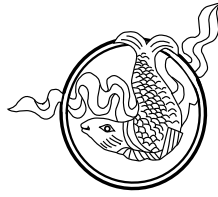




TAI INDUSTRIES LIMITED



29th ANNUAL REPORT 2011-12



# Tai Industries Limited

**Board of Directors**

Dasho Wangchuk Dorji  
Dasho Topgyal Dorji  
Mr. Prem Sagar  
Mr. K. N. Malhotra  
Mr. Vinay Killa

*Chairman & Managing Director*  
*Director*  
*Director*  
*Director*  
*Director*

**Audit Committee**

Mr. Prem Sagar  
Mr. K. N. Malhotra  
Mr. Vinay Killa

*Chairman*

**President**

Mr. Rohan Ghosh

**General Manager - Corporate  
& Company Secretary**

Ms. Indira Biswas

**Bankers**

State Bank of India  
HDFC Bank Limited  
Canara Bank  
United Bank of India  
Axis Bank

**Statutory Auditors**

Ray & Ray, Chartered Accountants, Kolkata

**Registered Office**

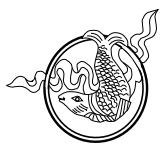
53A, Mirza Ghalib Street,  
3rd Floor, Kolkata - 700 016.



## Contents

Notice	3
Directors' Report	5
Management Discussion and Analysis Report	8
Report on Corporate Governance	10
CEO's declaration on the Affirmation of Code of Conduct	17
Auditor's Certificate on Corporate Governance	18
Auditor's Report	19
Balance Sheet	22
Statement of Profit & Loss	23
Cash Flow Statement	24
Notes	26
Proxy Form	43

Annual General Meeting on Monday, 27th August, 2012 at Kalakunj, 48, Shakespeare Sarani, Kolkata - 700 017, at 10.00 a.m. As a measure of economy, copies of the Annual Report will not be distributed at the General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.



### Notice

NOTICE is hereby given that the Twenty-ninth Annual General Meeting of Tai Industries Limited will be held at Kalakunj, 48 Shakespeare Sarani, Kolkata - 700 017, on Monday, the 27th August, 2012 at 10.00 a.m. to transact the following business:

#### Ordinary Business

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended 31st March, 2012, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Prem Sagar retiring by rotation and eligible for reappointment.
3. To appoint Auditors and to fix their remuneration. Messrs. Ray & Ray, the retiring Auditors are eligible for reappointment.

By Order of the Board

Kolkata  
23rd May, 2012

**INDIRA BISWAS**  
*General Manager-Corporate  
& Company Secretary*

#### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
  
A Proxy, in order to be effective, must be received at the Company's Registered Office at 53A, Mirza Ghalib Street, Kolkata - 700 016 not less than forty-eight hours before the Meeting.
2. The Company is registered with National Securities Depository Limited ('NSDL'), and Central Depository Services (India) Limited ('CDSL'), for dematerialization of its Equity Shares which has been allotted the ISIN INE358D01018. Link Intime India Private Limited, having their office at 59C, Chowringhee Road, Kolkata - 700 020, is the Registrar and Share Transfer Agent of the Company.
3. The Register of Members of the Company will remain closed from 20th August, 2012 to 27th August, 2012, both days inclusive.
4. Members are requested to:
  - a. notify any change in their mailing as well as e-mail addresses registered with the Company.
  - b. communicate on all matters pertaining to their shareholdings with the Company's Registered Office/Company's Registrar, quoting their respective Ledger Folio Numbers, Client ID and DP ID.
  - c. note that as per provisions of the Companies Act, 1956, facility for making nominations is available for shareholders in respect of Equity Shares held by them.
  - d. bring their copies of the Annual Report to the Meeting.
  - e. bring their respective Ledger Folio Numbers, Client ID and DP ID for easy identification of attendance at the Annual General Meeting.
  - f. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.
5.
  - i. Pursuant to Section 205A of the Companies Act, 1956 ('the Act') all dividends declared and relative dividend warrants posted upto and including the Dividend for the year 1993-1994 and remaining unclaimed by members have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants in respect of the said period are requested to prefer their claims to the Registrar of Companies, West Bengal. In case any assistance is required, shareholders are requested to write to the Company's Registered Office.
  - ii. Pursuant to Section 205A of the Companies Act, 1956 dividends declared from the year 1994-1995 upto 2001-2002 and remaining unclaimed by the members at the end of the statutory period of seven years have been transferred to the Investor Education & Protection Fund constituted by the Central Government under Section 205C of the Act on which no claim for Unpaid Dividend can be preferred.



6. The Ministry of Corporate Affairs, has taken a “Green Initiative in Corporate Governance” by allowing paperless compliances by companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative, members are requested to register their e-mail addresses, in respect of their electronic holdings with the Depositories through their Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses either by *e-mail* at *kolkata@linkintime.co.in* or sending a duly signed letter by the sole/first named shareholder, mentioning their name and Folio number, to the Registrar and Share Transfer Agent, M/s. Link Intime India Private Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata - 700 020. Shareholder(s) are requested to keep the Company/ Depository Participants informed as and when there is any change in their e-mail addresses. Even after registering for e-communication, the Shareholders of the Company shall be entitled to receive such communication in physical form, upon request.
7. Relevant details in respect of Item no. 2 of the Notice, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is given hereunder.

DETAILS OF DIRECTOR RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director: Mr. Prem Sagar

Brief Resumé:

Mr. Prem Sagar started his career with TISCO and has assumed several responsible positions in the Tata Group of Companies. He has an experience of over four decades in the industry and is a widely travelled technocrat. Mr. Sagar is connected with several trade, social and sports associations in India.

Directorships & Committee Memberships in Other Companies:

Mr. Prem Sagar is also a Director of Frontier Springs Limited.

Mr. Prem Sagar does not hold any share in the Company.

By Order of the Board

**INDIRA BISWAS**

*General Manager-Corporate  
& Company Secretary*

Kolkata  
23rd May, 2012

## Directors' Report

### TO THE MEMBERS

Your Directors have pleasure in presenting their 29th Annual Report on the business and operations of your Company for the year ended 31st March, 2012.

### FINANCIAL PERFORMANCE

Particulars	Year ended 31st March 2012	Year ended 31st March 2011
Turnover	6588.30	7812.80
Profit/(Loss) before Interest, Depreciation & Taxation (PBDT)	79.17	116.66
Interest	2.12	1.31
Profit/(Loss) before Depreciation & Taxation (PBDT)	77.05	115.35
Depreciation	28.92	30.09
<b>Profit/(Loss) Before Tax and Extraordinary items (PBTE)</b>	<b>48.13</b>	<b>85.26</b>
Extraordinary items	—	—
<b>Profit/(Loss) Before Tax (PBT)</b>	<b>48.13</b>	<b>85.26</b>
Provision for Taxation / (Deferred Tax)	1.24	(1.92)
<b>Profit/(Loss) After Tax (PAT)</b>	<b>46.89</b>	<b>87.18</b>
Balance brought forward from previous year	925.80	838.62
<b>Profit available for appropriation</b>	<b>972.69</b>	<b>925.80</b>
Proposed Dividend	—	—
<b>Profit carried to Balance Sheet</b>	<b>972.69</b>	<b>925.80</b>

### AUDITOR'S REPORT

Messrs. Ray and Ray, Statutory Auditors, have submitted their Report under Section 227 of the Companies Act, 1956 and the comments made by the Auditors in their Report have been adequately dealt with in the relative Notes to Financial Statements which are self explanatory.

### ACCOUNTING POLICIES AND PROCEDURES

The major accounting policies in conformity with the Accounting Standards and Guidelines issued by The Institute of Chartered Accountants of India from time to time which have been specified in the Companies Act, 1956 have been followed as usual in course of preparing and presenting these Accounts. Such accounting policies have been suitably incorporated in the Notes to Financial Statements.

Your Company continues to have an adequate internal audit system carried out by external firms of Chartered Accountants who submit their Reports upon completion of audit for consideration by the Directors.



## RESUMÉ OF PERFORMANCE

The details of Revenue/Income from operations of your Company compared to that of the previous year is given hereunder:

Particulars	Druk ( <sup>₹</sup> )	C3 - Retail ( <sup>₹</sup> )	Total ( <sup>₹</sup> )
<b>Segment Revenue</b>			
Current Year	61,11,10,695	8,01,91,843	69,13,02,538
Previous Year	76,13,34,965	5,75,83,667	81,89,18,632
<b>Segment Results</b>			
Current Year	1,03,52,011	(24,34,981)	79,17,030
Previous Year	1,68,67,184	(52,01,074)	1,16,66,110

## PLANS AND PROSPECTS

### Fruit Product Division

Performance during the year was marked by growth owing to a renewed thrust in marketing and focus on expansion and reach. However, sharp increase in prices remains a concern.

Several new products are on the anvil such as a wider range of fruit drinks and juices and improved varieties of ketchups, with improved packaging.

Future plans revolve around increased promotional activities, broad basing distribution network, upgrading the quality of existing products to suit today's health conscious customer.

### Industrial Division

On the Industrial front the demand for Carbide remained constant while the demand for Charcoal increased.

Performance was affected due to frequent plant shutdowns and frequent shut downs in the production of Silico-Manganese in Bhutan.

Your Company is looking at developing additional supply sources and setting up more screening and sizing facilities.

### Retail Division

Contrary to the negative trends prevailing in the retail sector, C3's performance exceeded all expectations. Sales projections given at the beginning of the year were overshot significantly.

In the light of the current market scenario, the way forward for C3 is consolidation of its gains by deepening its variant range on offer to customers.

## DIVIDEND

Yours Directors express their inability to recommend dividend for the year to plough back profits for conserving funds for the operations of the Company.

## CORPORATE GOVERNANCE

In compliance with the disclosures required under the said Clause 49 of the Listing Agreement, a Management Discussion and Analysis Report is provided in Annexure 'A'.

The Report on Corporate Governance as required under the aforesaid Clause is also provided in Annexure 'B' to this Report, together with the Declaration affirming compliance with the Code of Conduct of the Company and Auditor's Certificate on Compliance with the conditions of Corporate Governance.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- The Accounting Standards as applicable to your Company and corroborated by the Companies Act, 1956 have been followed in course of preparation of the Annual Accounts for the year ended 31st March, 2012 and there has been no material departures to warrant further explanation.



- (ii) The Accounting policies as have been followed are being continued in course of preparation of the Annual Accounts for the year ended 31st March, 2012, so as to exhibit a true and fair view of the state of affairs of the Company and of the profit for that period.
- (iii) Adequate controls and internal audit systems are being followed by the Company in course of running its affairs as also for maintenance and safeguarding of its assets. Every caution has been taken to relate such control measures to the benefit of the Company and to prevent any fraud or irregularities to creep in.
- (iv) The Annual Accounts of the Company for the year ended 31st March, 2012 have been prepared on a going concern basis as hitherto.

### DEMATERIALISATION OF SECURITIES

The shares of the Company are compulsorily traded in dematerialised form for all shareholders. As on 31st March, 2012, 59.80% of the total number of shares, stand dematerialised.

### DIRECTORS

In accordance with Article 56 of the Articles of Association of the Company, Mr. Prem Sagar retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

### PARTICULARS OF EMPLOYEES

There were no employees during the year under review in respect of whom details as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, are required to be disclosed.

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

#### A. Conservation of Energy

Your Company's activities being trading in nature, energy consumed is only in the nature of electrical consumption for use and maintenance of office appliances. However, the efforts of your Company are aimed at keeping the consumption levels to as low as practicable.

Your Company not being engaged in any manufacturing activity, disclosure as per Form A of the Annexure in respect of total energy consumption and energy consumption per unit of production is not applicable.

#### B. Technology Absorption

Your Company not being engaged in any manufacturing activity, disclosure as per Form B of the Annexure is not applicable.

#### C. Foreign exchange earnings and outgo

Charcoal, Calcium Carbide and Manganese Ore are exported to Bhutan.

There has been no foreign exchange earnings or outgo during the year as trade between India and Bhutan are being transacted in Indian Rupees.

### AUDITORS

M/s. Ray & Ray, Chartered Accountants, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

### ACKNOWLEDGEMENTS

Your Directors wish to place on record their grateful appreciation of the excellent support and co-operation received from the Shareholders, Banks, Financial Institutions and Investors, Government Authorities, Stock Exchanges, Reserve Bank of India, Central and State Governments. Your Directors also wish to place on record their deep appreciation of the dedication, competence and support of the employees at all levels for their contribution towards the performance of your Company.

For and on behalf of the Board

Place: Kolkata

Date: 23rd May, 2012

**VINAY KILLA**  
Director

**WANGCHUK DORJI**  
Managing Director



## **Annexure 'A' to the Directors' Report**

### **Management Discussion and Analysis Report**

Clause 49 of the Listing Agreement stipulates disclosure under specific heads which are given in the following paragraphs and which continue to be followed in the usual course of the Company's business over the years in discussions amongst the Directors and other Senior Management Personnel.

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

##### **Food Processing**

The food processing industry in India is one of the largest in terms of production, consumption, export and growth prospects and provides vital linkages and synergies between industry and agriculture. It is widely recognised as a sunrise industry having huge potential for uplifting agricultural economy, creation of processed food manufacturing and food chain facilities and the resultant generation of employment and export earnings. The key growth drivers in the processed fruit product segment are:

- Increased spending on health and nutritional foods
- Increased number of nuclear families and working women
- Changing lifestyle
- Preference for fresh or processed functional foods
- Organised retail and private label penetration
- Changing demographics and rising disposable incomes

##### **Calcium Carbide, Charcoal and Manganese ore**

Charcoal and Manganese ore find their use in the Ferro alloys industry, which are one of the most important inputs in the manufacture of alloys and special steel. Established as an ancillary industry to cater to the needs of the domestic steel industry, its growth is linked to the development of the iron and steel industry. The product series consists mainly of ferro manganese, silico-manganese and ferro silicon. Calcium Carbide also finds its use in the industry for welding metallic steel.

##### **Retail**

During the last few years, the Indian retail market has seen considerable growth in the organised segment. Major domestic players have entered the retail arena and have ambitious plans to expand in the future years across verticals, formats, and cities. For example, several Indian companies have been investing considerably in the booming Indian retail sector. Besides, a number of transnational corporations have also set up retail chains in collaboration with big Indian companies.

#### **(b) Opportunities and threats**

The processed food segment has seen significant growth and changes over the past few years, driven by changing trends in the market, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for the processed foods industry. The demand for processed / convenience foods is on the rise.

However, the path towards growth is not without challenges. Lack of suitable infrastructure in the shape of cold chains, packaging centres, value added centres are some of the hurdles that have to be overcome.

The demand for our own brand of Calcium Carbide remained constant. This sector faces severe competition from other suppliers in terms of its price. Despite competition affecting the supply of our Charcoal, the demand for the product has witnessed an increase with increasing demands in the Bhutan market.

A stable outlook is predicted for the retail sector in 2012 as factors such as expected sales growth-driven expansion and efficient working capital management are likely to benefit retail companies. Despite the economic downturn, the food and value segments are expected to provide a defensive play.

Although the growth potential in the retail sector is immense, rigid regulations, real estate costs, high personnel costs, lack of basic infrastructure, shrinkage, and highly competitive domestic retailer groups could slow the pace of growth for new entrants. Additionally, resource constraints at shopping mall projects are also delaying completion and disrupting many retailers' entry strategies.



**(c) Segment-wise or Product-wise Performance**

'Druk' has been a prominent brand, particularly in the Eastern and North Eastern part of the country. It is a brand synonymous with quality. Its speciality products like the Orange Marmalade and Baked Beans have an edge in the market. Renewed thrust in marketing and focus on expansion and reach has yielded good results. Performance, however, did not meet expectations owing to sharp increase in prices.

The performance in the industrial product segment has not been very encouraging despite increase in the prices of materials. There is a good demand for our products and we have been able to meet the delivery stipulations. However, the shortfall was on account of frequent plant closures and discontinuance of the production of Silico Manganese.

There was no shortfall in performance in the Retail division of C3 which showed marked improvement compared to that of the previous year.

**(d) Outlook**

Your company will continue to focus on both development and expansion of markets and share gains as appropriate to secure competitive growth. Managing margins through judicious pricing and sustained efficiencies and cost saving will receive constant attention.

**(e) Risks & Concerns**

Despite the prospects being good, the severe competition and weather conditions continue to govern demand and therefore results.

Vital areas of concern are the transport system for movement of goods from warehouses to the distributors and the dependence on IT sector for solutions that help automate and integrate the transactional and control system.

**(f) Internal Control Systems & their Adequacy**

The statutory requirements of the Audit Committee are being met. In meetings of the Audit Committee, the Statutory Auditors and Partners of Internal Audit Firms participate. Such Internal Auditors also periodically visit various divisions of the Company.

Activities of each sector are being programmed on a quarterly basis, which get translated into an Annual Activity Plan. Each departmental head is involved in the preparation of the activity plans and identifying and categorising the areas of risks, which are closely monitored. Such documentations thereafter undergo a further layer of scrutiny and implementation under direct superintendence of the President of the Company.

**(g) Financial & Operational Performances**

This has been adequately stated in the Directors' Report.

**(h) Material Developments in Human Resources / Industrial Relations Front**

Industrial Relations remained cordial throughout the year. Your Company strongly believes that its intrinsic strength lies in the quality of its pool of dedicated and motivated employees.