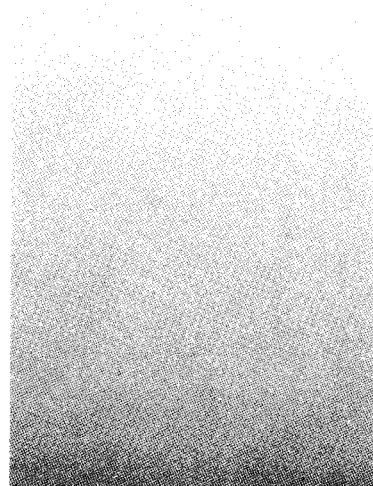




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**ANNUAL
REPORT**

2004-2005



ROSSELL TEA LIMITED

BOARD OF DIRECTORS

H. M. Gupta, *Executive Chairman*

Dr. S. S. Baijal, *Director*

H. M. Parekh, *Director*

P. L. Agarwal, *Director*

R. N. Deogun, *Director*

C. S. Bedi, *Executive Director*

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VICE PRESIDENT (FINANCE) -CUM-COMPANY SECRETARY

N. K. Khurana

AUDITORS

S. S. Kothari & Co.

BANKERS

HDFC Bank Ltd.

IndusInd Bank Ltd.

State Bank of India

The Bank of Nova Scotia

UTI Bank Ltd.

REGISTERED OFFICE

14B, Gurusaday Road
Kolkata 700 019

ROSSELL TEA LIMITED**Notice to the Members**

Notice is hereby given that the Eleventh Annual General Meeting, of the Members of Rossell Tea Limited, will be held on Thursday, the 28th July 2005 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 2005 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. S. S. Baijal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To declare and take on record the result of Postal Ballot proposing the following Special Resolutions : (Note 11)
“RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered as follows:
 The following sub-clauses, after sub-clause 65 in Part - C of Clause III, be inserted:
 66. To carry on the business as hoteliers, hotel proprietors, hotel managers and operators, refreshment contractors and caterers, restaurant keepers, refreshment room proprietors, milk and snack bar proprietors, café and tavern proprietors, lodging house proprietors, ice-cream merchants, sweetmeat merchants, milk manufacturers and merchants, bakers, confectioners, professional merchants, licensed victuallers, wine and spirit merchants, blenders and bottlers.
 67. To carry on the business of constructing, reconstructing, altering, improving, decorating, furnishing and maintaining hotels, motels, restaurants, dining rooms, bars, catering rooms, garages, stables, lodging houses, commercial buildings, warehouse, clubs, dressing rooms, beauty saloons, baths, laundry rooms, reading, writing and library rooms, indoor and outdoor playgrounds and stadiums, swimming pools, theater, opera and cinema houses, museum and art rooms, video and other fun game rooms, race courses, meditation centres, boating clubs, flying clubs, freezing-hot preservation and baking chambers and other apartments, show rooms, shops and conveniences of all kinds.
 68. To carry on the business of establishing and operating of hotels, restaurants, inns, cinemas, cafe, tavern, beer house, refreshment room and lodging house keepers, licensed victuallers, wine, beer and spirit merchants, brewers, maltsters, distillers, importers and manufacturers of aerated, mineral and artificial waters and other drinks, purveyors, caterers, whether in meals provided door or outdoor, carriage, taxi, motor car and motor lorry proprietors, livery stable keeper job masters, frame's dairymen, ice merchants, importers and dealers of all kinds of foods and food stuffs vegetarian or non-vegetarian, live and dead stocks, whether half prepared, fully prepared or in raw form, colinell and foreign produce of all descriptions, hotelware hairdressers, perfumers, chemists, proprietors of clubs, night clubs, health clubs, seminar, fashion show and cultural programme, bath , dressing rooms, laundries , reading, writing and news paper rooms, libraries, grounds, fun games, place of amusement, recreation, sports, games, entertainments and instructions of all kinds, tobacco, cigar and cigarette merchants, agents for railways, roadways, airways and shipping companies and transporters and carriers, the article and opera box office proprietors.
 69. To act as consultants, managers, operators, advisors, planners, valuers to and impart technical know-how in the field of planning, construction, operation of hotels, motels, restaurants, recreation , entertainment centres and in the field of tourism Industry, whether in India or abroad.
 70. To import, export, buy, sell, distribute, lease out or otherwise deal in all kinds and types of Aeronautical and Aerospace products, spare parts and accessories.
 71. To import, export, buy, sell , distribute, lease out or otherwise deal in all kinds and types of Marine, Vessels Survey, Defence, Optical and Oil equipment, accessories and spare parts.
 72. To import, export, buy, sell, distribute, lease out or otherwise deal in all kinds and type of motor vehicle spare parts and accessories.

ROSSELL TEA LIMITED

73. To purchase, sell, import, export, manufacturer or otherwise deal in all types of packing material, raw material and other chemicals used for manufacturing of the above items.
74. To manufacture, buy, sell, export, import, deal in, assemble, fit, repair, convert, overhaul, alter, maintain and improve all types of aircraft, aircraft system, avionic, electronic components, devices, equipments and appliance such as television and wireless apparatus including radio receivers and transmitters, tape recorders, broadcast relay and reception equipments, phonographs and other equipments used in and or for audio and visual communications, motion systems, apparatus and equipments including those using electromagnetic waves intended for radio telegraphic or radio-telephonic communication, telephone equipments, photocopiers, electronic lighting controls, and fire alarm systems, digital and other electronic clock, time relays, punch card machines, electromechanical pneumatic controls, data processing machines, computers and automatic calculators, and tubes, surgical, medical and other appliances intended for electro and other therapy treatment and in all types of tapes magnetic and otherwise, photographic films projectors and cameras and capacitors, resistance, condensers, semi-conductors, transistors, rectifiers, steam engines, turbine boilers, integrated and hybrid circuits, relays, potentiometers, connectors, printed circuits, coils, chokes, transformers, wire products, switches, volume controls, measuring and checking instruments, plugs, sockets, aerial gears, diodes and allied items intended for and used in electronic devices.
75. To carry on business of civil, mechanical, electrical and consulting engineers, agricultural engineers, aeronautical engineers, aviation engineers, construction engineers and engineers in all branches of work whatsoever known to engineering, erectors, mechanics, manufacturers of agricultural implements, aeronautical, space, marine, oil exploration equipments and any other kind of machinery which is used for the aforesaid purpose or for any other purpose whatsoever and/ or any part thereof or accessories thereto; founders, manufacturers of welding appliances and of all or any parts thereof or accessories thereto; boiler makers; millwrights; wire drawers, tube makers iron and steel converters, smiths, wheelwright, wood workers, metallurgists, galvanizers, japanners, enameliars, electroplaters, silver-platers, nickel-plater, varnishers, vulcanisers, water supply and hydraulic engineers, marine engineers, motor engineers, painters and packing case markers, manufacturers of all other instruments used in or in connection with any of the above business and of motors, aircrafts, ships, machinery and scientific appliances, apparatus and devices of every description whatsoever; rolling stock, timber goods, iron steel and other metal implements, tools, utensils and conveniences of every kind."

"RESOLVED FURTHER THAT the aforesaid Special Resolution for alteration of the Object Clause of the Memorandum of Association being duly passed and becoming effective, the consent of the Members of the Company be and is hereby accorded pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies, Act, 1956, for commencing and carrying on all or any of the new business and activities as per new sub-clauses inserted therein at such time as may be deemed fit by the Board of Directors of the Company."

Registered Office :
14B, Gurusaday Road
Kolkata 700 019
Place : Kolkata
Date : 25th May, 2005.

By Order of the Board

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

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 22nd July 2005 to 28th July 2005 (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.**

ROSSELL TEA LIMITED

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.
6. **Unpaid Dividend 1997-98**

Those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1998 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 such claims. Accordingly, the money lying in the Unpaid Account for the year ended 31st March, 1998 will be transferred by October, 2005.

7. **Further, those members who have not so far encashed their Dividend Warrants for the year ended 31st March 1999 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 : 2287- 0263
Email ID : 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 Registrars & Transfer Agents 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.**
11. Notice of Postal Ballot is being sent separately for passing Special Resolutions as stated in item 4 of the Notice by Postal Ballot pursuant to Section 192A(2) of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Registered Office :
14B, Gurusaday Road
Kolkata 700 019
Place : Kolkata
Date : 25th May, 2005.

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 Eleventh Annual General Meeting to be held on 28th July, 2005

Item No. 4

Your company, since inception, has been engaged in the business of cultivation, manufacture and sale of tea, which is its core competence. However, the Tea Industry is subject to cyclical fluctuations and these have a direct bearing on the performance and results of the Company. The continued sluggishness in the Tea market over the last few years has put severe pressure on profitability. Your Directors have, therefore, been looking into various diversification projects while evaluating future prospects and plans of the Company. The entry, into any of the proposed line of business as enumerated in the proposed special resolution, will necessitate alteration in the Object Clause of the Memorandum of Association of the Company.

Section 17 of the Companies Act, 1956 stipulates that the Object Clause of the Company can be altered only by way of passing a special resolution by the Members of the Company. Section 192A(2) of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 provides that the consent of the Members for alteration of the Object Clause must be obtained by means of Postal Ballot only. Thus, Notice of Postal Ballot containing Draft Special Resolutions and this Explanatory Statement is being sent separately.

The Directors are of the view that any of the new business contemplated by the proposed Special Resolution can be combined with the existing business of the Company, conveniently and advantageously for greater economy and efficiency. Consequent upon the alterations of the Object Clause of the Memorandum of Association for the enlargement of business activities of the Company, the approval of the Members is also being sought pursuant to the provisions of Section 149(2A) of the Companies Act, 1956 to commence any of the new business activities as stated therein and included in the Notice of Postal Ballot as aforesaid.

The Directors recommend adoption of the proposed Resolutions. None of the Directors of the Company is interested in the proposed Special Resolution.

Registered Office :
14B, Gurusaday Road
Kolkata 700 019
Place : Kolkata
Date : 25th May, 2005.

By Order of the Board

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

ROSSELL TEA LIMITED**DETAILS OF DIRECTOR SEEKING RE-APPOINTMENT AT THE FORTHCOMING ELEVENTH ANNUAL GENERAL MEETING**

Name of the Director	Dr. S S Baijal
Date of Birth	September 06, 1929
Date of Appointment	July 14, 1994.
Qualifications	B.Sc. M.Sc. D.Phil. – Organic Chemistry
Expertise in specific Functional areas	Corporate Affairs and Management
List of Public Companies in which Directorship is held	Atul Limited DCM Shriram Consolidated Limited Max India Limited DCM Shriram Credit & Investment Limited Rossell Tea Limited Jyoti Holdings Private Limited
Chairman / Member of the Committees of the Board of the Companies on which he is a Director	DCM Shriram Consolidated Ltd. Audit Committee - Chairman Remuneration Committee - Chairman Investors/ Shareholders Grievance Committee - Member Max India Ltd. Audit Committee – Member Remuneration Committee – Chairman Rossell Tea Ltd. Audit Committee – Chairman Remuneration Committee – Member Atul Ltd. Audit Committee – Chairman Remuneration Committee – Member

ROSSELL TEA LIMITED

Report of the Board of Directors for the year ended 31st March, 2005

Your Directors have pleasure in presenting their Eleventh Annual Report together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31.03.2005 <u>Rs. in Lacs</u>	Year ended 31.03.2004 <u>Rs. in Lacs</u>
Profit (Loss) before Interest and Depreciation	597.64	(237.92)
<i>Less (Add) : Interest</i>	<u>251.61</u>	<u>(373.64)</u>
Profit (Loss) before Depreciation	346.03	(611.56)
<i>Less (Add) : Depreciation</i>	<u>115.85</u>	<u>(103.79)</u>
Profit (Loss) before Extraordinary Item	230.18	(715.35)
<i>Less (Add) : Amortisation of Goodwill arising on Amalgamation</i>	<u>8.64</u>	<u>(8.64)</u>
Profit (Loss) before Taxation	221.54	(723.99)
<i>Less : Provision for Current Taxation</i>	<u>2.50</u>	<u>—</u>
Profit (Loss) after Current Taxation	219.04	(723.99)
Deferred Taxation adjustment	(480.00)	463.68
(Loss) after Taxation	(260.96)	(260.31)
<i>Add : Balance Brought Forward</i>	(647.97)	(346.44)
<i>Less : Transfer from General Reserve</i>	<u>552.50</u>	<u>—</u>
(Loss) available for Appropriation	<u>(356.43)</u>	<u>(606.75)</u>
Appropriated as under :		
Exchange Rate Variation Reserve	7.34	41.22
Balance Carried Forward	<u>(363.77)</u>	<u>(647.97)</u>
	<u>(356.43)</u>	<u>(606.75)</u>

DIVIDEND

In view of the need to plough back the resources due to past losses, your Directors regret their inability to recommend any dividend.

TURNOVER

The gross turnover of your Company for the year 2004-05 was higher at Rs. 4,825.76 lacs as against Rs.3,688.88 lacs last year. The total crop inclusive of bought leaf operation and that produced at the Borahi factory was 54.47 lac kgs. as against 53.22 lac kgs. in the previous year.

PERFORMANCE

Your Directors view with satisfaction the performance of the Company in the year under review. The year 2004 saw a reversal in the sequence of depressed prices over the last four years. Whilst the Assam average this year of Rs.71.52 was a smart upturn over Rs.61.34 the previous year, it was still lower than Rs.80.22 recorded in 1998.

ROSSELL TEA LIMITED

Your Company produced nearly 2.0 million kgs of good quality Orthodox. The judicious product mix and consistent quality resulted in a much-improved average price of Rs.88.55 per kg as against Rs.70.25 per kg in the previous year, an improvement of over 25%. Despite the inflationary pressure on the cost of various inputs and a slightly smaller own crop, the year closed with an operational profit of Rs.597.64 lacs before interest and depreciation, as compared to an operational loss of 237.92 lacs in the previous years.

PROSPECTS

The new season has commenced on a sluggish note despite small carry over stocks in the primary market. Indian crops are also ahead for the period January – April 2005, resultantly the first flush prices have been lower than last year. This would indicate that the Industry is not entirely out of the woods, and the supply demand equation will continue to determine performance. In addition, we expect the following factors to play a critical role in determining stable market conditions:

1. Exports should show a substantial increase and for this to happen orthodox production must increase, which is already in evidence.
2. Imports of poorer quality teas must see a drastic reduction. Government has set certain norms, which, if comprehensively implemented, should restrict the inflow of substandard teas.
3. Quality must continue to be the priority area

With sustained improvement in quality, larger orthodox production, better value for its exports and prudent cost management, your Company continues to be cautiously optimistic of the future.

STAFF WELFARE AND SOCIAL ACTIVITIES

While continuing to pay full attention to the improvement in 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, hospitals, schools, supply of potable water, general hygiene etc.

The projects of electrifying the workers' quarters in a phased manner are still continuing at some of the Estates and progressing satisfactorily.

The severe flooding in July, 2004 in the Baranadi river in the vicinity of our Nagrijiuli T.E. washed away the protective bundhs and water entered the Estate threatening the factory. Given this threat perception for the Estate, the neighbouring villages and Rangia town, the concerned departments of the Government of Assam were activated and a Scheme was drawn up for the protection work. This is still awaiting final approval of the appropriate department of the Government of India. As a precautionary measure, the Company has had to initiate repairs in the interim at considerable cost.

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 the estate 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, 2005 the applicable accounting standards have been followed and proper explanations have been provided for material departures, where applicable.
- (ii) That the Directors have 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, 2005 and of the Profit of the Company for that financial year.
- (iii) That the Directors have 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 have prepared the Annual accounts for the year ended 31st March, 2005 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 (Revised) 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, Dr. S. S. Bajjal retires at the forthcoming Annual General Meeting, but being eligible offers himself 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 turnaround year for the Indian Tea Industry. For the earlier part of the year with production lower by 37 million kgs, the demand pull was present and prices were consistently moving up. However, from September 2004 onwards, poorer export performance, better crops and higher imports of tea largely corrected the supply demand imbalance and prices moved down, substantially negating to a large extent the earlier gains. Nonetheless all India price levels rose by about 17%. Our policy of continuous quality upgradation coupled with a judicious product mix saw our average realisation move up by over 25%.

Despite prudent cost management, the inflationary pressure of the economy continued to push costs upwards. With current oil prices, these pressures will continue, more so as the Industry is saddled with large social costs which see regular administrative price increases.

(b) Opportunities and Threats

In order to maximize profitability through a favourable product mix, better price realizations were achieved by your Company. The improvement in quality of your Company's teas has been recognized in the trade. During the year, the Company continued to export teas to Germany, Ireland and U.K. and was able to sell a significant quantity to the quality conscious Western India buyers.

In spite of being a very popular beverage in the country, tea has come under pressure from the Colas. However, there are indications that annual consumption of tea within the country is higher than hitherto believed. Proposals like generic promotion of tea & 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 in the previous year, direct shipments were made overseas thus tapping the Export Market Segment. We are pleased to report that out of total crop of 54.50 lac kgs. sold during the year, 2.12 lac kgs. was exported representing 3.89% of total quantity sold.

(d) Outlook

World crops are generally stable and are likely to remain so in the foreseeable future. Indian crops are currently ahead by 22.50 million kgs. for the period upto April, 2005. Given the fact that there were hardly any carry over stocks at the end of the previous season, a marginal increase in crop will not play a major role in upsetting the demand supply balance. We expect the market to remain largely stable.

However, despite our cautious optimism we are concerned at the inflationary pressures and the grim reality of escalating costs. To deal with such a situation, the Cornerstone of our policy is 'a Quality Product' through a prudent cost management regime.

(e) Risks and Concerns

The cyclical nature of the Tea Industry and its dependence on weather conditions for production make the Industry vulnerable. This coupled with pricing determined by a supply demand equation can affect the markets adversely in years of high cropping. It is therefore necessary that Indian exports must measure upto around 200 million kgs if