<b>Dhunseri Tea &amp; Industries Ltd.</b> Audit Committee - Member <b>Warren Tea Ltd.</b> Audit Committee - Member Remuneration Committee - Member <b>Rossell Tea Ltd.</b> Audit Committee - Member	<b>Rossell Tea Ltd.</b> Shareholders' Grievance & Share Transfer Committee - Member

## Report of the Board of Directors for the year ended 31st March, 2003

Your Directors have pleasure in presenting their Ninth Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

### FINANCIAL RESULTS

	Year ended <u>31.03.2003</u> Rs. in Lacs	Year ended <u>31.03.2002</u> Rs. in Lacs
(Loss) before Interest and Depreciation	(66.36)	(240.04)
Add : Interest	<u>(401.77)</u>	<u>(154.26)</u>
(Loss) before Depreciation	(468.13)	(394.30)
Add : Depreciation	<u>(101.46)</u>	<u>(54.29)</u>
(Loss) before Extraordinary Item	(569.59)	(448.59)
Add : Provision for Diminution in the value of Investments	—	(7.24)
Amortisation of Goodwill arising on Amalgamation	<u>(8.64)</u>	<u>(8.64)</u>
(Loss) before Taxation	(578.23)	(464.47)
Less : Provision for Taxation including Deferred Taxation	<u>320.00</u>	<u>267.00</u>
(Loss) after Taxation	(258.23)	(197.47)
Add : Balance Brought Forward	(88.21)	109.26
Less : Transfer from General Reserve	<u>400.00</u>	—
Profit (Loss) available for Appropriation	<u>53.56</u>	<u>(88.21)</u>
Appropriated as under :		
Preference Share Redemption Reserve	400.00	—
Balance Carried Forward	<u>(346.44)</u>	<u>(88.21)</u>
	<u>53.56</u>	<u>(88.21)</u>

### DIVIDEND

In view of losses and an uncertain outlook during the year, your Directors regret their inability to recommend any dividend to Members for their approval.

### PERFORMANCE

During the year under review the total crop inclusive of leaf purchased from small growers was 41.08 lac Kgs., which is not comparable to previous year's crop of 23.15 lac Kgs. in view of corporate restructuring of the Company in the previous year and also acquisition of Romai T.E. with effect from 1st April, 2002, where the crop was 7.12 lac Kgs. during the year. The unfavourable weather conditions and the need for finer plucking for improved quality led to the crop decline below estimation. Moreover, a conscious decision by the Management to curtail the Bought Leaf operations to upgrade the quality also resulted in lower crop. The downward pressure on tea prices continued during the year, although your Company improved upon the average price realisation to Rs.77.19 per Kg. as against Rs.72.08 per Kg. in the previous year. Despite this improved performance on the price front, the year ended with an operational loss of Rs. 66.36 lacs.



**ROSSELL TEA LIMITED****ACQUISITION OF ROMAI T.E.**

As reported last year, your Company has further grown in size and during the year acquired Romai T.E. situated in Dist. Dibrugarh, Assam as a going concern with effect from 1st April, 2002. The estate has since been integrated with your Company.

**PROSPECTS**

The crop so far is at 7.50% (approx.) higher than that of the previous year largely in keeping with rest of the industry in Assam. However, the present trend in the market is bearish as there seems to be abundant supply of teas worldwide. The outlook remains uncertain and there does not appear to be any particular reason for a major turn around in prices unless there is an extensive failure in crop.

**STAFF WELFARE AND SOCIAL ACTIVITIES**

While continuing to pay full attention to the improvement of living conditions of its employees, your Company has undertaken various workers' welfare schemes and provided for upgradation of existing facilities in the area of housing, hospital, school, supply of potable water, general hygiene etc .

The projects of electrifying the workers' quarters in a phased manner are still continuing and progressing satisfactorily. Number of workers' quarters have been electrified at various estates of the Company.

The flood protection measures undertaken to protect Nagrijuli T.E. from the threat imposed by Baranadi river are yielding results. Dykes constructed are in a fairly good condition and necessary repairs are undertaken by the estate from time to time. The entire area is, thus, protected from the vagaries of the said river.

The Company has participated in the various socio-welfare schemes undertaken by ITA and ABITA for the benefit of the people of Assam in general and of the community in the neighbourhood of estates in particular.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, ('the Act') your Directors state and confirm the following:

- (i) That in preparation of the Company's Annual Accounts for the year ended 31st March, 2003 the applicable accounting standards have been followed and proper explanations have been provided for material departures, where applicable.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgements 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 ended 31st March, 2003 and of the Loss of the Company for that financial year.
- (iii) That the Directors had taken proper and sufficient care 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 irregularity.
- (iv) That the Directors had prepared the Annual Accounts on a going concern basis.

**CORPORATE GOVERNANCE**

Your Company has taken necessary measures to comply with the Corporate Governance Code as prescribed in Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance along with the Auditors' Certificate on its compliance is annexed to this report.

**DIRECTORS**

The term of appointment of Mr. R.N. Deogun, Managing Director expired on 30th June, 2003. The Board places on record the valuable services rendered by Mr. Deogun to the Company. He was instrumental in setting up the Company and built a fine Management Team. The Company has immensely benefited by his guidance and expert advice. The growth of the Company is attributed to a great extent to his able leadership. Since Mr. Deogun continues to remain a Director of the Company, his valuable advice and guidance would still be available to the Company.

Mr. C.S. Bedi, who has been associated with the Company since inception as Vice President (Production) was elevated to the Board and appointed as a Director with effect from 1st April, 2003. He was also appointed as an Executive Director

for a period of three years from that date, subject to your approval in the ensuing Annual General Meeting.

Mr. N.C. Pohani resigned as a Director of the Company with effect from 3rd July, 2003. The Board places on record their appreciation for valuable advice given by Mr. Pohani during his tenure.

In accordance with the provisions of Article 150 of the Articles of Association of the Company, Mr. H.M. Gupta and Mr. R.N. Deogun retire at the forthcoming Annual General Meeting, but being eligible offer themselves for re-appointment.

#### **COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988**

Your Directors are pleased to provide the information required to be disclosed in accordance with Section 217(1)(e) of the Act, read with the above Rules, in Annexure I hereto forming part of the Report.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

##### **(a) Industry Structure and Developments**

The year under review has been a stressful year for the Indian Tea Industry. The carried forward stock coupled with more than 825 Million Kgs. of production during the season 2002 and lesser export of only 193 Million Kgs. resulted in oversupply situation. The understated crops from Bought Leaf Factories also added to an oversupply situation. Thus, the scene remains grim with prices continuing to decline. Whilst, the costs continue to rise, as a substantial part of cost is attributable to social cost such as housing, concessional foodgrains, hospital, school and other facilities provided to the workers and their families.

##### **(b) Opportunities and Threats**

It is gratifying to report that for the first time the Company has resorted to Direct Export in the current financial year and Teas are being directly shipped to Germany. Company has also entered into a contract to supply teas to a U.K. Tea major over the next few months. Steps are afoot to explore other export markets such as Middle East and Japan. The Company is also availing the opportunity to extend the reach of its teas by exploring new areas in western India to develop its marketing network.

The world production is likely to maintain the normal increase in crop seen of late i.e. 2% approximately. Currently, however, Kenya is reported to be suffering from a drought and hence the outturns are below last year. On the other hand, rest of the major producing countries are showing crops at par, if not better than the previous year. Indian crop, on the other hand, is estimated to show an increase of 40 Million Kgs. approx. by the end of this year. However, both in domestic and export markets, the focus is on quality. Your Company is accordingly concentrating on quality upgradation and suitable choice of product mix.

In spite of being the most popular beverage in the country, the domestic demand of Tea has been more or less stagnant. However, with the generic promotion campaign and other steps being taken, the domestic consumption should get a boost.

##### **(c) Segment wise Business Performance**

Your Company, so far, has been confined to domestic market segment only. As stated above, the Export Market Segment is being explored for the first time in the current year.

##### **(d) Outlook**

As reported earlier, the scene is still grim for Indian Tea as the prices have been in a down spiral since September, 2001. This trend continues this day and prices have reached a disastrously low level. There are no indication of the situation being reversed in the near future. However, the public auction system is expected to become more equitable with the introduction of Tea Marketing (Control) Order, 2003 by the Ministry of Commerce, Govt. of India. The transparency in the operations by both buyers and sellers as contemplated in the new Order may have a stabilizing impact on prices as the season progresses. At the same time, the rising cost of production is a cause of concern. Your Company is guarding itself by taking effective cost control measures on all fronts.

##### **(e) Risks and Concerns**

The major risk could be further fall in prices of Tea. While your Company is gearing itself to effectively counter this risk, the main area of concern at present is the uncertainty created by the Iraq war in the whole of Middle East