



ANNUAL REPORT 2005-2006

ERRATA

In Page 7, Item I (5), Export Turnover should be read as under :

(Rs. in lacs)	2005-2006	2004-2005
Export Turnover	352.48	321.33

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

REGISTERED OFFICE

14B, Gurusaday Road
Kolkata 700 019

ROSSELL TEA LIMITED**Notice to the Members**

Notice is hereby given that the Twelfth Annual General Meeting of Rossell Tea Limited, will be held on Thursday, the 27th July, 2006 at 10.30 A.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, 2006 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 a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable Provisions, if any, of the Companies Act, 1956 (the Act), the Company do reappoint, Mr. H M Gupta as Managing Director, designated as Executive Chairman for a further period of 3 years from 1st May, 2006 to 30th April, 2009, on the terms and conditions, including remuneration effective from the date of his reappointment as recommended by the Remuneration Committee in accordance with Schedule XIII Part II Section II Clause 1(B) of the Act and accepted by the Board as detailed here-in-below:

1. Salary

In the scale of Rs. 1,00,000 – Rs.3,00,000. Future increments during his tenure shall be merit-based and at the discretion of the Board within the aforesaid scale.

2. Commission

At the rate of 5% of the Company's net profits, as computed in accordance with Section 309(5) of the Act, subject to the overall limits of managerial remuneration u/s. 198 and 309 read with Schedule XIII of the Act, as may be decided by the Board from time to time.

3. Perquisites and Allowances

At present, Mr. Gupta shall not be entitled to draw any perquisites and allowances. The sum total of all the Perquisites to be provided in such form and in such manner, as may be decided in future by the Board from time to time, shall be restricted to an amount equal to 100% of the Annual Salary. However, the following perquisites shall not be included in the aforesaid ceiling:

- a) **Contribution to Provident Fund and Superannuation Fund** to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) **Gratuity** payable at a rate not exceeding half a month's salary for each completed year of service or contribution to Gratuity Fund towards Annual Contribution up to the equivalent amount, as may be determined by the Actuary. Any such contribution, exceeding the aforesaid rate as per Rules of the Fund, shall be included in the overall ceiling for perquisites.
- c) **Encashment of leave at the end of the tenure.**

Provision of a Car for use on Company's business, telephone at residence and a mobile telephone will not be considered as perquisites. Personal long distance calls shall be billed by the Company to Mr. Gupta.

For the purpose of calculating the above ceiling, Perquisites and Allowances shall be evaluated at the actual cost to the Company or as per Income Tax Rules, whichever is applicable.

4. Minimum Remuneration

In the event of loss or inadequacy of profit in any Financial Year during the tenure of Mr. Gupta, the above Salary, Perquisites and Allowances shall be payable to him as Minimum Remuneration.

5. Overall Remuneration

The overall remuneration payable to Mr. Gupta shall not, subject to minimum remuneration as specified hereinabove, exceed 5% of the Net Profits of the Company in a Financial Year computed in the manner laid down in Section 309(5) of the Act with overall remuneration payable to all the Managerial Personnel remaining within the total ceiling of 10% of the Net Profits of the Company computed in the manner as aforesaid.

6. Option to draw Remuneration

Since Mr. Gupta is also a Managing Director of another Public Limited Company, in accordance with Section III of Part II of Schedule XIII of the Act, Mr. Gupta may draw his remuneration from one / both the Companies, provided that the total remuneration drawn from the Companies does not exceed the higher maximum limit admissible from any one of the companies, of which he is a Managing Director.

7. Earned Leave

Mr. Gupta shall be entitled to leave according to the Rules applicable to its managerial personnel.

8. Disentitlement of Director's Fees

Mr. Gupta so long as he functions as Managing Director shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.

9. Duties

Mr. Gupta shall have substantial power of Management of the Company under the supervision, guidance and control of the Board".

5.2 As a Special Resolution

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable Provisions, if any, of the Companies Act, 1956 (the Act), the Company do reappoint, Mr. C S Bedi as Whole time Director, designated as Executive Director for a further period of 3 years from 1st April, 2006 to 31st March, 2009, on the terms and conditions, including remuneration effective from the date of his reappointment as recommended by the Remuneration Committee in accordance with Schedule XIII Part II Section II Clause 1(B) of the Act and accepted by the Board as detailed here-in-below:

1. Salary

In the scale of Rs. 75,000 – Rs. 95,000. Future increments during his tenure shall be merit-based and at the discretion of the Board within the aforesaid scale.

2. Perquisites and Allowances

The sum total of all the Perquisites to be provided in such form and in such manner, as may be decided in future from time to time, shall be restricted to an amount equal to 100% of the Annual Salary. Within the aforesaid ceiling, Mr. Bedi will be entitled to following perquisites:

- 1. Housing:** Rent-free furnished accommodation, for which rent shall not exceed 50% of the salary. The expenditure on gas, electricity, water and furnishing thereof shall not exceed 10% of the salary. In case no accommodation is provided, House Rent Allowance @ 50% of the salary shall be payable to Mr. Bedi.
- 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 and payment of annual premium for the medical policy for self and family taken as per the Rules of the Company.
- 3. Leave Travel Allowance:** For self and family, once in a year in accordance with the Rules of the Company.

ROSSELL TEA LIMITED

However, the following perquisites shall not be included in the overall ceiling:

- a) **Contribution to Provident Fund and Superannuation Fund** to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) **Gratuity** payable at a rate not exceeding half a month's salary for each completed year of service or contribution to Gratuity Fund towards Annual Contribution up to the equivalent amount, as may be determined by Actuary. Any such contribution, exceeding the aforesaid rate as per Rules of the Fund, shall be included in the overall ceiling for perquisites.
- c) **Encashment of leave at the end of the tenure.**

Provision of a Car for use on Company's business, telephone at residence and a mobile telephone will not be considered as perquisites. Personal long distance calls shall be billed by the Company to Mr. Bedi.

For the purpose of calculating the above ceiling, Perquisites and Allowances shall be evaluated at the actual cost to the Company or as per Income Tax Rules, whichever is applicable.

4. Minimum Remuneration

In the event of loss or inadequacy of profit in any Financial Year during the tenure of Mr. Bedi, the above Salary, Perquisites and Allowances shall be payable to him as Minimum Remuneration.

5. Overall Remuneration

The overall remuneration payable to Mr. Bedi shall not, subject to minimum remuneration as specified hereinabove, exceed 5% of the Net Profits of the Company in a Financial Year computed in the manner laid down in Section 309(5) of the Act with overall remuneration payable to all the Managerial Personnel remaining within the total ceiling of 10% of the Net Profits of the Company computed in the manner as aforesaid.

6. Earned Leave

Mr. Bedi shall be entitled to leave according to the Rules applicable to its managerial personnel.

7. 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.

8. Duties

Mr. Bedi shall be responsible for the overall functioning of the Company under the supervision, guidance and control of the Board and shall carryout such other functions as may be assigned to him by the Board from time to time".

Registered Office :
14B, Gurusaday Road
Kolkata 700 019
Place : Kolkata
Date : 24th May, 2006.

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 21st July, 2006 to 27th July, 2006 (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.

6. Unpaid Dividend 1998-99

Those members who have not so far encashed their Dividend Warrants for the year ended 31st March, 1999 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, 1999 will be transferred by October, 2006.

7. **Further, those members who have not so far encashed their Dividend Warrants for the year ended 31st March 2000 and for 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
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 & Share 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.

Registered Office :
 14B, Gurusaday Road
 Kolkata 700 019
 Place : Kolkata
 Date : 24th May, 2006.

By Order of the Board

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

ROSSELL TEA LIMITED

Explanatory Statement

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

Attached to the Notice convening the Twelfth Annual General Meeting to be held on 27th July, 2006.

Items No. 5.1 & 5.2

The existing terms of appointment of Mr.H.M.Gupta (Mr. Gupta), Executive Chairman and Mr.C.S.Bedi (Mr. Bedi), Executive Director expired on 30th April, 2006 and 31st March, 2006 respectively. Accordingly, pursuant to Article 159 of the Articles of Association of the Company, the Board of Directors, in their meeting held on 31st January, 2006 re-appointed Mr. Gupta and Mr. Bedi to their respective Offices for a further period of 3 years with effect from 1st May, 2006 and 1st April, 2006 respectively, subject to the approval of the Members of the Company by way of Special Resolutions on remuneration as recommended by the Remuneration Committee of the Board of Directors at their Meetings held on 31st January, 2006 and 24th May, 2006 and accepted by the Board of Directors, as embodied in the resolutions.

Mr. Gupta is associated with the Company since its inception and well versed in International Trade and business, besides having comprehensive knowledge of Tea Industry. Thus, the Company would be immensely benefited with his continuous association. The Directors, thereafter, recommend adoption of the proposed special resolution for re-appointment of Mr. Gupta as Executive Chairman.

Mr. Bedi has also been associated with the Company since its inception in various capacities, till he was elevated and appointed as Executive Director on 1st April, 2003. Mr. Bedi has specialization and vast experience in the Tea Industry. Thus, the Company would be immensely benefited with his continuous association. The Directors, thereafter, recommend adoption of the proposed special resolution for re-appointment of Mr Bedi as Executive Director.

Mr Gupta and Mr Bedi shall be deemed to be interested in the respective re-appointments. None of the other Directors of the Company is concerned or interested in the proposed Special Resolutions.

A circular dated 2nd February, 2006 was sent to all the Members containing an abstract of the terms of re-appointment of Managerial Personnel and Memorandum of Interest pursuant to Sec. 302 of the Companies Act, 1956.

Registered Office :
14B, Gurusaday Road
Kolkata 700 019
Place : Kolkata
Date : 24th May, 2006.

By Order of the Board

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

Statement pursuant to the requirement of Part II, Section II Clause 1 (B) of Schedule XIII to the Companies Act, 1956 for Remuneration proposed to be paid to Mr. H.M. Gupta, (Mr. Gupta) Executive Chairman and Mr. C.S. Bedi, (Mr. Bedi) Executive Director

I. General Information:

(1) Nature of Industry

The Company is engaged in Cultivation, Manufacture and Sale of Black Tea. Besides, The Company has recently started "Aerotech Services " Division for undertaking Maintenance and Repairs of Avionics Equipment.

(2) Date or expected date of commencement of commercial production

The Company is an existing Company and owns 5 Tea Estates in the State of Assam. The Aerotech Services Division commenced its business activities from 1st April, 2006.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus

Not Applicable.

(4) Financial performance based on given indicators

(Rs. in lacs)	2005-2006	2004-2005
Total Turnover	<u>4,199.53</u>	<u>4,825.76</u>
Operating Profit before Interest and depreciation	150.08	597.64
Less: Interest	<u>272.03</u>	<u>251.61</u>
Profit(Loss) before Depreciation	<u>(121.95)</u>	346.03
Depreciation	<u>(119.09)</u>	<u>115.85</u>
Profit (Loss) after Depreciation	<u>(241.04)</u>	<u>230.18</u>

(5) Export Performance and net foreign exchange earnings

(Rs. in lacs)	2005-2006	2004-2005
Export Turnover	<u>3,524.83</u>	3,213.30

(6) Foreign Investments and Collaborators, if any

The Company has no investments in any Foreign Company. 24.47 % of the Company's Equity Share Capital is held by an Overseas Corporate Body.

II. Information about the appointees

(1) Background details

Mr. Gupta is B.A. (Hons.) and expert in International Trade and Business. He has been associated with Avionics business for more than 30 years, besides having comprehensive knowledge of Tea Industry. He has been a Director of the Company since inception, Executive Vice Chairman since 1st May, 1996 and Executive Chairman since 1st February, 2001.

Mr. Bedi is also B.A. (Hons.) and having been a Planter himself, he has acquired sufficient expertise in Cultivation, Manufacture and Marketing of Tea. Having worked with Rydak Syndicate Ltd., he joined the Company since its inception and took over as Executive Director from 1st April, 2003.

ROSSELL TEA LIMITED**(2) Past Remuneration**

During the year 2005-2006, due to inadequate profit, the remuneration paid to Mr. Gupta and Mr. Bedi were restricted to the Minimum Remuneration as approved by the Members of the Company in the Annual General Meetings held on 29th August, 2001 and 9th September, 2003 respectively.

(3) Recognition or Awards

Mr. Gupta is a Member of the Executive Committee of Federation of Indian Chamber of Commerce and Industry.

Mr. Bedi is a Member of the National Committee of Indian Tea Association (ITA) and Vice Chairman of Tea Research Association (TRA).

(4) Job Profile and Suitability

As the Managing Director, Mr. Gupta has been in overall control of the entire operations of the Company since the last 10 years. He has been leading the Board of Directors of the Company in his capacity as Chairman. Having regard to his vast experience and insight into the Company, with comprehensive knowledge in both Tea and Aviation Industry, Mr. Gupta is perfectly suited for reappointment as Executive Chairman of the Company.

Mr. Bedi has in-depth knowledge of Tea Industry, having worked in various capacities. Mr. Bedi has been the Executive Director of the Company and entrusted with day to day functions of the Company under the supervision and control of the Board of Directors. With his background and vast knowledge, he is eminently suited for re-appointment as the Executive Director of the Company.

(5) Remuneration Proposed

The remuneration proposed to be paid to Mr. Gupta and Mr. Bedi, as recommended by the Remuneration Committee and accepted by the Board of Directors, have been embodied in the respective Special Resolutions.

(6) Comparative remuneration Profile with respect to Industry

Name of the Company	Designation	Total Remuneration Rs. in Lacs	Year
Goodricke Group Ltd.	Managing Director	32.08	2005
The Moran Tea Company (India) Ltd.	Managing Director	31.41	2004-2005
Apeejay Tea Ltd.	Managing Director	14.12	2004-2005 (6 Months)

(7) Pecuniary Relationship

Except for the remuneration in consideration of their services rendered to the Company, neither Mr. Gupta, nor Mr. Bedi has any pecuniary relationship with the Company. However, Mr. Gupta has provided certain sums to the Company, by way of Unsecured Loan payable on demand, on which he is being paid interest at a rate below the prevailing market rate of interest.

III. Other Information**(1) Reasons of Loss**

Since the last few years the Tea Industry, in general, has been faced with a price recession, except for a short revival in the year 2004-2005. This is due to higher availability of the produce in the system than the demand. With better Indian Crop and reduction in Exports, the situation aggravated during the year 2005-2006 and price realization was poor. At the same time, there is a continuous pressure on cost

arising out of inflation. A new agreement was signed for increase in the wage rate in Assam. With continuous rise in Power cost, Fuel and oil prices, the cost kept rising, while the market forces did not allow for the recovery of increased cost from the sales realization.

(2) Steps taken or Proposed to be taken for improvement

The Company continues to work on quality upgradation of its production. The improvement in quality of the Company's teas has been recognised in the trade. The Company has enlarged its marketing network. Emphasis is given to sell the produce at quality conscious segment of the market for better realization and higher Exports. The Company proposes to continue its policy to produce and market "a quality product through a prudent cost management."

(3) Expected increase in Productivity and Profits in measurable terms

Although the present fundamentals in the market will have a favourable impact on the Indian Tea Scene in the days ahead, the productivity and profitability can not be quantified in measurable terms.

The Aerotech Services Division of the Company has also started operations with signing of two different agreements with Principals.

IV. Disclosures

(1) Information on the Remuneration Package of Managerial Persons

A circular dated 2nd February, 2006 containing the abstract of the terms of appointment of Managerial Personnel and Memorandum of Interest pursuant to Sec. 302 of the Companies Act, 1956 was already sent to all the Members. Further, the details have been embodied in the proposed Special Resolutions.

(2) Disclosure under Corporate Governance in the Report of the Board of Directors

The Report of Corporate Governance in Annexure II to the Report of the Board of Directors includes the required disclosures.