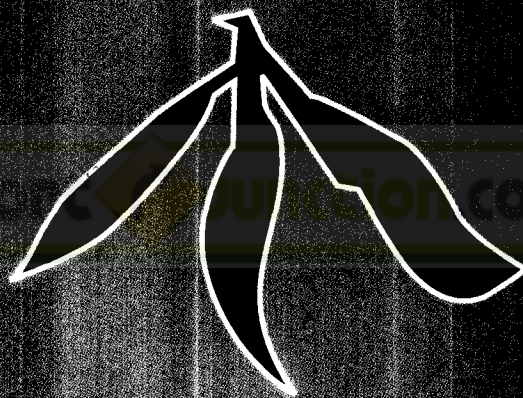




Tera Tea Company Limited



33rd Annual Report 2005-06

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)-2543-857

Fax. (0353)-254-2656

E-mail : slg_teraitea@sancharnet.in



NOTICE

Notice is hereby given that the 33rd Annual General Meeting of **TERAI TEA COMPANY LIMITED** will be held on Wednesday, **27th September, 2006** at **11.00 AM** at the Registered Office of the company at 11, Government Place (East), Kolkata 700069 to transact the following business :

Ordinary Business :

- 1) To consider and adopt the Profit & Loss Account for the year ended 31st March 2006, and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Mrs. Shashi Kala 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, M/s. P K Shah & Co, Chartered Accountants and to fix their remuneration.

By Order of the Board

Place : Kolkata
Date : 30th June, 2006

A K. Agarwala
Managing Director

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 instead of himself/ herself. A proxy need not be a member of the company. Proxies in order to be affective must be received at the Registered office of the company not less than 48 hrs before the meeting.**
- 2) The Register of members and transfer Books of the Company will remain closed from 17th September, 2006 to 27th September, 2006 (both days inclusive).
- 3) Members are required to notify immediately any change in their addresses company.
- 4) Member are requested to bring their copy of the Annual report to the Meeting.
- 5) Members are requested to intimate before hand to the company query/lieu, if any, regarding these accounts/ notice at least ten days before the meeting to enable the management to keep the information required readily available at the meeting.
- 6) Members are requested to send all documents including notification of their change of address, if any, to the company's Registrars and share Transfer Agents, M/s Maheshwari Datamatics Pvt Ltd, 6 , Mangoe Lane, Kolkata -700001 for both Physical and De-mat securities.
- 7) As per provisions of the Companies Act, 1956 facility for making nominations is available for members in respect of the shares held by them. Nomination Forms can be obtained from the Company's Registrar and Transfer Agent.



INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT PURSUANT TO CLAUSE 49 VI (A)(C)

As required under 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 : 51 Years
 Qualification : B.A.
 Expertise : Experience in Tea Marketing
 Other Directorships : 1. East Indian Produce Limited
 2. East Indian Fats & Edibles Limited
 3. East Indian Solvents Limited
 4. Terai Ispat Ltd
 5. Jaldacca Tea Plantations Pvt Ltd
 6. Terai Resorts & Country Club Pvt Ltd
 7. Terai Jute Ltd.
 8. Terai Infrastructures Ltd.

Name : Mr. Rajesh Singhania
 Age : 35 Years
 Qualification : B.Com(Hons.). CA.,ACS.
 Expertise : Expertise in Financial Management, Taxation and Secretarial matters
 Other Directorships : 1. Terai Overseas Ltd
 2. The Kharibari Tea Co.Ltd
 3. Abhijit Tea Company Pvt Ltd
 4. Sayedabad Tea Co. Ltd
 5. Terai Dooars Tea Co. Pvt Ltd.
 6. Terai Resorts & Country Club Pvt Ltd
 7. Terai Infrastructures Ltd.



DIRECTOR'S REPORT

Your Directors have pleasure in presenting their Thirty-third Annual Report on the business and operations of the company and the accounts for the financial year ended March 31,2006

FINANCIAL RESULTS

The performance of the Company for the financial year ended March 31,2006 is summarized below:
(Rs. in '000)

	2005-06	2004-05
Sales and other Income	337952	458606
Gross profit for the year	46811	43205
Interest(Net of Subsidy)	16731	13950
Depreciation	26317	25608
Profit before taxation	3763	3647
Provision for current taxation	263	337
Provision for fringe benefit tax	250	-
Provision for deferred tax	730	-
Profit for the year after taxes	2520	3310
Profit and Loss Balance brought forward	90874	87564
Profit available for appropriation	93394	90874
Balance Profit carried forward	93394	90874

OPERATIONS :

TEA ESTATE AND BOUGHT LEAF FACTORIES :

The year 2005 was another tough year for the ailing Indian Tea Industry.Prices for Orthodox teas as well as CTC teas dropped sharply due to comfortable stock positions in up country markets and a significant carry forward into the new season.The introduction of VAT in many states from 1st April 2005, resulted in a traders agitation at the beginning of the financial year which led to buying being curtailed , thereby adversely affecting prices.

In July, tea estates in North Bengal underwent a workers strike on account of wage negotiations, that continued for two weeks, which lead to a severe cash crunch and closure of several tea gardens in the region.The strike has significantly affected the production and quality of tea from the entire North Bengal Tea belt.

The performance of all the units of the Company were adversely affected due to above factors.



EXPORT DIVISION

In the year 2005-06 too the company could not make any export despite best efforts put by your directors.

CURRENT WORKING & FUTURE PROSPECTS

The year 2006 has started on a positive note with prices rising, following better domestic and export enquiry. With reports of drought in Kenya and indication of depleted stocks in the Indian auction centers as well as upcountry markets further buoyancy in the tea prices is expected due to huge shortage of quality teas in the market.

The Company's units namely Tea Factory Unit and Sevoke Tea Factory Unit are located in the heart of the city of Siliguri. With the stupendous growth of city of Siliguri in the past 2-3 years traffic problem has become a big threat to these units. These units could not operate properly in the year 2005-06 due to traffic congestions.

In order to overcome this problem your directors have decided to shift these units to small growers belt where both the units will benefit from the availability of better quality green leaves at most competitive prices and at the same time shall be free from hazard of city traffic.

For the above purpose the company is in the process to acquire 100% shareholding in Madhukamal Tea Industry (P) Ltd. M/S. Madhukamal Tea Industry (P) Ltd. is the owner of Sona Tea Factory situated in the district of North Dinajpur. The unit is having 7 acres of land ideal for shifting of the above two units of the company. Further the area is surrounded by small tea plantations and as such ample green leaves are readily available.

MULTIPLEX DIVISION

The Company has already obtained sanction of Credit facilities from Corporation Bank for construction of Shopping Mall cum Multiplex of 83444 sq. feet. The company has now decided to increase the area of the Shopping Mall cum Multiplex to the tune of 3 lacs sq. feet. Revised plan and project report for expansion of constructed area is under process.

Your directors are sincerely looking to do the business of steel trading in the current financial year. Negotiations for the import of iron ore are in advance stage with various parties in South India.

The Company has also negotiated with Government of India, Ministry of Tourism for development of Resorts in the hills of Darjeeling. The company has also sought for land for the purpose from the State Government and the proposal of the company is under consideration with the appropriate Government Authorities.

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. The Company is yet to enjoy the credit facilities from Corporation Bank.

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.

DIRECTORS

Smt. Shashikala Agarwala and Sri Rajesh Singhania retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for re-appointment. Brief resumes of the above Directors, nature of their expertise in specific functional areas and names of other companies in which they hold Directorship and Membership/Chairmanship of committees of the Board and their shareholding in the Company, as stipulated under Clause 49 of the Listing Agreement, are given in the Report of Corporate Governance elsewhere in the Annual Report.

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, 2006, 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, 2006 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".

MANAGEMENT'S DISCUSSION & ANALYSIS REPORT

The Report on Management's Discussion and Analysis covering matters listed inter alia in Clause 49 of the Listing Agreement for the year under review is attached to this Report.

CORPORATE GOVERNANCE

The Company has been proactive in following the principles and practices of good corporate Governance. The Company has ensured that the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange are duly complied with. A separate Report on Corporate Governance is given elsewhere in the Annual Report

A certificate from the Auditors of the Company regarding Compliance of Clause 49 of the Listing Agreement is annexed.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Government of India (including the Ministry of Commerce & Industry, Government of West Bengal and all Government authorities, Financial Institutions, Banks, Customers, Vendors and Shareholders during the year under review. Your Directors wish to place on record their appreciation for the employees of the Company at all levels for their commitment and continued support for the Company.

Registered Office :
11, Govt. Place (East)
Kolkata – 700 069
Dated: 30th June, 2006

For and on behalf of the Board
Terai Tea Company Limited

Ajit Kumar Agarwala
Managing Director

**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**Energy Conservation Measures Taken**

- (i) Stove Tubes of the Coal Fired Heaters are cleaned on regular basis.
- (ii) Nozzles and fuel injectors are cleaned regularly.
- (iii) Bearings of the Machines are checked and greased regularly.
- (iv) Fuel filters and Mobil filters are replaced regularly.

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 TRA.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Sales (FOB value) : Rs. Nil (Rs. Nil)
- b) Expenditure (Others) : Rs.2.32 lakhs (Rs.0.13 lakh)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY. POWER & FUEL CONSUMPTION

	CURRENT YEAR	PREVIOUS YEAR
1. ELECTRICITY		
(a) Purchased (units KWH)	58,05,160	62,95,077
Total Amount (Rs.)	2,74,85,444	2,68,45,100
Rates/unit (Rs./KWH)	4.73	4.26
(b) Own generation (Unit KWH)	47,000	15,220
2. COAL		
Quantity (Tonnes)	4,945.484	5,175.168
Total Amount (Rs.)	1,27,92,238	1,43,81,207
Average rate (Rs./tone)	2,587.00	2,779.00
3. FURNACE OIL/H.S.D		
Quantity (ltrs)	6,37,003	8,79,792
Total Amount (Rs.)	1,42,14,931	1,52,67,661
Average rate (Rs./ltr)	22.32	17.35
B. CONSUMPTION PER UNIT OF PRODUCTION		
PRODUCT - TEA		
Unit - Quintal		
Electricity (KWH/Qtls.)	81.04	77.15
Coal (Qtls./Qtls.)	0.69	0.80
Furnace Oil/H.S.D (Ltr./Qtls.)	8.89	10.78



REPORT ON CORPORATE GOVERNANCE

(AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGE)

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

Your Company is committed to business integrity and high ethical values. The Company firmly believes in good corporate governance and continuously endeavors to improve focus on it by increasing transparency focus on it by increasing transparency and accountability to its shareholders in particular and other stakeholders in general. The company derives its policy guidelines from the TERAJ group with regard to business ethics and conduct, which extend to all its employee. The Company has also adopted a Code of Conduct.

A) Board of Directors

The composition of the Board of Directors of the company is in conformity with the Code of Corporate Governance under the listing Agreement with the Indian Stock Exchanges. The Board of Directors consists of optimum combination of Executive and non-executive directors. The Details of the Board of Directors and their directorships/Memberships in Committees of other Companies are as under

Name of the Directors	Category	FY 2005-06 Attendance at		No. of Directorships in other public Companies		No. of Committee positions held in other public Companies*
		BM	Last AGM	Chairman	Member	Chairman
Shri A K Agarwala (Chairman)	Promoter Executive Not-Independent	19	Yes	—	10	—
Smt. S.K.Agarwala	Promoter Non-Executive Not-Independent	19	No	—	8	—
Shri A. Agarwala	Promoter Executive Not-Independent	19	Yes	—	10	—
Shri R. Kanodia	Non-Executive Independent	19	Yes	2	14	—
Shri K. K. Bihani	Non-Executive Independent	19	No	—	2	—
Shri R. Singhania	Non-Executive Independent	19	Yes	—	7	—