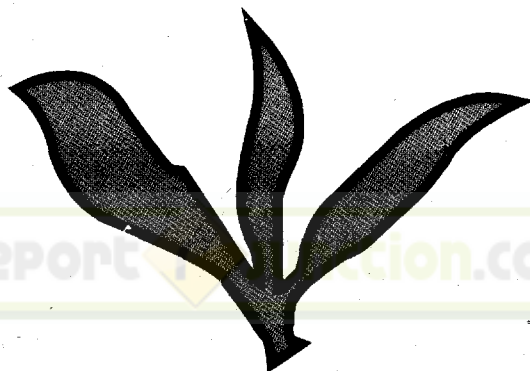


Thirty First ANNUAL REPORT 2003-2004



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TERAI GROUP



TERAI TEA COMPANY LIMITED

Board of Directors

Shri Ajit Kumar Agarwala, Managing Director

Shri Amit Agarwala Jt. Managing Director

Smt. Shashikala Agarwala

Shri Rajendra Kanodia,

Shri Kamal Kishore Bihani

Shri Rajesh Singhanian

Bankers

Central Bank of India

Bank of India

Auditors

P.K. Shah & Co.

Chartered Accountants

Hill Cart Road

Siliguri-734 401

Solicitors

Jhunjhunwala & Co.

7C, K. S. Roy Road

Kolkata - 700 001

Share Transfer Agent

Maheshwari Datamatics (P) Ltd.

6, Mangoe Lane

Kolkata - 700 001

Registered Office

11, Government Place (East)

1st Floor, Kolkata - 700 069

Tele : (033) 2220-4045, 2248-5111/5155

Fax : (033) 2248-9182

E-mail : terai@cal2.vsnl.net.in

Corporate Office

"Agarwala House"

Sevoke Road

Siliguri- 734 401

Tele : (0353)-2543-858/857/866

Fax. (0353)-254-2656

E-mail : slg_teraitea@sancharnet.in



NOTICE

Notice is hereby given that the **31st Annual General Meeting of TERA TEA COMPANY LIMITED** will be held on **Thursday, the 30th September, 2004 at 11.00 AM** at the Registered Office of the Company at 11, Government Place (East), Kolkata 700 069 to transact the following business:-

AS ORDINARY BUSINESS :

- 1) To consider and adopt the Profit & Loss Account for the year ended 31st March 2004, and the Balance Sheet as that date together with the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Mrs. Shashikala Agarwala who retires by rotation and is eligible for re-appointment.
- 3) To appoint a Director in place of Mr. Rajesh Singhania who retires by rotation and is eligible for re-appointment.
- 4) To appoint Auditors of the company and to fix their remuneration. The retiring Auditors M/s. P K Shah & Co. , Chartered Accountants are eligible for re-appointment.

AS SPECIAL BUSINESS :

5) Re-appointment of a Managing Director

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that in accordance with the provision of Sections 198, 269, 309 and 311 read with Schedule XIII and all other applicable provisions, if any of the Companies Act, 1956, including any statutory modification of the enactment thereof for the time being in force, the company hereby approves the Re-appointment and terms of Remuneration of Mr. Ajit Kumar Agarwala, who fulfills the conditions as specified in Part-I and Part-II of the Schedule XIII of the Companies Act, 1956 as a Managing Director of the company for a period of 5 years w.e.f 1st December, 2004 and the remuneration payable to Mr. Ajit Kumar Agarwala for the said period, in pursuance of this resolution, on the Terms & Conditions as are set out in the Explanatory Statement to this resolution, a draft agreement of which submitted to this meeting, which agreement be and is hereby specifically approved and for the purpose of identification, initialled by a Director with liberty to the Board of Directors of the company to alter and verify the Terms and Conditions of Re-appointment and/or agreement in such manner and to such extent as may be agreed between the Board of Directors and Mr. Ajit Kumar Agarwala so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto."

NOTES :

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- 2) The Register of Members and Transfer Books of the Company will remain closed from 20th September, 2004 to 30th September, 2004 (both days inclusive).



TERAI TEA COMPANY LIMITED

- 3) Members are required to notify immediately any change in their addresses to the company.
- 4) Members are requested to intimate before hand to the company query, if any, regarding the accounts/ notice at least ten days before the meeting to enable the management to keep the information required readily available at the meeting.

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE FORTH COMING AGM

In pursuance of clause 49 of the Listing Agreement , the particulars of the Directors who are proposed to be appointed/re-appointed are given below :

| | | |
|---------------------|---|--|
| Name | : | Mrs. Shashi Kala Agarwala |
| Age | : | 49 Years |
| Qualification | : | B.A |
| Expertise | : | Experience in Tea Plantation and processing |
| Other Directorships | : | 1. East Indian Produce Ltd 2. Jaldacca Tea Plantations Pvt Ltd. 3. Terai Ispat Ltd 4. East Indian Fats & Edibles Ltd. 5. East Indian Solvents Ltd. |

| | | |
|---------------------|---|---|
| Name | : | Mr. Rajesh Singhania |
| Age | : | 33 Years |
| Qualification | : | B.Com, CA, CS |
| Expertise | : | Corporate Taxation , Legal affairs and Financial Management |
| Other Directorships | : | 1. Abhijit Tea Co. Pvt Ltd. 2. Terai Overseas Ltd 3. Terai Dooars Tea Co. Pvt Ltd 4. The Kharibari Tea Co. Ltd |

By Order of the Board of Directors
TERAI TEA COMPANY LIMITED

Registered Office :
11, Govt. Place (East)
Kolkata-700 069

Ajit Kumar Agarwala
Managing Director

Dated : 18 th day of August, 2004

**Explanatory Statement as required under section 173 of the Companies Act, 1956****Item no. 5**

In the shareholders meeting held on 24th September, 1999, the shareholders had re-appointed Mr. Ajit Kumar Agarwala as the Managing Director for a period of 5 years effective from 1st December, 1999. The tenure of his appointment expires on 30th November, 2004. During his tenure as Managing Director, the company has increased its operations which have touched to a new horizon. Keeping in view of his age, experience and responsibilities the Board has recommended to the remuneration committee for the following increased remuneration and has fixed other terms and conditions of service which is stated below:-

- A. Salary** : Not exceeding Rs.50,000/- per month with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which terms shall include a Committee of Directors) to determine the salary and grant increases from time to time within the aforesaid limit.
- B. Commission** : Not exceeding 0.50% of net profit in an accounting year as may be decided by the Board from time to time.
- C. Allowance & Perquisites** : In addition to salary and commission, he will be entitled to allowance, perquisites, benefits, facilities and amenities (collectively "Allowances and perquisites") such as furnished residential accommodation or house rent allowance in lieu thereof, maintenance of such accommodation, gas, electricity & power, water, furnishings, utility allowance, medical reimbursement, foreign travel, leave travel assistance/ allowances, membership fees for clubs, hospitalization and accident insurance, security at residence and any other "allowance and perquisites" as per the policy/ rules of the company in force and/or as may be approved by the Board from time to time provided that aggregate value of such allowances & perquisites shall not exceed Rs.12 lacs per annum. "Allowances & Perquisites" to be valued as per the Income Tax Rules, wherever applicable and at actual cost of the company in other cases.

In addition to the above, he will also be entitled to the following benefits as per policy/rules of the company in force or as may be approved by the Board from time to time:

Company maintained car(s) with drivers(s); (ii) Telephone(s) and fax at residence; (iii) Company's contribution to Provident Fund and Super- Annuation Fund; (iii) Payment of Gratuity and other retail benefit; (v) Encashment of Leave and (vi) Long service award. The Board is authorized to fix actual remuneration and revise it from time to time within the aforesaid ceilings.

- D.** The total remuneration including allowances and perquisites shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956.

- E. Minimum Remuneration** – Notwithstanding anything to the contrary herein, where in any financial year, during the currency of the tenure of the appointees, the company has no profits or its profits are inadequate, the company will pay remuneration to the appointees by way of salary, perquisites, allowances and incentives remuneration as specified above.

The above may please be treated as abstract of the terms and conditions of appointment of Mr. Ajit Kumar Agarwala as required under section 302 of the Companies Act, 1956.

Your directors commend the acceptance of these resolutions by the shareholders.

Mr. Ajit Kumar Agarwala is interested in Resolution no. 5

By the order of the Board
TERAI TEA COMPANY LIMITED

Registered Office :

11, Government Place (East)

Kolkata 700 069

Dated : 18th day of August, 2004

Ajit Kumar Agarwala

Managing Director



TERAI TEA COMPANY LIMITED

DIRECTOR'S REPORT

Your Directors have pleasure in presenting their Thirty-First Annual Report on the business and operations of the company and the accounts for the financial year ended March 31, 2004

Financial Results

| | (Rs. in' 000) | |
|---------------------------------------|---------------|---------|
| | 2003-04 | 2002-03 |
| Sales and Other Income | 299560 | 275186 |
| Gross Profit for the year | 36248 | 37669 |
| Interest (Net of Subsidy) | 12406 | 16294 |
| Depreciation | 22212 | 16170 |
| Profit before taxation | 1630 | 5205 |
| Provision for Taxation | (192) | (186) |
| Profit for the year after Taxes | 1822 | 5391 |
| Profit & Loss Balance brought forward | 85742 | 80351 |
| Profit available for appropriation | 87564 | 85742 |
| Balance Profit carried forward | 87564 | 85742 |

OPERATION :

TEA ESTATE DIVISION

The year 2003-04 was also not encouraging for the tea industry. The persistent bearishness was witnessed in the realization of tea prices. The unit produced 24.26 lacs kgs. of made tea as against the installed capacity of 25 lacs kgs.

TEA FACTORY UNIT

The efficient capacity utilization and effective cost cutting measures adopted by the management has resulted in higher profits and production for the unit in the year 2003-04 inspite of sluggish tea market scenario.

TERAI TEA FACTORY (EXPANSION UNIT)

This unit was commissioned in the year 2002-03 only and produced 17.67 lacs kgs. of made tea in the year 2003-04.

SEVOKE TEA FACTORY UNIT

This unit is pioneer in producing quality green tea. The unit has performed relatively well despite the recession in the tea industry.

KARJEEPARA TEA FACTORY UNIT

This unit was commissioned in the year 2003-04 only. It has commenced operation on and from 7th July, 2003 and within a span of eight and a half months it has produced 13.98 lacs kgs. of made tea as against the annual capacity of 15 lacs kgs. The unit has performed extremely well in the very first year of its operation.

EXPORT DIVISION

Despite the best efforts put forward by your directors the unit could not make export in the financial year 2003-04 due to world wide recession and lack of demand for Indian teas.



CURRENT WORKING & FUTURE PROSPECTS

The year 2004-05 has begun with the promising results with signs of turnaround in the tea industry. The first few months of the calendar year had good tidings for the industry. Lower production, negligible stocks, higher exports and better prices point to a buoyant market in the coming months. Price realisation of teas have so far seen a substantial rise compared to last year. Prices are expected to pick up further as huge shortfall of teas is anticipated due to gains in export to Iran, Iraq, Pakistan and Afghanistan.

In the export front the company is witnessing revival of fortune for the export of Indian teas as exports has picked up considerably with the renewed interest in Indian teas by the leading importing countries like Iran, Iraq, Pakistan and Afghanistan. The company has received various export enquiries from the overseas buyers of these countries and the negotiation with all the potential buyers are in a very advance stage. The company expects to get a good numbers of confirmed export orders very soon.

The company is optimistic to exceed the targeted production in its Bagdogra Tea Estate as well as in its all bought leaf factories. The products of all these units are widely accepted in the market and are expected to fetch better price in the current year if the present buoyancy continues.

The Karjeepra Tea Factory came into operation in the last year only and achieved the 100% capacity utilization in the first full year of operation and has developed good reputation for its product in the market. Being encouraged with the stupendous performance of the unit in the short span of time, the company has decided to increase the installed capacity from the existing level of 15 lacs kgs. to 20 lacs kgs. p.a. in the current year itself with total capital investment of Rs.300 Lacs (Approx.). The company has already been granted registration by the Directorate of Industries, Government of West Bengal for its expanded unit. The expanded unit is almost completed and the commercial production is expected to start by the end of July this year.

FINANCE

The company enjoys Short term and Long Term finance from Central Bank of India and Bank of India. The Directors put on record their sincere appreciation of the co-operation and assistance provided by both the banks.

DIVIDEND :

Your Directors do not recommend any dividend during the year with a view to the need to conserve its resources.

PUBLIC DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding on the date of the balance sheet.

AUDITORS :

M/s. P.K. Shah & Co., Chartered Accountants, Siliguri, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITOR'S REPORT :

The remarks of the Auditors regarding accounting of gratuity on cash basis and non-provision of disputed Agricultural Income Tax liabilities are self-explanatory and does not require any elaboration.



TERAI TEA COMPANY LIMITED

DIRECTORS

Sri Rajesh Sighania and Smt Shashikala Agarwala retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. The tenure of appointment of Mr. Ajit Kumar Agarwala as Managing Director expires on 30.11.2004. However, resolution for his appointment for 5 years w.e.f 1.12.2004 is to be placed before the shareholders in Annual General Meeting to be held on 30th September 2004.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- 1) That in the preparation of the accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to materials departures;
- 2) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the year under review;
- 3) That the Director's have taken proper and sufficient care for the maintenance of adequate accounting records in accordance of the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

PERSONNEL :

During the year under review the relations between management and employees have remained cordial. There was no employee of the Company who received remuneration during the period under review in excess of the limit prescribed under Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO :

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and out go is given in the Annexure "A".

For and on behalf of the Board
Terai Tea Company Limited

Registered Office :
11, Govt. Place (East)
Calcutta - 700 069

Ajit Kumar Agarwal
Managing Director

Dated: 30th June, 2004



ANNEXURE 'A' TO THE DIRECTORS REPORT

Particulars of conservation of energy and technology absorption in terms of section 217(1) (e) of the Companies Act, 1956.

A) CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

- (i) Power factor improved by providing capacitor bank.
- (ii) Normal withering Fans have been replaced with Axial Flow Fans
- (iii) Oil Fired heaters are replaced with Coal fired heaters alongwith Chaingrate stokers
- (iv) Old Generator Sets are scrapped and replaced with New Power Generator Set
- (v) Power transmission pullys & belts are replaced to save the energy during power transmission
- (b) **Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production of goods :**
Lower consumption of energy.

B) TECHNOLOGY ABSORPTION

Trials were carried out on pruning cycles, growth regulators, optimal fertilizer use etc. The company is adopting the general expert advices published by T.R.A.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Sales (FOB Value) : Rs.Nil (1.02 Lacs)
- b) Expenditure(Others) : Rs. 4.88 Lacs (Rs.1.55 Lacs)

FORM OF DISCLCSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION CURRENT YEAR PREVIOUS YEAR

1. ELECTRICITY

| | | |
|--------------------------------|----------|----------|
| (a) Purchased (Units KWH) | 5415353 | 4101449 |
| Total Amount (Rs.) | 20933277 | 15527591 |
| Rates/ Unit (Rs./KWH) | 3.87 | 3.79 |
| (b) Own generation (Unit KWH) | 39460 | 66182 |

2. COAL

| | | |
|---------------------------|----------|---------|
| Quantity (Tonnes) | 1484.193 | 283.290 |
| Total Amount (Rs.) | 3457227 | 633769 |
| Average Rate (Rs. /Tone) | 2329.36 | 2237.17 |

3. FURNACE OIL/ H.S.D

| | | |
|---------------------------|----------|----------|
| Quantity (Ltrs.) | 1720014 | 1739397 |
| Total Amount (Rs.) | 23757992 | 23173230 |
| Average Rate (Rs. /Ltr.) | 13.81 | 13.32 |

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT - TEA

| UNIT - QTLS. | CURRENT YEAR | PREVIOUS YEAR |
|----------------------------|--------------|---------------|
| Electricity (KWH / QTLS.) | 70.29 | 71.09 |
| Coal (QTLS./ QTL.) | 0.79 | 0.87 |
| Furnace Oil (LTS./ QTL) | 22.33 | 30.15 |



TERAI TEA COMPANY LIMITED

REPORT ON CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement with the Stock Exchange)

The Company is committed to good corporate governance in order to enhance shareholders' value and promote national interest. The philosophy of the Company in relation to corporate governance is to ensure transparency in all its operations, make disclosures and enhance shareholders value without compromising with laws and regulations. Our philosophy of good Corporate Governance also includes compliance with stipulations laid down by regulatory bodies such as Securities and Exchange Board of India (SEBI) and in the Companies Act, 1956 with object of ensuring transparency, accountability and responsibility in the corporate functioning to serve the interest of the stakeholders.

A) Board of Directors

The Board of Directors of the company comprise of optimum combination of Executive and Non-Executive Directors, to ensure the independent functioning of the Board. The Board consists of Six members, three of whom are Executive Directors and three independent Directors. None of the Director is member of more than 10 Committees and / or Chairman of more than 5 Committees.

Composition and Category of Directors are as given below and the attendance of each Director at the Board of Director's Meeting held during 2003-2004 and about the last AGM is as follows:

| Name of the Director | Category | FY 2003-2004 Attendance at | | No of Directorships in other public Companies | | No. of Committee positions held in other public Companies |
|-----------------------------|--|----------------------------|----|---|--------|---|
| | | Last AGM | BM | Chairman | Member | Chairman |
| Mr. A K Agarwala (Chairman) | Promoter Executive/ Not-Independent | Yes | 14 | - | 7 | - |
| Shri R. Singhania | Non-Executive Independent | Yes | 17 | - | 6 | - |
| Shri R. Kanodia | Non-Executive Independent | Yes | 17 | - | 10 | - |
| Shri K. K Bihani | Non-Executive Independent | No | 15 | - | 1 | - |
| Shri A. Agarwala | Promoter Non-Executive Not-Independent | Yes | 11 | - | 5 | - |
| Smt. S.K. Agarwala | Promoter Non-Executive Not-Independent | No | 11 | - | 5 | - |