



TATA COFFEE

58th
Annual Report
2000-2001

**TATA COFFEE**

Fifty-eighth annual report 2000-2001

**Annual General Meeting on
Monday, 20th August, 2001
at the Registered Office
at 11.30 A.M.**

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Tata Coffee Limited

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Tata Coffee Limited

Company Information**Board of Directors****R. K. Krishna Kumar** (*Chairman*)**K. B. Somana****Y. H. Malegam****D. M. Dasappa****Dr. M. A. M. Ramaswamy****M. R. Pai****R. Govindarajan** (*Nominee of
Life Insurance Corporation of India*)**M.A. Bopanna** (*Managing Director -
upto 30th September, 2000*)**M. H. Ashraff** (*Managing Director -
w.e.f. 1st October, 2000*)**Audit Committee - Composition****Y. H. Malegam** (*Chairman*)**K. B. Somana****R. Govindarajan****Auditors**

N. M. Rajji & Co.

SNB Associates

Bankers

Corporation Bank

Standard Chartered Grindlays Bank

State Bank of India

Indian Overseas Bank

Odd Lot Holdings

Having regard to the difficulties experienced by the shareholders in selling their holding of odd lot shares in the stock market, a scheme for the purchase of odd lot equity shares of Tata Coffee Limited has been framed by Tata Share Registry Limited.

Any shareholder desirous of knowing the details of the scheme may kindly write to Tata Share Registry Ltd., superscribing the envelope with the words "**Odd Lot Scheme**".

Registered Office

Pollibetta - 571 215

Kodagu Karnataka State

Registrars

Tata Share Registry Ltd.,
(Unit: Tata Coffee Limited)
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai - 400 001.

Telephone: 2873831 Fax No: 2844160

E-mail: csg-unit@tatashare.com

Website: www.tatashare.com



Notice

NOTICE is hereby given that the 58th Annual General Meeting of the Company will be held at the Registered Office of the Company at Pollibetta, Kodagu, on Monday, the 20th August, 2001 at 11.30 AM to transact the following business:

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 2001 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr.R.K.Krishna Kumar who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr.D.M.Dasappa who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit to pass, with or without modification, the following Resolutions:

6. As an Ordinary Resolution:

"RESOLVED that Mr.M.H.Ashraff be and is hereby appointed a Director of the Company."

7. As an Ordinary Resolution:

"RESOLVED that in terms of the applicable provisions of the Companies Act, 1956, the Company hereby approves the appointment of and remuneration payable to Mr. M.H.Ashraff as the Managing Director of the Company for a period of two years with effect from 1st October, 2000 on the terms and conditions set out in the Agreement tabled at this Meeting and initialed by a Director for the purpose of identification, which Agreement is hereby specifically approved with liberty to the Board of Directors to alter or vary the terms and conditions of the appointment and/or Agreement in such manner and to such extent as may be agreed to between the Board of Directors and Mr.Ashraff so as not to exceed the limits specified in schedule XIII of the Companies Act,1956 or any amendments made thereto."

8. As an Ordinary Resolution:

"RESOLVED that pursuant to Section 293(1)(e) of the Companies Act, 1956, and other enabling provisions of law, consent of the Company be and is hereby accorded to the Board of Directors to contribute to Public Charitable Funds or Trusts not directly relating to the business of the Company or the welfare of its employees, such sum or sums as the Board may deem fit, notwithstanding that such contributions may be in excess of the limits laid down in the said Section, provided that the aggregate of all such contributions shall not exceed Rupees One Crore and Fifty Lakhs for the financial year 2001/2002."

Bangalore,
9th June, 2001

By Order of the Board

M.K.C. PAI
Company Secretary

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Tata Coffee Limited**NOTES:**

1. The Register of Members of the Company will remain closed from 25th July, 2001 to 17th August, 2001, both days inclusive.
2. **A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the Meeting.**
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the items of Special Business is annexed hereto.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956 as it stood prior to its amendment referred to in 5 below, *unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government.* Shareholders who have not encashed the Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies, Karnataka, Bangalore.
5. Consequent upon amendment to Section 205A of the Companies Act, 1956, and introduction of Section 205C by the Companies (Amendment) Act, 1999, which came into force with effect from 31st October, 1998, the Company would be obliged to transfer any money lying in the Unpaid Dividend Account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, to the Investor Education and Protection Fund. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 or any subsequent financial year are requested to approach the Company.
6. Dividend that may be declared by the Company will be paid within 30 days thereof to those members whose names appear on the Register of Members on 17th August, 2001 or to their mandatees. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of the shares as per details furnished by the Depositories for the purpose.
7. Shareholders can make nomination in favour of persons according to their choice to whom the shares would devolve in the event of demise of the registered holder. The nomination in order to be effective should be made in the prescribed Form. The Company had sent the prescribed Form for nomination to all the shareholders alongwith its last year's Annual Report. Shareholders who have not yet opted for nomination but are desirous of availing this option may kindly obtain the Form from the Company's Registrars.
8. Reserve Bank of India has introduced the Electronic Clearing Service (ECS), which provides for instant credit of dividend amount to the members bank account electronically without any extra charge and also eliminates delays in postal transit and fraudulent encashment of cheques. The Company's Registrars have already sent the prescribed Form to all the members to enable them to avail this facility. Members who have not yet availed this facility but are desirous of doing so may kindly obtain the Form from the Company's Registrars. Members who have opted for ECS will be paid dividend for the year 2000-2001 through this facility.

Explanatory Statement

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

Item Nos. 6 & 7

The Board of Directors of the Company ("the Board") at its Meeting held on 8th August, 2000 appointed Mr.M.H.Ashraff as an Additional Director of the Company with effect from the said date.

In terms of Section 260 of the Companies Act, 1956 ('the Act') Mr.Ashraff holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice in writing from a member in terms of Section 257 of the Act signifying his intention to propose the candidature of Mr.Ashraff for the office of Director of the Company at the forthcoming Annual General Meeting. Mr.Ashraff has filed with the Company his consent in writing to act as a Director of the Company, if appointed, under Section 264 (1) of the Act.

The Board at its Meeting held on 30th September, 2000 also appointed Mr.Ashraff as the Managing Director of the Company for a period of two years with effect from 1st October, 2000 on the terms and conditions as set out in an Agreement ('the Agreement') entered into between the Company and Mr.Ashraff, the material terms of which are as under:

- a) Mr.Ashraff shall be the Managing Director of the Company for a period of two years with effect from 1st October, 2000. Subject to the superintendence, control and direction of the Board, the day-to-day management of the Company shall be in the hands of the Managing Director and he shall exercise such powers and perform such duties as may from time to time be lawfully entrusted to and vested in him by the Board.
- b) **Salary**
Rs.90,000/- per month in the scale of Rs.90,000/- to Rs.1,25,000/-, with authority to the Board to decide the annual increment which will be effective from 1st April each year and will be based on merit and take into account the Company's performance.
- c) **Perquisites**
Within the overall ceiling of 125% of the annual salary, the Managing Director would be entitled to the following by way of perquisites in such form and manner as the Board of the Company may decide:-



Furnished accommodation or House Rent Allowance and House Maintenance Allowance in lieu thereof, expenditure on gas, electricity, water and furnishings for the accommodation including maintenance and repairs thereof, personal Allowance (which will include servant's allowance and educational allowance), Leave Travel Allowance for self and family, medical expenses and medical insurance for self and family, Personal Accident Insurance, Club fees and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board and the Managing Director.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income tax Rules, wherever applicable and in the absence of such Rules, perquisites shall be evaluated at actual cost.

Provision for use of Company's car and telephone at residence including payment for local calls and long distance calls shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income tax Act, Gratuity payable at the rate of half a month's salary for each year of completed service and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites as aforesaid.

Note – "Family" for this purpose shall mean the spouse, the dependent children and dependent parents of the appointee.

d) **Commission**

Such remuneration by way of commission, in addition to salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The Commission payable to the Managing Director will nevertheless be limited to and range from 6 months to 48 months of his monthly salary. The specific amount payable will be decided by the Board/Remuneration Committee based on certain performance criteria and will be payable only after the Annual Accounts of the Company have been approved by the Board and adopted by the Shareholders.

e) **Minimum Remuneration**

Notwithstanding anything herein contained, where in any financial year, during the currency of the tenure of Mr.Ashraff, the Company has no profits or its profits are inadequate, the Company will pay remuneration to Mr.Ashraff by way of salary and perquisites as specified above subject to the limits specified in Schedule XIII of the Act or any amendments made thereto.

f) Mr.Ashraff will be entitled to leave according to Company's rules applicable to its senior executives.

g) The terms and conditions of the appointment of Mr.Ashraff and/or the Agreement may be altered or varied from time to time by the Board at its discretion, so as not to exceed the limits specified in Schedule XIII of the Act or any amendments made thereto.

Mr.Ashraff, prior to his appointment as Managing Director was Executive Director, in-charge of Operations in Tata Tea Limited. Mr.Ashraff possesses wide and extensive knowledge in plantation and other related areas of operations. Your Directors are of the view that the appointment of Mr.Ashraff as Managing Director would be beneficial to the Company and accordingly recommend the resolutions set out in item Nos. 6 & 7 of the Notice convening the Meeting.

The Agreement entered into between Mr.Ashraff and the Company is available for inspection by the members of the Company at its registered office from 10 AM to 12 Noon on any working day of the Company, except Saturdays.

None of the Directors of the Company save and except Mr.Ashraff is concerned or interested in the Resolutions.

Item No.8

As per Section 293(1)(e) of the Companies Act, 1956 ('the Act') the Board shall not, except with the consent of the Company in General Meeting, contribute to Charitable and other Funds not directly relating to the business of the Company or the welfare of its employees, any amounts, the aggregate of which will, in any financial year, exceed Rs.50,000/- or 5% of the Company's average net profits during the immediately preceding three financial years, whichever is greater.

The Company proposes to make donations/contributions to The Coorg Foundation and other Public Charitable Funds/Trusts during the financial year 2001/2002 of a sum not exceeding Rs.1.50 crores, which may be in excess of the limits prescribed u/s 293(1) of the Act. The Resolution set out in item No.8 of the accompanying Notice has to be considered accordingly and the Board recommends the same.

None of the Directors of the Company is concerned or interested in the resolution save and except Mr.R.K.Krishna Kumar and Mr.M.H.Ashraff who may be deemed to be interested in their capacity as Trustees of The Coorg Foundation, to which donations/contributions are proposed to be made.

By Order of the Board

Bangalore,
9th June, 2001

M.K.C. PAI
Company Secretary

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Tata Coffee Limited**1996/97 TO 2000/2001 : A five year review**

		1996/97	1997/98	1998/99	1999/2000	2000/2001
INCOME & DIVIDENDS ETC.						
Sales value of Coffee and Estate Produce and Gross Income from services rendered, etc.	Rs. in Lakhs	8,651.88	10,918.04	11,195.29	21,787.80	21,193.64
Profit before Tax	Rs. in Lakhs	1,876.43	2,557.82	2,652.20	3,966.52	1,462.60
As percentage of Sales		22	23	24	18	7
Profit after Tax	Rs. in Lakhs	1,354.68	1,187.43	1,428.20	2,611.52	1,357.56
As percentage of Sales		16	11	13	12	6
As percentage of Net Worth (Shareholders' Funds)		31	24	25	21	10
Expenses as percentage of Income		78	77	76	82	95
Current Assets/Current Liabilities		1.9:1	1.5:1	1.8:1	2.3:1	3.2:1
Debt/Equity Ratio		0.77:1	0.42:1	0.29:1	0.17:1	0.45:1
Fixed Assets/Net Worth (as percentage)		76	74	63	54	81
Net Profit per Equity Share	Rs.	14.25	12.49	15.02	20.94	10.89
Dividend Distributed	Rs.	6.00	6.00	6.00	6.00	4.00
ASSETS & LIABILITIES (Rs. in Lakhs)						
Net Fixed Assets		3,369.02	3,671.22	3,624.54	6,562.17	10,558.97
Stocks		3,247.99	3,492.60	3,969.67	6,878.79	6,642.57
Debtors, Loans & Advances		2,739.87	2,385.45	2,479.96	3,365.43	2,619.99
Other Assets		237.12	197.02	238.85	272.54	184.83
Sundry Liabilities		3,293.21	4,052.03	3,714.13	4,475.01	2,910.78
Net Current Assets		2,931.77	2,023.04	2,974.35	6,041.75	6,536.61
Deferred Revenue Expenditure		673.52	523.82	127.44	—	125.79
Investments in Shares & Securities		862.75	863.15	724.45	1,638.77	1,567.80
Total Assets		7,837.06	7,081.23	7,450.78	14,242.69	18,789.17
REPRESENTED BY (Rs. in Lakhs)						
Share Capital		950.70	950.70	950.70	1,246.87	1,246.87
Reserves		3,468.86	4,028.83	4,823.86	10,932.69	11,740.63
Shareholders' Interest (Net Worth)		4,419.56	4,979.53	5,774.56	12,179.56	12,987.50
Loans		3,417.50	2,101.70	1,676.22	2,063.13	5,801.67
Total		7,837.06	7,081.23	7,450.78	14,242.69	18,789.17

Note: Data for 1996/97 to 1998/99 are prior to merger of erstwhile Coffee Lands Ltd., Asian Coffee Ltd., Veerarajendra Estates Ltd. and Charagni Ltd., with the Company.

Production (in tonnes)

YEAR	ARABICA	COFFEE ROBUSTA	TOTAL	TEA	PEPPER	CARDAMOM	COFFEE CURED	INSTANT COFFEE
1991/92	1,988	3,393	5,381	453	653	4.97	27,352	-
1992/93	1,580	3,521	5,101	521	399	9.90	24,277	-
1993/94	2,202	3,341	5,543	585	497	19.50	25,940	-
1994/95	1,478	4,325	5,803	636	489	28.10	15,455	-
1995/96	2,006	3,679	5,685	566	550	50.88	23,205	-
1996/97	1,521	4,266	5,787	669	769	14.68	19,287	-
1997/98	1,533	4,297	5,830	748	752	10.76	17,305	-
1998/99	2,011	6,068	8,079	778	670	9.40	16,437	-
1999/2000	2,992	5,455	8,447	1,066	1,058	9.06	19,656	2,963
2000/2001	2,885	6,370	9,255	990	929	8.34	18,167	4,771

Note: Data for 1991/92 to 1998/99 are prior to merger of erstwhile Coffee Lands Ltd., Asian Coffee Ltd., Veerarajendra Estates Ltd. and Charagni Ltd., with the Company.

Acreage Statement – 5 Years

	1996/97	1997/98	1998/99	1999/2000	2000/2001	
	Acres				Acres	Hectares
COFFEE*						
Arabica	5,056	4,949	4,924	5,354	6,259	2,534
Robusta	7,366	7,482	7,514	10,090	10,399	4,210
	12,422	12,431	12,438	15,444	16,658	6,744
TEA	593	596	600	899	885	358
OTHER CROPS						
Cardamom	255	252	256	256	258	104
Paddy	153	143	134	134	129	52
Areca nut/Coconut	32	27	50	-	-	-
Miscellaneous	27	25	10	-	25	10
TOTAL CULTIVATED AREA:	13,482	13,474	13,488	16,733	17,955	7,268

* Orange & Pepper interplanted in Coffee

Note: Data for 1996/97 to 1998/99 are prior to Merger of erstwhile Coffee Lands Ltd. and Veerarajendra Estates Ltd. with the Company

Listing

The Equity Shares are listed on the Stock Exchanges in the following cities and the prescribed Annual Listing Fee has been paid to each of these Stock Exchanges:

1. The Bangalore Stock Exchange Ltd., 51, Stock Exchange Towers, J.C.Road, Bangalore - 560 027.
2. The Madras Stock Exchange Ltd., 11, Second Line Beach, Chennai 600 001.
3. The National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400 013.
4. The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
5. The Hyderabad Stock Exchange Ltd., 3-6-275, Himayat Nagar, Hyderabad 500 029.

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Tata Coffee Limited**Directors' Report**

Your Directors are pleased to submit their Report together with the Audited Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS	2000/2001		1999/2000	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
Profit from operations		2,628.55		5,572.53
Less: Deferred Revenue Expenditure				
a) Voluntary Retirement Scheme (Part)	22.20		—	
b) Amortisation of Advertisement & Sales Promotion Expenditure (part)	—		127.44	
		22.20		127.44
Profit before Interest, Depreciation and Taxation		2,606.35		5,445.09
Deduct: Interest	812.34		570.13	
Depreciation	628.15		563.40	
		1,440.49		1,133.53
Profit before Extraordinary Items & Tax		1,165.86		4,311.56
Add: Surrender of Tenancy Rights		330.51		—
Less: Provision for diminution in value of investments (net)		33.77		345.04
Profit Before Tax		1,462.60		3,966.52
Provision for Tax: Current Year	90.00		1,445.58	
Previous Year (net)	15.04		(90.58)	
		105.04		1,355.00
Profit After Tax		1,357.56		2,611.52
Add: Surplus brought forward from previous year	625.53		260.37	
Amount taken over on Amalgamation	—		322.29	
Amount transferred from Investment Allowance (Utilised) Reserve	49.59		—	
		675.12		582.66
Amount available for appropriation		2,032.68		3,194.18
Appropriations:				
General Reserve No.I		449.59		1,400.00
General Reserve No.II		208.51		338.24
Dividends:				
Interim	—		748.12	
Final (Proposed)	498.75		—	
Tax on Dividend	50.87		82.29	
		549.62		830.41
Balance carried forward		824.96		625.53

Directors' Report (contd.)

TURNOVER

Your Company's turnover during the year under review was Rs.211.94 Crores as against Rs.217.88 Crores during the previous year.

PROFITS

For the year ended 31st March, 2001, your Company has earned a profit after tax of Rs.13.58 Crores as against Rs.26.12 Crores during 1999/2000. The drop in profits was mainly on account of the steep fall in international coffee prices coupled with a downward movement of pepper prices. The instant coffee operations of the Company, however, continued to make significant progress as a result of which the Company was able to earn a substantial profit. Several initiatives are under review to augment the value added operations of the Company.

DIVIDEND

Your Directors have recommended a dividend of 40% on the paid-up equity share capital of Rs.12.47 Crores. This will absorb a sum of Rs.549.62 Lakhs including Rs.50.87 Lakhs by way of Dividend Tax.

COFFEE SCENARIO

The downward trend in prices witnessed in the previous year continued during the year under review. Due to higher production in Brazil and Vietnam, both Arabica & Robusta prices remained under pressure and touched historical lows. The "Coffee Retention Plan" implemented by the Coffee producing countries evoked partial support and the scheme failed to have any bearing on the overall price situation, which continues its bearish trend. Although discussions on destruction of 5% of inferior quality coffee are in progress, it is unlikely to have a positive impact on the prices. Consequent upon the WTO regime becoming effective and lifting of all quantitative restrictions, the overhang in the supply position is likely to continue and prices continue to remain under pressure. The future outlook remains bearish unless a balancing of supply and demand takes place. Given this scenario, your Company is taking appropriate strategic measures to align its operations on higher value products.

During the year, your Company has strengthened its commercial intelligence as a result of which better prices were realized by taking advantage of occasional spurts in the market.

OPERATIONS**Plantations**

The Coffee Crop of your Company for 2000/2001 totalled 9255 Tonnes (including 467 tonnes from Coovercolly Estate) as against 8447 Tonnes during 1999/2000.

During 2000/2001, your Company's Tea Estates produced 990 Tonnes (excluding 93.8 Tonnes of green leaf sold during the period

of machinery up-gradation at Merthikhan Estate) as against 1066 Tonnes during 1999/2000.

The Pepper crop picked upto 31st March, 2001 aggregated to 929 Tonnes as against 1058 Tonnes during 1999/2000.

Cardamom production during 2000/2001 was 8.342 Tonnes as against 9.060 Tonnes during 1999/2000.

Instant Coffee Division

The Russian market continued to be volatile with the introduction of VAT during the year. Despite this, the Instant Coffee Division exported 4446 MT (3008MT) of instant coffee during the year under review. The Company had to outsource a part of its export requirements despite operating its Toopran plant to full capacity.

Curing Works

During the year under review, your Company's curing units cured 18167 tonnes of coffee as against 19656 Tonnes during 1999/2000.

TRADING OPERATIONS**Coffee Value-Added Products**

The year under review saw a surge in the efforts behind your Company's new efforts in the coffee-retailing segment. All your Company's brands maintain keen competitive pressure in each of the segments in which they operate.

New efforts focused on climbing the coffee value chain with a vigorous thrust in the Coffee Vending Machine Operations. This segment represents an opportunity for the increased outdoor consumption of coffee and the opportunity represented therein is being aggressively tapped.

Timber Value-Addition Project

Timber Value Addition Operations were streamlined by strengthening the manufacturing arrangements thereby achieving cost economies. "Tata Conswood" is now successfully established as a single species Eco-friendly plywood using renewable Silver Oak Timber and is a preferred Brand for some of the prestigious projects in South India. Further avenues for promoting the Brand are being explored.

EXPORTS

During the year 2000/2001, your Company exported 2537 Tonnes of Coffee, earning sizeable foreign exchange for the Country as against 2866 Tonnes during previous year.

ACQUISITION OF COOVERCOLLY ESTATE

During the year, your Company acquired a coffee estate in Kodagu, Karnataka viz. Coovercolly Estate comprising of 1320.88 Acres