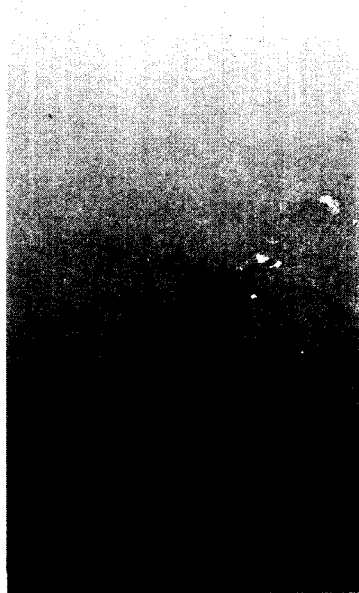




Report **ANNUAL** ion.com
REPORT
2003-2004



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

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AUDITORS

S. S. Kothari & Co.

BANKERS

Bank of Baroda

State Bank of India

UTI Bank Ltd.

The Bank of Nova Scotia

REGISTERED OFFICE

14B, Gurusaday Road
Kolkata 700 019

CONTENTS

	Page
Notice	3
Directors' Report	6
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	36
Statement Regarding Subsidiary Company	38
Consolidated Financial Statements	39
Report and Accounts of Subsidiary Company	52

Notice to the Members

Notice is hereby given that the Tenth Annual General Meeting of the Members of Rossell Tea Limited, will be held on Thursday, the 29th July, 2004 at 3.00 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, 2004 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. H.M. Parekh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.L. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Registered Office :
14B, Gurusaday Road,
Kolkata-700 019
Place : Kolkata
Date : 19th May, 2004

By Order of the Board

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

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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. The Register of Members and Share Transfer Books of the Company will remain closed from 23rd July, 2004 to 29th July, 2004 (both days inclusive) for the purpose of this Annual General Meeting.
3. Members who are holding shares in identical order of names in more than one Folio in physical form are requested to write to the Company / the Registrars to consolidate their holdings in one Folio.
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
5. 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, in case they still hold the Equity Shares in physical form.

ROSSELL TEA LIMITED

6. Unpaid Dividend 1996-97

Those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1997 may immediately approach the Company for revalidation of such Dividend Warrants. Please note that pursuant to Section 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, 1997, will be so transferred by October, 2004.

7. Further, those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1998 to the year ended 31st March, 2001 may immediately approach the Company for revalidation of such Dividend Warrants.

8. The Members are requested to contact the Company's following Registrars 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.

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@cal2.vsnl.net.in

9. 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.

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 : 19th May, 2004

By Order of the Board

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

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING TENTH ANNUAL GENERAL MEETING

Name of Director	Mr. H. M. Parekh	Mr. P. L. Agarwal
Date of Birth	March 23, 1937	April 02, 1942
Date of Appointment	October 19, 2001	April 04, 2002
Qualifications	B.Com. (Hons.)	B. Com., LL.B., Attorney-at-Law
Expertise in specific functional areas	Tea Marketing and Corporate Affairs	Commercial, Corporate Law, Real Estate & Intellectual Property — Practising Advocate since 1965.
List of public companies in which Directorship is held	The Methoni Tea Company Ltd. The Jullibari Tea Company Ltd. Gujarat Tea Processors & Packers Ltd. Trans Global Projects (India) Ltd. Quality Tea Plantations Pvt. Ltd. Beeyu Overseas Ltd. The Moran Tea Company (India) Ltd. Rossell Tea Ltd.	Albert David Ltd. Alfred Herbert (India) Ltd. Cookson India Ltd. Dhunseri Tea & Industries Ltd. Dharampal Premchand Ltd. Karamchand Thapar & Bros. (Coal Sales) Ltd. Tezpore Tea Company Ltd. The Oodlabari Company Ltd. Rossell Tea Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he is a Director	The Moran Tea Company (India) Ltd. Audit Committee - Member Shareholders' Grievances & Share Transfer Committee - Member Beeyu Overseas Ltd. Remuneration Committee - Member Rossell Tea Ltd. Shareholders' Grievances & Share Transfer Committee - Chairman Remuneration Committee - Chairman Audit Committee - Member	Albert David Ltd. Remuneration Committee - Member Share Transfer Committee - Member Dhunseri Tea & Industries Ltd. Shareholders/Investors Grievances Committee - Chairman Tezpore Tea Co. Ltd. Remuneration Committee - Member Rossell Tea Ltd. Remuneration Committee - Member

ROSSELL TEA LIMITED**Report of the Board of Directors for the year ended 31st March, 2004**

Your Directors have pleasure in presenting their Tenth Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	Year ended 31.03.2004	Year ended 31.03.2003
	Rs. in Lacs	Rs. in Lacs
(Loss) before Interest and Depreciation	(237.92)	(66.36)
Add: Interest	(373.64)	(401.77)
(Loss) before Depreciation	(611.56)	(468.13)
Add: Depreciation	(103.79)	(101.46)
(Loss) before Extraordinary Item	(715.35)	(569.59)
Add: Amortisation of Goodwill arising on Amalgamation	(8.64)	(8.64)
(Loss) before Taxation	(723.99)	(578.23)
Less: Provision for Taxation including Deferred Taxation	463.68	320.00
(Loss) after Taxation	(260.31)	(258.23)
Add: Balance Brought Forward	(346.44)	(88.21)
Less: Transfer from General Reserve	—	400.00
Profit/(Loss) available for Appropriation	(606.75)	53.56
Appropriated as under :		
Preference Share Redemption Reserve	—	400.00
Exchange Rate Variation Reserve	41.22	—
Balance Carried Forward	(647.97)	(346.44)
	(606.75)	53.56

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 and that produced at Borahi Factory was 53.22 lac kgs. This however cannot be compared with the crop produced in 2002-03 which was 41.08 lac kgs., as with effect from 1st April, 2003 the running and operation of Borahi Factory at Borahi T.E., owned by Jyoti Holdings Pvt. Ltd., our Subsidiary Company, was taken over by your Company. The total crop produced at the Borahi Factory in 2003-04 was 10.12 lac kgs.

ROSSELL TEA LIMITED

The overall crop of the Company showed a marginal increase over that of the previous year. As a policy, better plucking standards were adhered to in view of quality imperatives. The Company also took a policy decision to market bought leaf teas under separate marks. This helped preserve our own quality standards, whilst allowing the bought leaf teas to develop their own brand equity.

At the start of the year 2003-04, the Company took a conscious decision to undertake exports on its own. We are pleased to report that exports to various destination totalled 3.28 lac kgs. valued at Rs.371.85 lacs, which is 10.08% of the Company's turnover in the very first year of such operations.

The downward pressure on the prices continued during the year making it one of the most difficult years for the Indian Tea Industry. Your Company despite all efforts saw erosion in its prices and the realisation was Rs.70.25 per kg. as against Rs.77.19 per kg. in the previous year, which is again not comparable due to higher Bought Leaf operation carried out during the year after taking over the running and operation of Borahi Factory. Thus, due to adverse factors beyond the control of your Company, the year ended with an operational loss of Rs.237.92 lacs against Rs.66.36 lacs in the previous year.

PROSPECTS

The season 2004-05 began with a small carry over stock, which is lowest for many years. This has helped bring about an equilibrium between supply and demand. Although the initial first flush prices were only marginally higher than last year, with poorer cropping in April, 2004, a pressure on demand now seems to be building up.

In the immediate future, we foresee stable crops and a firmer market especially for better quality CTC & Orthodox teas. Whilst being cautiously optimistic of the market conditions, we are committed to improving our quality standards to safeguard the Company against any depression in the market in the medium term.

STAFF WELFARE AND SOCIAL ACTIVITIES

Your Company continues to pay particular attention to the improvement of living conditions of its employees. Accordingly, 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 have received whole hearted support from all concerned. The projects are still continuing at some of the Estates 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 earlier, are in a fairly good condition and necessary repairs are undertaken by the estate from time to time at considerable cost. However, the Dykes constructed by the Government of Assam under expert advise made available by us, in the vicinity of Nagrijuli T.E. require immediate attention and repairing with the help from the Government. Government of Assam and its departments have been repeatedly approached to help repair these dykes, which withstood the last season's flood well. So far no help has been forthcoming. If appropriate steps are not taken, the Estate and surrounding villages will continue to remain under grave threat 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 Act, your Directors state and confirm the following:

- (i) That in preparation of the Company's Annual Accounts for the year ended 31st March, 2004 the applicable accounting standards have been followed and proper explanations have been provided for material departures, where applicable.

ROSSELL TEA LIMITED

- (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, 2004 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

In accordance with the provisions of Article 150 of the Articles of Association of the Company, Mr. H.M. Parekh and Mr. P.L. Agarwal 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 another year of set back to the Indian Tea Industry. The oversupply position continued to keep the market depressed. With the increase in Indian production by 31 million kgs and a reduction in exports by 28 million kgs, the situation was further aggravated. Therefore, the industry went through another grim year with prices continuing to decline and costs continuing to escalate. However, unlike in earlier years the carried forward stock into the new season showed a decline because of faster sales in the auction system as under the Tea Marketing (Control) Order, 2003 teas had to be offered for sale within a specified period after arrival at the Centres. In addition, the normal increase in domestic consumption also helped in reducing the stocks. With the shortfall in production during the first four months of 2004 the supply and demand are now appearing to be in balance.

On the other hand, due to inflationary pressure, the costs continue to rise. This is in view of the fact that 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

In order to improve realizations, your Company decided to launch a two pronged attack during the year by way of exploiting the marketing opportunities both overseas and internally. With the improvement in quality standard, which has been recognized in the trade, a concerted effort was made to sell teas to quality conscious markets both overseas and internally. It is gratifying to report that for the first time the Company was able to directly export teas to some of the overseas buyers and also sold a significant quantity to the quality conscious areas of Western India.

The worldwide crops so far, in the current year, appears to be at level with last year's production for the period from January to April. Whilst Kenyan crops are significantly ahead, that of Sri Lanka are marginally behind. The likely deficit in Indian crops upto April, 2004 would in all probability balance the larger Kenyan availability thereby negating the threat from oversupply worldwide.

In spite of being a very popular beverage in the country, tea has come under pressure from the Cojas. However, there are indications that annual consumption within the country is higher than hitherto believed. Proposals like generic promotion of tea and health benefits of tea, which are being chronicled the world over will help spur consumption growth in the medium term.

(c) Segment wise Business Performance

As reported above your Company till the previous financial year confined its operations to domestic market segment only. For the first time in this financial year, direct shipments were made overseas thus tapping the Export Market Segment. We are pleased to report that out of total crop of 52.51 lac kgs. sold during the year, 3.28 lac kgs was exported representing 6.25% of total quantity sold.

(d) Outlook

With a more equitable supply and demand situation than hitherto seen, the market may be viewed over the next few months with cautious optimism. With lower crop so far in the current season, the Indian crop is likely to be lower by approx. 20-25 Million kgs. by end April, 2004. On the other hand, exports for the period January-March, 2004 are ahead by 7 Million kgs. This is bound to be reflected in a buoyant market over the coming months.

However, whilst a buoyant market is a likely scenario, the omnipresent threat of escalating costs is a grim reality. A wage revision is due and prices of all administered inputs are gradually increasing. This is likely to have a negative impact. To deal with such a situation, the cornerstone of our policy is to produce quality teas and implement prudent cost control.

(e) Risks and Concerns

Tea industry is cyclical in nature and depend upon weather conditions for production whilst the prices are ruled by supply and demand equation. Therefore, it suffers from the infirmity of not having a brand image per se as a protection. The major concern at present is if the Indian production increases substantially and the exports do not take off as predicted. These factors could then result in an oversupply situation once again and exert a downward pressure on prices. The situation in the Middle East continues to be uncertain. Whilst Iran has reportedly allowed imports of tea, no business has been done thus far. It is also vital that given an improvement in bilateral relations between India and Pakistan, a larger volume of tea trade must emerge between the neighbours. The threat of declining consumption in the Western world must be met through generic promotion of tea and active dissemination of data emanating from various laboratories the world over on the health benefits of tea.

At the same time, the cost of production continues to escalate with the general increase in the cost of various inputs. It is further aggravated by unbridled increase in labour costs without commensurate increase in productivity. To cope up with the situation, your Company has adopted necessary measures for

- (i) enforcement of strict cost control regimes
- (ii) introduction of energy efficient and labour saving equipment
- (iii) improved productivity
- (iv) upgradation of Company's produce
- (v) exploitation of market opportunity

Besides, as stated later in this Report, there has been a substantial savings in interest cost by resorting to External Commercial Borrowing from a Bank overseas.