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Russell Tea Limited

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**Annual
Report
2008 -2009**

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
V. P. Agarwal, Director
C. S. Bedi, Managing Director

CONTENTS

| | Page |
|---|------|
| Notice | 2 |
| Director's Report | 10 |
| Report on Corporate Governance | 20 |
| Auditors' Report | 29 |
| Balance Sheet | 32 |
| Profit and Loss Account | 33 |
| Schedules to the Balance Sheet | 34 |
| Schedule to the Profit and Loss Account | 40 |
| Notes to Accounts | 42 |
| Cash Flow Statement | 53 |
| Statement Regarding Subsidiary Companies | 55 |
| Consolidated Financial Statements | 56 |
| Report and Accounts of Subsidiary Companies | 75 |

**VICE PRESIDENT (FINANCE)
-CUM-COMPANY SECRETARY**
N. K. Khurana

AUDITORS
S. S. Kothari & Co.

BANKER
Development Credit Bank Ltd.
HDFC Bank Ltd.
IndusInd Bank Ltd.
State Bank of India
The Bank of Beirut (UK) Ltd.

REGISTERED OFFICE
Jindal Towers,
Block 'B', 4th Floor
21/1A/3, Darga Road
Kolkata 700 017

ROSSELL TEA LIMITED

Notice to the Members

Notice is hereby given that the Fifteenth Annual General Meeting of Rossell Tea Limited, will be held on **Friday, the 31st July, 2009 at 4.00 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 for the year ended 31st March 2009 and Reports of the Directors and Auditors thereon.
2. To declare Dividend on the Equity Shares for the year ended 31st March, 2009.
3. To appoint a Director in place of Mr. H. M. Gupta, 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 provisions of sections 198, 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956 (the Act), the Company do re-appoint, Mr. H. M. Gupta, Managing Director designated as Executive Chairman for a further period of 3 (three) years from 1st May, 2009 to 30th April, 2012, on the terms and conditions, including remuneration effective from the date of his re-appointment 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:

Rs.1,35,000 only per month in the range of Rs.1,35,000 – 2,50,000. Future increments to Mr. Gupta during his tenure shall be merit based and at the discretion of the Board within the aforesaid range.

2. Perquisites and Allowances:

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

- i) **Housing:** Rent-free furnished accommodation, for which rent shall not exceed 50% of the salary, along with the expenditure on gas, electricity, water and furnishing thereof shall not exceed 10% of salary. In case no accommodation is provided, House Rent Allowance up to 50% of salary shall be payable to Mr. Gupta.
- ii) **Servants:** Provision of servants not exceeding three in numbers.
- iii) **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.

However, the following Perquisites shall not be included in the aforesaid ceiling for Perquisites and Allowances:

- 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.

ROSSELL TEA LIMITED

- b) **Gratuity** payable at a rate not exceeding half a month's salary for each completed year of service or contribution up to the equivalent amount, as may be determined by Actuary, to Gratuity Fund towards Annual Contribution. 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 Car for use on Company's business, **telephones** at residence and **mobile telephones** will not be considered as perquisites.

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, wherever applicable.

3. Commission:

Maximum @ 5% of the Net Profits, as may be decided by the Board from time to time, within the overall limit of the managerial remuneration as per the Act.

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 Mr. Gupta 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 or 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 or encashment thereof according to the Rules applicable to its managerial personnel.

8. Disentitlement to Director's Fees:

Mr. Gupta shall not, so long as he functions as the Executive Chairman of the Company, be entitled to receive any fee for attending any Meeting of the Board or a 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 Section 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003, consent of the

ROSSELL TEA LIMITED

Company be and is hereby accorded, subject to approval of the Central Government, for increase in remuneration payable to Mr. Rishab Mohan Gupta, General Manager (Projects) as may be decided by the Board of Directors from time to time with effect from 1st August, 2009 within the following limits:

1. Salary

Rs.1,00,000 only per month in the range of Rs.1,00,000 – 2,00,000. Future increments to Mr. Gupta during his tenure shall be merit based and at the discretion of the Board within the aforesaid range.

2. Perquisites and Allowances

- a) **Contribution to Provident, Superannuation and Gratuity Funds:** As per Rules of the Company.
- b) **Medical:** Reimbursement of expenses, subject to a ceiling of one month's salary per annum.
- c) **Leave Travel Allowance:** Once in the year in accordance with the Rules of the Company.
- d) **Earned Leave:** As per Rules of the Company. Leave accumulated and not availed may be allowed to be encashed as per Rules in this regard.
- e) **Provision for Car** for use on Company's business, **telephone** at residence and provision of a **mobile telephone** will not be considered as perquisites.

5.3 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. V. P. Agarwal for appointment as a Director, Mr. V. P. Agarwal be and is hereby appointed as Director of the Company."

Registered Office:
Jindal Towers,
Block 'B', 4th Floor,
21/1A/3, Darga Road,
Kolkata 700 017

By Order of the Board

Place : Kolkata
Date : 11th June, 2009

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 25th July, 2009 to 31st July, 2009 (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 Private Limited, P-22, Bondel Road, Kolkata – 700 019, in case they still hold the Equity Shares in physical form.
6. 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 Private Limited
P-22, Bondel Road
Kolkata – 700 019
Tel. : 033 - 40116700, 40116711, 40116718, 40116723
Fax: 033 - 22870263
Email ID: rta@cbmsl.com

7. **Dematerialisation of the Equity Shares of the Company**

The Equity Shares of the Company are available under 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.

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

Registered Office:
Jindal Towers,
Block 'B', 4th Floor,
21/1A/3, Darga Road,
Kolkata 700 017

Place : Kolkata
Date : 11th June, 2009

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 Fifteenth Annual General Meeting to be held on Friday, 31st July, 2009.

Items No. 5.1

The existing terms of appointment of Mr. H. M. Gupta (Mr. Gupta), Executive Chairman expired on 30th April, 2009. Accordingly, pursuant to Article 159 of the Articles of Association of the Company, the Board of Directors, in their Meeting held on 30th April, 2009 re-appointed Mr. Gupta for a further period of 3 years with effect from 1st May, 2009, subject to approval of the Members of the Company by way of a Special Resolution, at the terms and conditions and the remuneration as recommended by the Remuneration Committee of the Board of Directors, at their Meeting held on 30th April, 2009 and accepted by the Board of Directors, as embodied in the resolution.

ROSSELL TEA LIMITED

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 Managing Director designated as Executive Chairman.

None of the Directors of the Company is concerned or interested in the proposed Special Resolution, except Mr. Gupta himself.

Items No. 5.2

The Board of Directors in their Meeting held on 13th December, 2007 appointed Mr. Rishab Mohan Gupta, son of Mr. Harsh Mohan Gupta, Executive Chairman, in the Management Cadre as Manager (Projects) with effect from 1st January, 2008 for the Aerotech Services Division of the Company at a remuneration which in the aggregate should not exceed Rs. 50,000 per month. Consent of the Members was obtained by way of a Special Resolution for his appointment and the remuneration payable to him in terms of Section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 in the Annual General Meeting held on 28th July, 2008.

Mr. Rishab Mohan Gupta has been looking after the operations of the Aerotech Services as well as the Vankesh Avionics Technologies Divisions of the Company and his performance is found to be satisfactory. In view of this, the Directors have promoted him to the position of General Manager (Projects) and propose to increase his remuneration to commensurate with the responsibilities assigned to him and also to bring the same at par with other Management Staff in the similar cadre in the Company.

Mr. Rishab Mohan Gupta is 22 years old and did his education from Suffolk University, Boston, USA. With his academic background, business acumen and experience being acquired by him, his association will be beneficial to the Company. The Directors, thereafter, recommend adoption of the proposed special resolution for seeking your consent to increase the remuneration payable to him.

None of the Directors of the Company is concerned or interested in the proposed Special Resolution, except Mr. H.M. Gupta, Executive Chairman, in his capacity as the father of Mr. Rishab Mohan Gupta.

Items No. 5.3

At the Meeting of the Board of Directors held on 12th May, 2009, Mr. V. P. Agarwal has been appointed, in terms of Article 137 of the Articles of Association of the Company, an Additional Director 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. V. P. Agarwal as a Director of the Company.

With this professional knowledge and expertise in Corporate Affairs and Management, the Company would be considerably benefited. The Directors therefore, recommend adoption of the proposed resolution.

None of the Directors of the Company is concerned or interested in the proposed ordinary Resolution, except Mr. Agarwal himself.

Registered Office:
Jindal Towers,
Block 'B', 4th Floor,
21/1A/3, Darga Road,
Kolkata 700 017

Place : Kolkata
Date : 11th June, 2009

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

I. General Information:

(1) Nature of Industry

The Company is a multi divisional Company and engaged in the following business:

- (a) Rossell Tea Division: Cultivation, Manufacture and Sale of Black Tea.
- (b) Aerotech Services Division: Technical and Support Services.
- (c) Vankesh Avionics Technology Division: Design and Development of Avionics Equipments.

(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 and Vankesh Avionics Division commenced business activities on and from 1st April, 2006 and 1st October, 2008 respectively.

(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

| | 2008-2009 | (Rs. in lacs) 2007-2008 |
|---------------------------------|-----------------|----------------------------|
| Total Turnover | <u>5,751.78</u> | <u>5,320.18</u> |
| Operating Profit before | | |
| Interest and depreciation | <u>1,542.30</u> | 1,472.46 |
| Less: Interest | <u>209.54</u> | <u>111.54</u> |
| Profit before Depreciation | <u>1,332.76</u> | 1,360.92 |
| Depreciation | <u>136.61</u> | <u>136.50</u> |
| Profit before Exceptional Items | <u>1,196.15</u> | 1,224.42 |
| Exceptional Items | <u>(189.48)</u> | <u>1,250.58</u> |
| Profit before Taxation | <u>1,006.67</u> | <u>2,475.00</u> |

(5) Export performance and net foreign exchange earnings

| | | |
|-----------------|-----------------|-----------------|
| Export Turnover | <u>1,085.01</u> | <u>1,091.25</u> |
|-----------------|-----------------|-----------------|

(6) Foreign Investments and Collaborators, if any

During the year, the Company has invested Rs. 3,355 in Foreign Currency to acquire 100 Equity Shares of Singapore Dollar 1 each, fully paid up in RV Enterprizes Pte. Ltd., Singapore.

ROSSELL TEA LIMITED

While 1.50% of the Company's Equity Share Capital is held by Overseas Corporate Body, 13.97% of the Company's Equity Share Capital is held by Foreign Institutional Investors.

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.

(2) Past Remuneration

Mr. Gupta was paid the remuneration in terms of the resolution passed by the Members of the Company in the Annual General Meeting held on 27th July, 2006. The remuneration for the year 2006-2007, 2007-2008 and 2008-2009 as the Executive Chairman was Rs. 15.26 lacs, Rs.44.54 lacs and Rs. 30.46 lacs respectively.

(3) Recognition or Awards

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

(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 13 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 re-appointment as Executive Chairman of the Company.

(5) Remuneration Proposed

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

(6) Comparative remuneration Profile with respect to Industry

| Name of the Company | Designation | Total Remuneration Rs. in lacs | Year |
|--------------------------------|--------------------|-----------------------------------|-----------|
| Goodricke Group Ltd. | Managing Director | 58.77 | 2008 |
| Dhunseri Tea & Industries Ltd. | Managing Director | 26.51 | 2008-2009 |
| Warren Tea Ltd. | Executive Chairman | 25.34 | 2007-2008 |

(7) Pecuniary Relationship

Except for the remuneration in consideration of his services rendered to the Company, Mr. Gupta has no pecuniary relationship with the Company. However, Mr. Gupta has provided certain sums to the Company, by way of Unsecured Loan repayable 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 or inadequate Profit**

The profit of the Company for the year ended 31st March, 2009 is considered to be adequate keeping in view the profitability of other Tea Companies as well as the performance of Aerotech Services Division of the Company. However the profit for the year is net of a loss of Rs 55.12 lacs incurred by Vankesh Avionics Technologies Division during the inception period from 1st October, 2008 to 31st March, 2009. This is considered to be satisfactory keeping in view the gestation period required for this line of business.

(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

ROSSELL TEA LIMITED

of the Company's teas has been recognized 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 as well as the Aviation Industry in the days ahead, the productivity and profitability can not be quantified in measurable terms.

Disclosures**(1) Information on the Remuneration Package of Managing Director**

A circular dated 15th May, 2009 containing the abstract of the terms of appointment of Managing Director designated as Executive Chairman and Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956 was already sent to all the Members on 21st May, 2009. Further, the details have been embodied in the proposed Special Resolution.

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

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

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT / APPOINTMENT AT THE FORTH-COMING FIFTEENTH ANNUAL GENERAL MEETING

| Name of the Director | Mr. H. M. Gupta | Mr. V. P. Agarwal |
|---|---|---|
| Date of Birth | September 13, 1954 | July 01, 1943 |
| Date of Appointment | June 10, 1994 as Director May 01, 1996 as Managing Director | May 12, 2009 |
| Qualifications | B. A. (Hons.) | M.Com., FCS, AMP (Harvard Business School) |
| Expertise in specific functional areas | International Trade and Business besides having comprehensive knowledge of Tea Industry | Corporate Affairs & Management |
| List of Public Companies in which Directorship is held | BMG Enterprises Ltd. (Chairman and Managing Director) Rossell Tea Limited (Managing Director designated as 'Executive Chairman') | DCM Shriram Credit & Investments Ltd. DCM Shriram International Ltd. DCM Shriram Acqua Foods Ltd. Rossell Tea Ltd. |
| Chairman / Member of the Committees of the Board of the Companies on which he is a Director | Nil | DCM Shriram Credit & Investments Ltd. Audit Committee - Member DCM Shriram Acqua Foods Ltd. Audit Committee - Member Rossell Tea Limited Audit Committee - Member |