



A N N U A L
R E P O R T



2010 - 2011



Bengal Tea & Fabrics Ltd.



CORPORATE INFORMATION

| | | |
|---|--|---|
| BOARD OF DIRECTORS | Mr. Adarsh Kanoria <i>Chairman & Managing Director</i> Mr. Abhijit Datta Mr. Dharendra Kumar | Mr. Radhe Shyam Saraogi <i>Whole-time Director</i> Mr. Golam Momen Mr. Samveg A Lalbhai |
| COMPANY SECRETARY | Mr. P. K. Saw | |
| AUDITORS | M/s. Jain & Co., Chartered Accountants | |
| BRANCH AUDITORS | M/s. Sorab S. Engineer & Co., Chartered Accountants | |
| COST AUDITORS | M/s. N. D. Birla & Co., Cost Accountants | |
| BANKERS | State Bank of India Punjab National Bank Bank of India IDBI Bank | |
| TEA DIVISION | Ananda Tea Estate P.O. Pathalipam 787 056 Dist. North Lakhimpur (Assam) | |
| TEXTILE DIVISION | Asarwa Mills Asarwa Road, Ahmedabad 380 016 (Gujarat) | |
| REGISTERED OFFICE | 45, Shakespeare Sarani 4th Floor, Century Towers, Kolkata 700 017, India Telefax Nos. : 91 33 2283-6416/17 E-mail : investor@bengaltea.com Website : www.bengaltea.com | |
| REGISTRAR & SHARE TRANSFER AGENT | C. B. Management Services (P) Ltd. P-22, Bondel Road, Kolkata 700 019 Telephone : 91 33 4011 6716/17/23/28, 2280 6692-94 E-mail : rta@cbmsl.com | |

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NOTICE

TO THE MEMBERS

NOTICE is hereby given that the 28th Annual General Meeting of the Members of **Bengal Tea & Fabrics Limited** will be held at "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Saturday the 6th day of August, 2011 at 10.30 A.M. to transact the following business: -

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2011 and the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Golam Momen, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors in place of retiring Auditors, from the conclusion of the 28th Annual General Meeting until the conclusion of the 29th Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution :
"RESOLVED that in substitution of earlier resolutions, if any, the consent of the Company be and is hereby accorded to the Board of Directors contributing and/or subscribing from time to time to any national, charitable, benevolent, public or general and other funds not directly relating to the business of the Company or the welfare of its employees up to an aggregate amount of ₹ 1,00,00,000/- (Rupees One Crore only) in any financial year as may be considered proper by the Board of Directors notwithstanding that such amount in any financial year may exceed ₹ 50,000/- or five percent of the average net profits of the Company, as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater."

Registered Office :

45, Shakespeare Sarani

Kolkata 700 017

Dated, the 7th day of May, 2011

By Order of the Board

P. K. SAW

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 the member and the proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.**
2. The Register of Members of the Company shall remain closed from 30th day of July, 2011 to 6th day of August, 2011 (both days inclusive).
3. Members holding shares in dematerialized form are requested to bring their supporting evidence in respect of their Client ID & DP Nos. for easier identification of the attendance at the meeting.



NOTICE (Contd.)

4. Members desirous of getting any information on the accounts or operations of the Company are requested to forward their queries to the Company at least seven working days prior to the meeting so that the required information may be readily available at the meeting.
5. **Members still possessing the share certificates issued prior to 25th July, 1998 are requested to surrender the said share certificates for the reduced shareholdings as only the new share certificates are eligible for demat.**
6. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company provides the facility of payment of dividend through NEFT. Members desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agents.
7. The brief profile of the Directors seeking appointment/re-appointment including relevant particulars relating to them are furnished in the Corporate Governance Report forming part of the Annual Report, as required under Clause 49(IV)(G) of the Listing Agreement.
8. **Since Department of Posts has recently discontinued the postal facility under "Certificate of Posting" vide their Circular dated 23.02.2011, Members are requested to register their email address, if any, with the Company to facilitate the Company to send notice/documents through email, vide Circular No. 17/2011 dated 21.04.2011, issued by the Ministry of Corporate Affairs, Government of India. Members may also register their email address by visiting Website namely "www.cbmsl.com/green.php" of our Registrar.**
9. **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5 of the Notice is as under :**

In respect of Item No.5

Your Company is authorized, by shareholders at its meeting held on 6th November, 1987, to contribute to charitable and other funds not directly related to the business of the Company or welfare of its employees in excess of ₹ 50,000 or 5% of the Company's average net profits of the Company, as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater, provided that the aggregate amount of such contribution shall not exceed ₹ 35,00,000 (Rupees Thirty Five Lacs only) in any financial year. Looking towards the Corporate Social Responsibility of Company, it is desired to increase the limit from ₹ 35,00,000 (Rupees Thirty Five Lacs only) to ₹ 1,00,00,000 (Rupees One Crore only) in any financial year to subscribe to charitable and other funds not directly relating to the business. The consent of the members is sought by the proposed resolution in pursuant to Section 293(1)(e) of the Companies Act, 1956.

None of the Directors of your Company is interested, either directly or indirectly in the said resolution and your Directors recommend the adoption of the proposed resolution in the national/public interest.

Registered Office :

45, Shakespeare Sarani

Kolkata 700 017

Dated, the 7th day of May, 2011

By Order of the Board

P. K. SAW

Company Secretary



DIRECTORS' REPORT

Dear Members,

The Directors of the Company present their 28th Annual Report and Audited Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2011 and the corresponding figures for the last year are as under :

| | 2010-2011 | | 2009-2010 | |
|--|-----------|---------|-----------|---------|
| | | 2584.29 | | 2581.71 |
| Profit before Interest, Depreciation and Tax | | | | |
| Less : Interest & Finance Charges | 567.83 | | 525.55 | |
| Depreciation | 872.88 | 1440.71 | 921.47 | 1447.02 |
| Profit after Interest & Depreciation | | 1143.58 | | 1134.69 |
| Less : Provision for Current Taxes (Net of MAT Credit Entitlement) | 127.00 | | 148.24 | |
| Short/Excess Provision for Taxation for earlier year | 0.11 | | (5.32) | |
| Provision for Deferred Tax | 204.49 | 331.60 | 192.22 | 335.14 |
| Profit after Tax | | 811.98 | | 799.55 |
| Add : Balance Brought Forward from Last Account | | 896.55 | | 305.05 |
| Less : Transferred to General Reserve | | 100.00 | | 50.00 |
| Less: Proposed Dividend & Tax thereon | | 157.00 | | 158.05 |
| Credit balance carried to Balance Sheet | | 1451.53 | | 896.55 |

DIVIDEND

Your Directors are pleased to recommend a payment of Dividend of Re. 1.50 (One rupee and fifty paise only) per Equity Share for the year ended 31st March, 2011.

OPERATIONS

Tea Division

The overall performance of the Tea Industry during the calendar year 2010 has been mixed with crop remaining marginally lower and price realization also lower except for quality CTC Teas, which remained firm.

During the year under review, the Company achieved production of 21.20 lac kgs of Black Tea as compared to 20.95 lac kgs in the previous year. Although the production of own crop is marginally lower due to replanting operations but increased purchase of Green leaf led to higher production. The Company has still continued with its policy of uprooting old areas for Replantation. The sales realization has improved by about 3%. This has been possible due to your Company's continuous thrust on improved and better field practices.

In the current season, all India production upto February 2011 has been lower by 7.40 million kgs compared to corresponding previous year and also production of Tea in Kenya and Sri Lanka remained lower. Exports upto end of February, 2011 is lower by 2.77 million kgs as compared to corresponding previous period. However, sales realization per kg of tea is higher for North Indian Tea due to improved demand.

Considering the above scenario, the performance of tea division seems satisfactory.

Textile Division

During the year under review, the performance of Textile Division was satisfactory. The Textile Industry in India is slowly coming out of the after effects of global economic slowdown and is expected to stabilize and grow in future. The investment climate in the textile industry has improved significantly in the first half of 2010. Markets are reviving across the board.

Cotton production of India, the world's second biggest cotton producer, expected at 32 million bales in 2010-11. Prices of cotton which were running at around ₹ 28000 per candy at the opening of the season has increased to as high as ₹ 62000 per candy and currently at around ₹ 50000 per candy. Buoyed by the higher prices farmers are expected to sow more area under cotton cultivation and India is likely to achieve a record cotton output of 35 million bales in the Season 2011-12.

The increase in prices of raw material was passed on to the consumers and the prices of yarn and fabrics also increased in tandem and margins were favorable. However, from 1st December, 2010 the Government had put the export of cotton yarn in negative list and export for 2010-2011 was restricted to 720 million kgs resulting in accumulation of huge stocks with the spinning mills. Now, from 1st April, 2011 the export of cotton yarn has again shifted to OGL and the mills expect to rake in the margins stuck in the accumulated stocks.



DIRECTORS' REPORT (Contd.)

Unfortunately, a fire broke out in the spinning section of the textile unit in the month of September, 2010. Although the same was covered under the insurance, there was loss of production during the initial period and financial loss to the tune of Rs. 19.91 lacs, which has been provided in the accounts for the year under consideration.

MODERNISATION AND PROSPECTS

The constant endeavor of this division is to give due importance to modernization and keep watch over the latest technological developments thereby increasing its production of quality yarn/fabric at a reduced cost. The Company initiated a need based modernization plan of ₹ 1550 lacs in the year under review, which is nearing completion. The TUF scheme which was in abeyance has again been reinstated recently and the Company is ready with a project of about ₹ 2600 lacs under Capex programs during the current fiscal. On completion of the above projects, the Company will replace 21 TOYOTA Air Jet Looms with old 28 Air Jet Looms, replace 6 Auto Coners, about 24000 Spindles (incl. 17000 with Auto Doffing Spindles), 6 nos. Speed Frames and some processing machineries. This will result in value addition, higher production and reduction in cost.

Considering the above, the outlook for the Division appears to be optimistic.

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and Report on Corporate Governance are attached herewith marked as **Annexures - "A" and "B"** respectively.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm :

- (i) That the Company had followed the applicable accounting standards in the preparation of the annual accounts for the year ended 31st March, 2011;
- (ii) That the Directors have made judgments and estimates that are reasonable and prudent and have selected accounting policies and applied them consistently to give true and fair view of the state of affairs of the Company as at 31st March, 2011 and its profit for the year ended on that date;
- (iii) That the Company has a proper and adequate system of internal control to ensure that all assets are safeguarded against losses and the system is capable of detecting fraud and other irregularities;
- (iv) That the annual accounts placed before you have been prepared on a going concern basis.

FIXED DEPOSITS

As on 31st March, 2011, no amount is payable towards the fixed deposits accepted from public and matured for repayment.

DIRECTORS

Mr. Golam Momen, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself, for re-appointment.

AUDITORS

Messrs Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the 28th Annual General Meeting and being eligible, expressed their willingness to continue, if so appointed.

PERSONNEL

The Company operates in labour intensive business and the relations with the personnel generally remained cordial throughout the year.

The Board expresses its appreciation for the contribution of the employees at all levels. During the year under review no employee was in receipt of remuneration requiring disclosure under the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended by Companies (Particulars of Employees) Amendment Rules, 2011.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing additional information on conservation of energy, technology absorption and foreign exchange earnings and outgo, as required pursuant to 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 is attached herewith marked as **Annexure - "C"**.

ACKNOWLEDGEMENT

The Directors appreciate the co-operation and timely assistance extended by Banks and all other associates and look forward to continued fruitful association with all business partners of the Company.

For and on behalf of the Board

Kolkata

ADARSH KANORIA

Dated, the 7th day of May, 2011

Chairman



MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANNEXURE - "A"

(Forming part of the Directors' Report for the financial year ended 31st March, 2011)

TEXTILE DIVISION

Industrial Structure and Developments : Indian Textile Industry contributes about 14 percent to the Industrial Production and constitutes 4% of the GDP and 17% of the total export earnings. India has the potential to increase its Textile and Apparel share in World Trade from current level of 4.5% to 8% by 2020. This is mainly because of higher retail penetration in the domestic market, easy availability of cotton, and healthy export demand of yarn.

Opportunities and Threats : Cotton, the main raw material, is expecting a bumper crop as prices were very high during the previous year. It is expected that the prices will come down in spite of threat of higher export. Also the recently announced revised TUF Scheme will encourage investments and modernization to this sector. Appreciation of Indian rupee, change in government policy and availability of skilled labour are the major threats to the Industry.

Product-wise Performance : The production as well as the sales of yarn & cloth has decreased mainly due to outbreak of fire in the spinning section resulting in partial loss of production from September, 2010 to February, 2011 and discarding of 28 Air Jet Looms, which will be replaced with 21 TOYOTA Air Jet Looms in the current year. The average realization of yarn & cloth has improved significantly and also commensurate with the increased cotton price. The gist of performance of the textile products of the Company, during the financial year 2010-2011 is as under :

| | Cloth | | | Yarn | | |
|---------|---------------------------|----------------------|---------------------------------------|--------------------------|---------------------|--------------------------------------|
| | Production (Lac Mtrs.) | Sales (Lac Mtrs.) | Average Realisation (Rs. Per Mtr.) | Production (Lac Kgs.) | Sales (Lac Kgs.) | Average Realisation (Rs. Per Kg.) |
| 2010-11 | 97.24 | 103.30 | 61.23 | 38.44 | 33.88 | 191.44 |
| 2009-10 | 134.47 | 134.50 | 39.47 | 42.53 | 42.76 | 133.68 |
| Change | (-) 27.69% | (-) 23.20% | (+) 55.13% | (-) 9.62% | (-) 20.77% | (+) 43.21% |

Outlook : The outlook for the Indian textile industry is stable in 2011, despite appreciation of the value of the rupee against the U.S. dollar and a consequent dip in garment exports. Robust domestic demand for fabric and apparel, driven by India's increasing purchasing power, organized retail penetration and demographics, will keep demand for textile products growing. The Outlook of the Division is expected to be positive due to increasing value addition and modernization resulting in better quality and lower cost.

Risk and Concerns : The increase in the cotton prices, the appreciation of rupee, adverse changes in regulations (impacting raw materials or end-product prices) are the major areas of concern for the Textile Industry.

Discussion on the Financial Performance with respect to the Operational Performance : The division has shown improvement in performance by making a net profit of Rs. 53 lacs as against net loss of Rs. 56 lacs in the previous year. This is due to higher outsourcing demand of yarn, cloth and cost control measures initiated by the Company.

TEA DIVISION

Industry Structure & Developments : The financial year 2010-11 has brought in mixed fortunes for the Tea Industry. In terms of crop production and export, it was lower than the corresponding previous year with only marginal improvement in the average sales realization.

Opportunities & Threats : The continuous promotional efforts and better marketing and brand building initiatives taken jointly by the Government/Tea Board including hunt for newer export markets, providing incentives in the form of subsidies etc, are likely to benefit the Industry in the long term.



MANAGEMENT DISCUSSION & ANALYSIS REPORT (Contd.)

The higher increase in the cost of production is making Indian Teas uncompetitive in the International market. The increase in the production of green tea leaf by the small tea growers and mushrooming of bought-leaf factories is posing a serious threat to the organized Tea sector.

Product-wise Performance : During the year under review, the production of Green Tea leaves of Ananda Tea Estate was 68.68 lac kgs as compared to previous year of 69.75 lac kgs. The Company has improved the overall Tea production with the exploitation of outsourced green tea leaves, which stand higher during the year at 24.60 lac kgs in comparison to 22.16 lac kgs during the previous year. During the current year also, strong demand for teas persisted and the average realization of the tea sold by the Company was about 3% higher as compared to the previous year. The gist of performance of the division during the financial year 2010-2011 is as under :

| Black Tea | | | |
|------------|-----------------------|------------------|-----------------------------------|
| | Production (Lac Kgs.) | Sales (Lac Kgs.) | Average Realisation (Rs. Per Kg.) |
| 2010-11 | 21.20 | 21.28 | 153.30 |
| 2009-10 | 20.95 | 20.97 | 148.84 |
| Change (%) | (+) 1.19% | (+) 1.48% | (+) 3.00% |

Outlook : The crop of the major producing countries viz. Kenya, Sri Lanka and India is ranging lower as compared to previous year which should have positive effect on the price realization of tea.

Risks & Concerns : Besides climatic conditions, global production, the strategy of bought leaf factories and import of cheaper tea for re-export may also affect the fate of the Tea Industry.

Discussion on Financial Performance with respect to Operational Performance : The Company's steady progress in making quality tea and better product mix has resulted into achieving satisfactory profitability. Considering the overall scenario of the Industry for quality tea, the performance of the Division appears to be satisfactory.

Internal Control Systems and their Adequacy : The Company has laid down guidelines procedures and policies for better management control, which are periodically tested and supplemented by an extensive internal audit program. Significant findings are placed before the Audit Committee of the Board and the corrective measures are recommended for implementation. In the opinion of the management, the existing internal checks & controls are adequate.

Information regarding Human Resources/Industrial Relations : The relationships with the employees at both the divisions were cordial throughout the year. Tea and Textile Industry are labour intensive and hence the human factor in this relationship is important. The Company did not suffer from any major disruption as your Company has favorable working environment that motivates performance; customer focus and innovation and adheres to the highest degree of quality and integrity among employees. The total numbers of manpower employed by the Textile and Tea Division as on 31st March, 2011 were 764 & 1389, respectively.

Cautionary Statement : *The forward-looking statements and the views expressed in the Management Discussion and Analysis Report are based on certain assumptions. The actual results may differ materially from those stated therein. The Company would not be held liable, in any manner, if the future turns out to be quite different, even materially.*

For and on behalf of the Board

Kolkata
Dated, the 7th day of May, 2011

ADARSH KANORIA
Chairman



REPORT ON CORPORATE GOVERNANCE

ANNEXURE - "B"

(Forming part of Directors' Report for the financial year ended 31st March, 2011)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company follows the theme of changing in tune with times to continue the race without any major hurdle and attempts to cover all aspects of reporting in transparent and fair manner keeping the basic principles of good corporate governance.

2. BOARD OF DIRECTORS

Composition, Attendance & Information of other Directorships/Committee Memberships

The Board of Directors comprises of six members consisting of four independent non-executive directors having experience in business, finance etc. The attendance during the financial year 2010-2011 and composition of the Board of Directors is as under :

| Name of the Directors | Category | No. of other Directorships* | No. of other Board Committee(s)** in which he is | | Attendance at last AGM held on 31.7.2010 | Attendance at Board Meetings |
|-------------------------|---------------------------|-----------------------------|--|----------|--|------------------------------|
| | | | Member | Chairman | | |
| Mr. Adarsh Kanoria | Promoter-Executive | 4 | — | — | Yes | 5 |
| Mr. Radhe Shyam Saraogi | Executive | — | — | — | Yes | 2 |
| Mr. Golam Momen | Independent-Non-Executive | 14 | 14 | 1 | Yes | 3 |
| Mr. Dharendra Kumar | Independent-Non-Executive | 10 | 3 | — | Yes | 4 |
| Mr. Samveg A. Lalbhai | Independent-Non-Executive | 10 | 2 | 2 | No | 2 |
| Mr. Abhijit Datta | Independent-Non-Executive | 7 | 3 | — | Yes | 3 |

* Also includes directorships other than Public Limited Companies.

** Also includes committees other than Audit & Shareholders/Investors Grievance Committees.

Meetings

During the Financial Year 2010-2011, the Board of Directors met 5 (five) times on the following dates: 14.05.2010, 31.07.2010, 02.11.2010, 11.11.2010 and 03.02.2011.

Information about the Directors seeking appoint/re-appointment

Mr. Golam Momen, a Bachelor of Arts, aged about 78 years, retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Mr. Momen is a renowned veteran personality in the Tea Industry having vast knowledge and experience in tea plantation. Mr. Momen, a Non-Executive Independent Director, is on the Board of the Company since 05.12.1987 and holds 750 Equity Shares of the Company. Mr. Momen is not related with any of the Director on the Board.

Mr. Momen also holds the Directorships/Committee Memberships of the following other companies :

| Sl. No. | Name of the Company | Committee Membership |
|---------|------------------------------|--|
| 1. | Apeejay Tea Limited | (i) Audit Committee (ii) Share sub-division Committee |
| 2. | Baghmari Tea Company Limited | — |
| 3. | DIGJAM Limited | (i) Audit Committee (ii) Remuneration Committee |
| 4. | Dover Tea (Private) Limited | — |
| 5. | Empire & Singlo Tea Limited | (i) Remuneration Committee |
| 6. | Harrisons Malayalam Limited | (i) Remuneration Committee |
| 7. | Kanco Enterprises Limited | (i) Audit Committee (ii) Share Transfer Committee |



REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | |
|-----|--|---|
| | | (iii) Shareholders/Investors Grievance Committee (iv) Remuneration Committee |
| 8. | Scottish Assam (India) Limited | (i) Audit Committee |
| 9. | White Cliff Holdings (Private) Limited | — |
| 10. | White Cliff Properties (Private) Limited | — |
| 11. | White Cliff Tea (Private) Limited | — |
| 12. | Williamson Magor & Company Limited | (i) Shareholders/Investors Grievance Committee |
| 13. | Apeejay Surendra Corporate Services Ltd. | (i) Remuneration Committee |
| 14. | Kanco Tea & Industries Ltd. | (i) Remuneration Committee |

3. AUDIT COMMITTEE

The Audit Committee comprises of 4 (four) non-executive Directors of whom the Chairman and other members are independent Directors. The Committee has been meeting at regular intervals. The Chairman and the members of the Audit Committee have in-depth knowledge in the areas of Finance and Accounts.

Terms of Reference

The role and power of the Audit Committee includes :

1. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommendation in respect of appointment, re-appointment and removal of statutory and internal auditors, fixation of audit fees and approval for payment for any other services rendered by statutory & internal auditors.
3. Review of the quarterly and annual financial statements before submission to the Board.
4. Review and discussions with statutory and internal auditors, in respect of the internal control/audit systems, internal audit reports, management letters of internal control, weaknesses, adequacy of internal control systems and improvement therein.
5. Review of findings/observations of the internal auditors into matters of irregularity or suspected fraud and reporting the matter to the Board.
6. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, creditors and shareholders (in case of non-payment of declared dividend).
7. To seek information from any employee, access to records of the Company and investigate any activity relating to financial matters.
8. To seek outside legal and/or professional advice.
9. Pre-audit and post-audit discussions with statutory auditors to ascertain the nature, scope and any specific area of concern.
10. Review of management discussion and analysis of financial condition and results of operations and statements of related party transactions.

Composition, Meetings & Attendance

| Name of the Members | Category | No. of Meetings attended | Dates on which Meetings held |
|------------------------------|-----------------------------|--------------------------|------------------------------|
| Mr. Abhijit Datta - Chairman | Independent & Non Executive | 3 | 14.05.2010 |
| Mr. Golam Momen | - do - | 3 | 31.07.2010 |
| Mr. Dharendra Kumar | - do - | 4 | 02.11.2010 |
| Mr. Samveg A. Lalbhai | - do - | 1 | 03.02.2011 |

The Company Secretary acts as the Secretary to the Committee. The Managing Director, Statutory Auditors and Internal Auditors are invited for the meetings.

4. REMUNERATION COMMITTEE

Terms of Reference

Remuneration Committee has been constituted to approve and determine the policy of the Company on specific remuneration packages for the Executive Directors. The terms and conditions governing the appointment/remuneration of the Executive Directors are approved first by the Remuneration Committee and then the same are considered by the Board of Directors and finally placed for the approval of the Shareholders.



REPORT ON CORPORATE GOVERNANCE (Contd.)

Composition, Meeting & Attendance

| Name of the Members | Category | Date on which Meeting held |
|--------------------------------|-----------------------------|----------------------------|
| Mr. Dharendra Kumar – Chairman | Independent & Non-Executive | 14.05.2010 |
| Mr. Golam Momen | - do - | |
| Mr. Samveg A. Lalbhai | - do - | |
| Mr. Abhijit Datta | - do - | |

Remuneration Policy

The Non-Executive Directors are being remunerated by way of fees of ₹ 5,000/- for attending each meeting of Board and ₹ 3,000/- for attending each meeting of Audit Committee, Shareholders/Investors Grievance Committee, Remuneration Committee and Project Monitoring Committee. As per the terms of the respective appointments, the Executive Directors are not entitled for any such meeting fees, incentives fixed/linked with the performance, severance fees, stock options etc.

Remuneration to Directors paid during the financial year 2010-2011 and other disclosures :

| Name of the Directors | Salary (₹) | Benefits (₹) | Contribution to PF, Gratuity and other fund(₹) | Meeting Fees (₹) | Service Contract/ Tenure | Notice Period | Number of Shares held |
|-------------------------|-------------|--------------|--|------------------|--------------------------|---------------|-----------------------|
| Mr. Adarsh Kanoria | 30,75,000/- | 5,52,874/- | 7,87,269/- | — | 01-01-2011 to 31-12-2013 | 3 Months* | 536137 |
| Mr. Radhe Shyam Saraogi | 9,21,000/- | 3,75,009/- | 3,60,593/- | — | 01-01-2011 to 31-12-2013 | 3 Months* | — |
| Mr. Golam Momen | — | — | — | 27,000/- | NA | NA | 750 |
| Mr. Abhijit Datta | — | — | — | 30,000/- | NA | NA | — |
| Mr. Dharendra Kumar | — | — | — | 38,000/- | NA | NA | — |
| Mr. Samveg A. Lalbhai | — | — | — | 16,000/- | NA | NA | — |

* Subject to discretion of Board to agree to shorter notice.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee is being headed by Mr. Golam Momen, an Independent Non-Executive Director of the Company. Mr. P.K. Saw, Company Secretary, is the Compliance Officer of the Company. The Company received 1 (one) complaint during the financial year 2010-2011 which was pending as on 31st March, 2011 (the complaint was resolved/replied to the satisfaction of the shareholder within due time).

6. GENERAL BODY MEETINGS

The details of last three Annual General Meetings (AGMs) are as under :

| | Date of Meeting | Venue | Time |
|----------|-----------------|---|------------|
| 25th AGM | 05.07.2008 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |
| 26th AGM | 27.07.2009 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |
| 27th AGM | 31.07.2010 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |

No Special Resolution was proposed in 25th and 26th AGM. The Shareholders passed the Special Resolutions set out in the Notice of the 27th AGM. No Special Resolution was put through Postal Ballot in the last year.

7. DISCLOSURES

During the year under review, the Company had not entered into any materially significant transaction with any related party that may have potential conflict with the interests of the Company at large. The transactions with related parties, in normal course of business, have been disclosed separately in the Notes on Accounts.

No penalties, strictures have been imposed by any Stock Exchange, SEBI and/or any other statutory authority, on any matter related to capital markets, during last three years.



REPORT ON CORPORATE GOVERNANCE (Contd.)

Although, the Company has not formulated Whistle Blower Policy, being a non-mandatory requirement, but no personnel has been denied access to the senior management/audit committee.

The details of compliance with mandatory requirements and adoption of the non-mandatory requirements of the Clause 49 of the Listing Agreement, as applicable during the financial year ended 31st March, 2011, are as under :

Mandatory requirements

| Sl. No. | Particulars of Compliance applicable in respect of following matters | Compliance Status | Remarks, if any |
|---------|--|-------------------|-------------------------------|
| I | Board of Directors | Yes | |
| II | Audit Committee | Yes | |
| III | Subsidiary Companies | Not Applicable | The Company has no Subsidiary |
| IV | Disclosure requirements | Yes | |
| V | CEO / CFO Certification | Yes | |
| VI | Report on Corporate Governance | Yes | |
| VII | Compliance | Yes | |

Non-Mandatory requirements adopted by the Company

- The Board has constituted Remuneration Committee, comprising of four Independent Non-Executive Directors, to determine remuneration of Executive Directors.
- The Financial Statements are free from any Audit qualifications.

8. MEANS OF COMMUNICATION

The quarterly results of the Company are generally published in "Business Standard" and "Arthik Lipi" and displayed on the website of the Company namely www.bengaltea.com. During the year under review, the official news had also been displayed on the website but no presentation was made to institutional investors or analysts.

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting : Date : Saturday, 6th day August, 2011
Time : 10.30 A.M.
Venue : Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017

Financial Year : 1st April, 2010 to 31st March, 2011

Date of Book Closure : 30th July, 2011 to 6th August, 2011 (Both days inclusive)

Dividend Payment Date : After 6th August 2011 but before 5th September 2011, if approved at AGM

Listing on Stock Exchanges & Stock Code

Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 (Stock Code – 532230)

The Company has paid the listing fees for the financial year 2011-2012.

Market Price Data and Number of Shares traded at Bombay Stock Exchange Ltd during the Financial Year 2010-2011

| | April | May | June | July | August | September | October | November | December | January | February | March |
|--------|--------|--------|--------|--------|---------|-----------|---------|----------|----------|---------|----------|--------|
| High | 53.00 | 53.00 | 49.50 | 51.30 | 66.00 | 69.00 | 71.50 | 75.00 | 64.80 | 67.70 | 59.75 | 50.95 |
| Low | 43.35 | 44.60 | 41.50 | 42.45 | 48.00 | 56.55 | 57.50 | 54.50 | 49.10 | 52.65 | 39.00 | 40.80 |
| Volume | 233013 | 384702 | 320849 | 530226 | 1449861 | 562224 | 229482 | 575647 | 190599 | 157099 | 173030 | 139593 |

Performance in comparison to broad based indices 31.03.2011 31.03.2010 Change (%)

Share Prices of BTFL (Rs.) 47.00 44.35 (+) 5.98%

V/s BSE Sensex 19445.22 17527.77 (+) 10.94%

Registrar & Share Transfer Agents : C. B. Management Services (P) Ltd, P-22, Bondel Road, Kolkata 700 019
Tel No. 4011-6716/17/23/28, 2280 6692-94; Fax No. 2287-0263
E-mail : rta@cbmsl.com

Share Transfer System : The Transfer of Shares is effected by the Registrars after necessary approval
The process of Share Transfer generally takes 2 weeks.



REPORT ON CORPORATE GOVERNANCE (Contd.)

Distribution of Shareholding as on 31st March, 2011

| Sl.No. | Category of Shareholders (No. of Shares Held) | No. of Shareholders | Percentage of Shareholders | No. of Shares Held | Percentage of Holding |
|--------|--|---------------------|----------------------------|--------------------|-----------------------|
| 1 | Upto 50 | 10,588 | 75.57 | 5,04,321 | 5.60 |
| 2 | 51-100 | 1,388 | 9.91 | 1,31,729 | 1.46 |
| 3 | 101-500 | 1,502 | 10.72 | 4,06,234 | 4.51 |
| 4 | 501-1000 | 255 | 1.82 | 2,12,039 | 2.35 |
| 5 | 1001-2000 | 135 | 0.96 | 2,07,103 | 2.30 |
| 6 | 2001-3000 | 42 | 0.30 | 1,08,548 | 1.21 |
| 7 | 3001-4000 | 22 | 0.16 | 76,900 | 0.86 |
| 8 | 4001-5000 | 21 | 0.15 | 1,00,192 | 1.11 |
| 9 | 5001-10000 | 20 | 0.14 | 1,39,833 | 1.55 |
| 10 | 10001 & above | 38 | 0.27 | 71,19,086 | 79.05 |
| | Total | 14,011 | 100.00 | 90,05,985 | 100.00 |

Shareholding Pattern as on 31st March, 2011

| Sl. No. | Category | Number of Shares held | Percentage of Shareholding |
|-----------|--|-----------------------|----------------------------|
| I. | PROMOTERS (constituting GROUP as per MRTP Act, 1969) | | |
| 1 | Mr. Adarsh Kanoria | 5,36,137 | 5.95% |
| 2 | Mrs. Pushpa Devi Kanoria | 10,185 | 0.11% |
| 3 | Mrs. Shubha Kanoria | 4,49,216 | 4.99% |
| 4 | Mr. Basudeo Kanoria | — | — |
| 5 | Miss Aanvi Kanoria | — | — |
| 6 | Mr. Adarsh Kanoria A/c Varenya Kanoria (Minor) | 2,70,000 | 3.00% |
| 7 | Mr. Adarsh Kanoria A/c Kushagra Kanoria (Minor) | 2,76,250 | 3.07% |
| 8 | Other Relatives/Individuals | — | — |
| 9 | Eskay Udyog Limited | 11,43,094 | 12.69% |
| 10 | Rydak Enterprises & Investment Limited | 18,06,720 | 20.06% |
| 11 | Samrat Industrial Resources Limited | 20,72,756 | 23.02% |
| 12 | Kanoria Exports Private Limited | — | — |
| 13 | Other Companies | — | — |
| 14 | Family/Charitable/Beneficial Trusts and HUFs' | — | — |
| | Sub-total (I) | 65,64,358 | 72.89% |
| II | NON PROMOTERS | | |
| 1 | Institutional Investors (Financial Institutions, Insurance Companies, Banks, Mutual Funds etc) | 83,561 | 0.93% |
| 2 | Body Corporates (other than above) | 1,77,029 | 1.97% |
| 3 | Resident Public | 21,33,811 | 23.69% |
| 4 | NRIs' / Foreign Nationals | 11,932 | 0.13% |
| 5 | The Official Trustee of West Bengal | 11,520 | 0.13% |
| 6 | Clearing Members | 23,774 | 0.26% |
| | Sub-total (II) | 24,41,627 | 27.11% |
| | Grand Total (I) + (II) | 90,05,985 | 100.00% |

Dematerialisation/Liquidity of Shares : The equity shares of the Company are under the list of "compulsorily delivery in dematerialised form by all investors" and the ISIN allotted by NSDL and CDSL is INE665D01016. About 22.08% of the total equity shares have been dematerialised upto 31st March, 2011. The shares are regularly traded at BSE.



REPORT ON CORPORATE GOVERNANCE (Contd.)

Outstanding GDR/ADR/Warrants or any Convertible Instruments

: Nil

Plant Locations

: Ananda Tea Estate, North Lakhimpur, Assam 787 056
Asarwa Mills, Asarwa Road, Ahmedabad 380 016

Address for Correspondence

: Share-related queries/correspondences
Registrar & Share Transfer Agents – Address as above
OR
The Company Secretary,
Bengal Tea & Fabrics Limited
Century Towers, 4th Floor, 45, Shakespeare Sarani, Kolkata 700 017
Telefax Nos.: 2283-6416/17, E-mail : investor@bengaltea.com
Website: www.bengaltea.com

For and on behalf of the Board

ADARSH KANORIA

Chairman

Kolkata

Dated, the 7th day of May, 2011

DECLARATION

I hereby declare that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company.

For Bengal Tea & Fabrics Limited

ADARSH KANORIA

Managing Director

Kolkata

Dated, the 7th day of May, 2011

CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF BENGAL TEA & FABRICS LIMITED

We have examined the compliance of conditions of Corporate Governance by BENGAL TEA & FABRICS LIMITED (“the Company”) for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For JAIN & CO.

Chartered Accountants
Registration No. 302023EM. K. JAIN
Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata 700 001

Dated, the 7th day of May, 2011



ANNEXURE - "C"

INFORMATION AS PER 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 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2011

CONSERVATION OF ENERGY

Energy Conservation measures taken :

The Company has taken following steps to conserve the energy :

- (a) Installed four Murata process coners in winding, equipped with invertors to save power.
- (b) Installed three ring frames with smaller lift ring and invertors to save power.
- (c) Installed seven monoblock water spray pumps for humidification plants.
- (d) Installed power saving invertors in autoconers.
- (e) Installed rain water recharge bore well near to cotton section, which collects water from roof top during monsoon and this water is stored in the well.

As a result of (a) to (e) above, energy consumption per unit of production is expected to come down and the cost of production would also be affected positively to that extent.

Pollution Control

- (a) To improve quality of Primary clarifier, installed one clarifier in the mud well to dewater ETP sludge.
- (b) Modification of the aeration system to control cod and bod.

Total energy consumption per unit of production are furnished in the prescribed Form "A" annexed hereto.

FORM-A

Particulars with respect to Conservation of Energy

| (A) POWER & FUEL CONSUMPTION | TEA | | TEXTILE | |
|---|--------------|---------------|--------------|---------------|
| | Current year | Previous year | Current year | Previous year |
| 1. Electricity | | | | |
| (a) Purchased (Units) | 10,52,310 | 9,32,230 | 3,39,57,870 | 3,82,13,820 |
| Total Amount (₹) | 63,86,823 | 56,41,307 | 16,91,78,815 | 17,76,36,049 |
| Rate/Unit (₹) | 6.07 | 6.05 | 4.98 | 4.65 |
| (b) Own Generation | | | | |
| Through Diesel (Units) | 4,01,054 | 4,72,253 | — | — |
| Unit per ltr. of Diesel | 3.47 | 3.38 | — | — |
| Cost/Unit (₹) | 10.56 | 9.54 | — | — |
| 2. Coal (Specify quality and where used) | | | | |
| Quantity (Tonnes) | 1,574 | 1,574 | 8,917 | 6,817 |
| Total Cost (₹) | 74,30,054 | 72,17,005 | 3,24,22,283 | 2,15,75,745 |
| Average Rate (₹) | 4,720 | 4,585 | 3,636 | 3,165 |
| Quality : Dust khasi, 4500 kilo calories/kg. | | | | |
| Used in drier : Ash 40% to 60% and 30% to 35% | | | | |
| 3. Furnace Oil | | | | |
| Quantity (K. Ltr.) | — | 25.00 | — | — |
| Total Amount (₹) | — | 7,48,189 | — | — |
| Average Rate (₹)/K.Ltr. | — | 29,921 | — | — |

| (B) CONSUMPTION PER UNIT OF PRODUCTION | Unit | Current year | Previous year |
|--|-------|--------------|---------------|
| (i) Black Tea | Kg. | | |
| Electricity | Unit | 0.69 | 0.67 |
| Furnace Oil | Ltrs. | — | 0.012 |
| Coal (Quality as above) | Kgs. | 0.74 | 0.75 |
| (ii) Yarn | Kg. | | |
| Electricity | Unit | 4.40 | 4.38 |
| Coal | Kgs. | 0.54 | 0.54 |
| (iii) Cloth | Mtr. | | |
| Electricity | Unit | 0.84 | 0.83 |
| Coal | Kgs. | 0.66 | 0.67 |

FORM-B

RESEARCH & DEVELOPMENT (R & D)

| | TEA | TEXTILE |
|--|--|---|
| (1) Specific areas in which R & D carried out by the Company | The Division subscribes to Tea Research Association which is registered U/s 35(1)(ii) of the Income Tax Act, 1961. | (a) The Company has installed three new ring frames machines of 1200 spindles by replacing old machines. (b) Increased the productivity and improved the working performance of spindles by installing speed frames. |



| | | |
|---|---|--|
| | | (c) Increase the capacity of bleaching production of fabrics of wider width fabrics. (d) Developed extensive shade combinations in the laboratory for the cross-dyed varieties. (e) Increase the capacity of dyeing production. |
| (2) Benefits derived as a result of the above R & D | The Division benefits from the suggestions received from the Association out of R & D activities. | (a) Improved yarn quality and productivity and saving of power. (b) Reduction in labour compliment and increased quality and productivity. (c) Increased production of wider width shirting in bleaching and dyeing department. (d) Optimizing the process cost and minimizing the cost of utilities. |
| (3) Future plan of action | The Division wishes to continue the membership of Tea Research Association. | (a) To further increase the production of Compact Yarn considering the higher demand in the market. (b) To intalls speed frames and new Ring frames to minimize the doffing time and labour. (c) To modernize the synthetic building with new humidification plant to increase the production of high value products. (d) To develop high value fabric with the use of compact yarn. (e) To develop fabric with Brushing and/ or Emerzing process. |
| (4) Expenditure on R & D | | 2010-2011 |
| (a) Capital (₹) | Nil | 5,087 |
| (b) Recurring (₹) | Nil | 20,09,612 |
| (c) Total (₹) | Nil | 20,14,699 |
| (d) Total R & D Expenditure as a percentage of total turnover | Nil | 0.14% |
| | | 2009-2010 |
| | | Nil |
| | | 19,14,449 |
| | | 19,14,449 |
| | | 0.16% |

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

| | TEA | TEXTILE |
|---|----------------|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation & innovation. | Not applicable | (a) Installed eight Murata 7-V Autoconers inverters. (b) Modification in H plant by installing rotary filter. (c) The Company has installed collection of cooling water from shrinking range in process and to harvest rain water during monsoon. (d) Installed three ring frames and one simplex machines which are equiped with inverter. (e) Installed Monoblock pumps in Humidification plants. (f) Installed 600 KVA stabilizer for Air Jet looms and AC Inverter to filter motor. |
| 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development | Not applicable | (a) To save power approximate 4 kw/h/mc. (b) To filter air through rotary air and optimize utilization of power for humidification plant. (c) To save water. (d) Ring frame and simplex are with inverter drive, which saves power. (e) Use of monoblock pump saves power. (f) To increase capacity of looms and optimum use of power. |
| 3. Information regarding Technology imported during last 5 years | Not applicable | Not applicable |

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year 2010-2011, the Company had contributed about ₹ 22.08 crores (net of outgo) to the exchequer in the form of valuable foreign exchange money.

(Amount in Rs. Lacs)

| | 2010-2011 | 2009-2010 |
|------------------------------|-----------------|-----------|
| 1. Foreign Exchange Earnings | 3,222.22 | 2,751.51 |
| 2. Foreign Exchange Outgo | 1,014.11 | 146.76 |

For and on behalf of the Board
ADARSH KANORIA
Chairman

Kolkata
Dated, the 7th day of May, 2011



AUDITORS' REPORT

TO THE MEMBERS OF BENGAL TEA & FABRICS LIMITED

We have audited the attached Balance Sheet of BENGAL TEA & FABRICS LIMITED, as at 31st March, 2011, as well as the annexed Profit & Loss Account and the Cash Flow Statement for the year ended 31st March, 2011, in which are incorporated the accounts of the Textile Division, as audited by another firm of Chartered Accountants. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that :

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Act;
- e) On the basis of written representations received from the Directors, as on 31st March 2011, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director under Clause (g) of Sub-section (1) of Section 274 of the Act;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011.
 - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date.
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For JAIN & CO.
Chartered Accountants
Registration No. 302023E
M. K. JAIN
Partner
Membership No. 55048

P-21/22, Radhabazar Street
Kolkata 700 001
Dated, the 7th day of May, 2011

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our Report of even date :

1. The provisions of clauses x, xiii, xviii, of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable for the current year.
2. In respect of Fixed Assets :
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets;
 - b) The fixed assets have been physically verified during the year by the management in accordance with a program of verification, the frequency whereof is reasonable.
According to the information and explanations given to us no material discrepancies were noticed on such verification;
 - c) The Company has not disposed off any substantial part of its fixed assets so as to effect its going concern;
3. In respect of Inventories :
 - a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals;
 - b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;



ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verifications;
4. a) According to the information and explanations given to us, the Company has not granted any loans, secured and unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) According to the information and explanations given to us, the Company has not taken any loans, secured and unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of stores and spare parts, raw materials, plant and machinery, equipment and other assets and with regard to sale of goods and services. During the course of our previous assessment, no major weakness in internal control, had come to our notice.
6. In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956 :
- a) To the best of our knowledge and belief and according to the information and explanations given to us, the particulars of contracts or arrangements that needed to be entered into the Register, have been so entered;
- b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;
7. The Company has not accepted any deposits from the public within the meaning of Sections 58A and Section 58AA or any other relevant provisions of the Act and rules framed thereunder;
8. The Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
9. We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956, and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete;
10. According to the information and explanations given to us, in respect of statutory dues and other dues :
- a) In our opinion and according to the information and explanation given to us, the Company is regular in depositing undisputed Statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities, where applicable. There are no arrears of aforesaid statutory dues as at the last day of the financial year outstanding for a period of six months from the date they became payable;
- b) According to the information and explanations given to us and on the basis of our examination of the documents and records the disputed statutory dues which have not been deposited with the appropriate authorities are as under :

| Sl. No. | Name of Statute | Nature of Dues | Period to which it pertains | Amount in Rs. (lacs) | Forum where dispute is pending |
|---------|-----------------------------|---------------------------|-------------------------------|----------------------|---|
| 1 | Central Sales Tax Act, 1956 | Central Sales Tax | 2005-06 | 0.35 | Superintendent of Taxes, North Lakhimpur, Assam |
| 2 | Employees State Insurance | Employees State Insurance | 2003-04 2004-05 2005-06 | 0.08 3.65 0.74 | Industrial Court, Ahmedabad |
| | | | |)* | |

* Rs. 0.93 lacs has been paid under protest;

11. Based on our audit procedure and on the information and explanations given by the management, the Company has not defaulted in repayment of principal and interest, due to the Banks;
12. As informed to us the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
13. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, and debentures and other investments;
14. The Company has not given any guarantee for loans taken by others from bank or financial institutions;
15. The Company has applied the money received as term loans during the year for the purposes for which the loans were obtained.
16. The Funds raised by the Company on short term basis have not been used during the year for long term investment;
17. The Company has not raised any money through public issues during the year;
18. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For JAIN & CO.
Chartered Accountants
Registration No. 302023E
M. K. JAIN
Partner
Membership No. 55048

P-21/22, Radhabazar Street
Kolkata 700 001
Dated, the 7th day of May, 2011



BALANCE SHEET as at 31st March, 2011

| | Schedule | As at | | As at | |
|--|----------|--------------------|----------|--------------------|----------|
| | | 31st March, 2011 | | 31st March, 2010 | |
| | | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| SOURCES OF FUNDS | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | A | 901.07 | | 901.07 | |
| Reserves & Surplus | B | 4933.47 | 5834.54 | 4292.89 | 5193.96 |
| Loan Funds | | | | | |
| Secured Loans | C | 8765.43 | | 7015.14 | |
| Unsecured Loans | D | 555.63 | 9321.06 | 787.95 | 7803.09 |
| Deferred Tax Liabilities (Net) | | | 478.96 | | 274.47 |
| (Refer Note No. 17 of Schedule 'R') | | | | | |
| TOTAL | | | 15634.56 | | 13271.52 |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | E | 14408.50 | | 14477.40 | |
| Less : Depreciation | | 6325.23 | | 6327.47 | |
| | | 8083.27 | | 8149.93 | |
| Capital Work-in-Progress | | 585.52 | 8668.79 | 23.85 | 8173.78 |
| Investments | F | | 1337.59 | | 1018.90 |
| Current Assets, Loans and Advances | G | 8140.84 | | 5389.57 | |
| Less : Current Liabilities and Provisions | H | 2512.66 | | 1314.80 | |
| Net Current Assets | | | 5628.18 | | 4074.77 |
| Miscellaneous Expenditure | I | | — | | 4.07 |
| (To the extent not written off or adjusted) | | | | | |
| TOTAL | | | 15634.56 | | 13271.52 |
| Notes on Accounts | | | | | |
| | R | | | | |

The Schedules referred to above form an integral part of the Balance Sheet.

Per our Report attached.
For JAIN & CO.
Chartered Accountants

M. K. JAIN
Partner
Membership No. 55048
P-21/22, Radhabazar Street
Kolkata 700 001
Dated, the 7th day of May, 2011

A. KANORIA *Managing Director*

G. MOMEN
D. KUMAR
A. DUTTA *Directors*

P. K. SAW *Company Secretary*



PROFIT & LOSS ACCOUNT for the year ended 31st March, 2011

| | Schedule | For the year ended 31st March, 2011 Amount in Rs. Lacs | For the year ended 31st March, 2010 Amount in Rs. Lacs |
|---|----------|--|--|
| INCOME | | | |
| Sales & Operating Income | J | 17707.24 | 15447.99 |
| Closing Stock | | 2253.56 | 854.65 |
| Other Sources | K | 305.01 | 300.94 |
| | | <u>20265.81</u> | <u>16603.58</u> |
| EXPENDITURE | | | |
| Opening Stock | | 854.65 | 807.07 |
| Cotton, Polyester, Filament Yarn and Staple Fibre, etc. Consumed | L | 9460.51 | 6562.51 |
| Cultivation and Manufacturing Expenses | M | 4302.28 | 3855.56 |
| Payments to and Provision for Employees | N | 1753.47 | 1620.94 |
| Selling and Distribution Expenses | O | 402.91 | 374.12 |
| Other Expenses | P | 907.70 | 801.67 |
| Interest & Finance Charges | Q | 567.83 | 525.55 |
| Depreciation | | 887.28 | 935.51 |
| Less : Transferred from Revaluation Reserve | | 14.40 | 14.04 |
| | | <u>872.88</u> | <u>921.47</u> |
| | | <u>19122.23</u> | <u>15468.89</u> |
| Profit for the year before Tax | | | |
| | | 1143.58 | 1134.69 |
| Less : Provision for Current Taxes | | 261.50 | 244.77 |
| Less : MAT Credit Entitlement | | 134.50 | 96.53 |
| | | <u>127.00</u> | <u>148.24</u> |
| Add : Short/Excess Provision for Taxation for earlier years | | 0.11 | (5.32) |
| Provision for Deferred Tax | | 204.49 | 192.22 |
| | | <u>331.60</u> | <u>335.14</u> |
| Profit After Tax | | | |
| | | 811.98 | 799.55 |
| Add : Balance Brought Forward from Last Account | | 896.55 | 305.05 |
| | | <u>1708.53</u> | <u>1104.60</u> |
| Less : Transferred to General Reserve | | 100.00 | 50.00 |
| Less : Proposed Dividend | | 135.09 | 135.09 |
| Less : Tax on Proposed Dividend | | 21.91 | 22.96 |
| Balance Carried to Balance Sheet | | <u>1451.53</u> | <u>896.55</u> |
| Earning per Share (Basic & Diluted) (in Rs.) (Refer Note No. 15 of Schedule 'R') | | 9.02 | 8.88 |

Notes on Accounts

R

The Schedules referred to above form an integral part of the Profit & Loss Account.

Per our Report attached.

For JAIN & CO.

Chartered Accountants

M. K. JAIN

Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata 700 001

Dated, the 7th day of May, 2011

A. KANORIA

Managing Director

G. MOMEN

D. KUMAR

A. DUTTA

Directors

P. K. SAW

Company Secretary



CASH FLOW STATEMENT pursuant to Clause 32 of the Listing Agreement for the year ended 31st March, 2011

| | For the year ended 31st March, 2011 | For the year ended 31st March, 2010 |
|--|--|--|
| | Amount in Rs. Lacs | Amount in Rs. Lacs |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax & Extraordinary Items | 1143.58 | 1134.69 |
| Amount written off against Leasehold Land | 0.27 | 0.28 |
| Interest & Finance Charges | 567.83 | 525.55 |
| Depreciation | 872.88 | 921.47 |
| Investment Written Off | 0.52 | — |
| Interest received | (12.10) | (10.46) |
| Rent received | (48.99) | (46.52) |
| Dividend received | — | — |
| Profit on Fixed Assets sold/discarded (Net) | (122.10) | (178.04) |
| Deferred Revenue V R S Compensation | — | 47.63 |
| Share Issue Expenses Written Off | 4.07 | 4.08 |
| Profit on Sale of Investments | (38.73) | (19.03) |
| Unexpired Premium on Term Loans | — | 4.95 |
| Operating Profit before Working Capital Changes | 2367.23 | 2384.60 |
| ADJUSTMENT FOR : | | |
| Trade & Other Receivables | (335.13) | (380.34) |
| Inventories | (2234.73) | (1011.32) |
| Trade Payables | 1198.91 | (593.88) |
| Cash Generated from Operations | 996.28 | 399.06 |
| Interest & Finance Charges Paid / Payable | (567.83) | (525.55) |
| Income Tax Paid (Net) | (294.95) | (228.89) |
| Cash Flow before Extra Ordinary Items | 133.50 | (355.38) |
| Extra Ordinary Items | — | — |
| Net Cash Flow from Operating Activities | 133.50 | (355.38) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (1452.01) | (418.76) |
| Sale of Fixed Assets | 191.55 | 373.23 |
| Purchase of Investments | (1383.97) | (1090.00) |
| Sale of Investments | 1103.49 | 745.80 |
| Dividend Received | — | — |
| Interest Received | 12.10 | 10.46 |
| Rent Received | 48.99 | 46.52 |
| Net Cash Used in Investing Activities | (1479.85) | (332.75) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase in Short Term Borrowings from Banks | 1737.02 | 715.19 |
| Increase/Decrease in Long Term Borrowings | 13.27 | (429.00) |
| Decrease/Increase in Other Loans & Advances | (232.32) | 496.33 |
| Dividend paid | (135.09) | (45.03) |
| Dividend Distribution Tax Paid | (22.96) | (7.65) |
| Net Cash Used in Financing Activities | 1359.92 | 729.84 |
| Net Increase in Cash and Cash Equivalents | 13.57 | 41.71 |
| Cash and Cash Equivalents (Opening Balance) | 121.90 | 80.19 |
| Cash and Cash Equivalents (Closing Balance) | 135.47 | 121.90 |

Per our Report attached.

For JAIN & CO.

Chartered Accountants

M. K. JAIN

Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata 700 001

Dated, the 7th day of May, 2011

A. KANORIA

Managing Director

G. MOMEN

D. KUMAR

A. DUTTA

Directors

P. K. SAW

Company Secretary



SCHEDULES FORMING PART OF THE BALANCE SHEET

| SCHEDULE 'A' | As at | | As at | |
|---|--------------------|-----------------------------|--------------------|--------------------|
| SHARE CAPITAL | 31st March, 2011 | | 31st March, 2010 | |
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Authorised | | | | |
| 1,50,00,000 Equity Shares of Rs.10/- each | 1500.00 | | 1500.00 | |
| 5,00,000 Redeemable Preference Shares of Rs. 100/- each | 500.00 | | 500.00 | |
| | <u>2000.00</u> | | <u>2000.00</u> | |
| Issued, Subscribed and Paid Up | | | | |
| 86,28,645 Equity Shares of Rs. 10/- each fully paid up (Out of the above 14,19,060 Equity Shares (Previous year 14,19,060 Equity Shares) were issued as fully paid up Bonus Shares by capitalisation of Capital and General Reserves) | 862.87 | | 862.87 | |
| 3,77,340 Equity Shares of Rs. 10/- each have been allotted as fully paid up pursuant to a contract for consideration other than cash | 37.73 | | 37.73 | |
| | 900.60 | | 900.60 | |
| Add : Amount received on forfeited shares | 0.47 | | 0.47 | |
| | <u>901.07</u> | | <u>901.07</u> | |
| (Amount in Rs. Lacs) | | | | |
| SCHEDULE 'B' | | RESERVES AND SURPLUS | | |
| | Balance as on | Additions | Deductions | Balance as on |
| | 01.04.2010 | | | 31.03.2011 |
| Share Premium Account | 301.60 | — | — | 301.60 |
| General Reserve | 2622.50 | 100.51 | — | 2723.01 |
| Revaluation Reserve | 472.24 | — | 14.91 | 457.33 |
| Profit & Loss Account | 896.55 | 554.98 | — | 1451.53 |
| | <u>4292.89</u> | <u>655.49</u> | <u>14.91</u> | <u>4933.47</u> |
| SCHEDULE 'C' | | | | |
| SECURED LOANS | | As at | | As at |
| | | 31st March, 2011 | | 31st March, 2010 |
| | | Amount in Rs. Lacs | | Amount in Rs. Lacs |
| A. Term Loans from Financial Institutions under Project Finance Scheme | | | | |
| Rupee Term Loans : | | | | |
| From Banks | 5078.77 | | 5065.50 | |
| B. From Banks : | | | | |
| i) Punjab National Bank | | | | |
| a) Cash Credit | 196.17 | | 139.01 | |
| | <u>196.17</u> | | <u>139.01</u> | |
| ii) State Bank of India | | | | |
| a) Cash Credit | 230.57 | | 220.02 | |
| b) Packing Credit | 899.30 | | 834.47 | |
| | <u>1129.87</u> | | <u>1054.49</u> | |
| iii) Bank of India | | | | |
| a) Cash Credit | 422.18 | | 192.84 | |
| b) Packing Credit | 449.71 | | 563.30 | |
| | <u>871.89</u> | | <u>756.14</u> | |
| iv) IDBI Bank Limited | | | | |
| a) Cash Credit | 438.73 | | — | |
| b) Other Credit Facilities | 1050.00 | | — | |
| | <u>1488.73</u> | | <u>—</u> | |
| | 3686.66 | | 1949.64 | |
| | <u>8765.43</u> | | <u>7015.14</u> | |

(Refer Note No. 3 of Schedule 'R')



SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2011 Amount in Rs. Lacs | | As at 31st March, 2010 Amount in Rs. Lacs | |
|---|---|---------------|---|--------|
| SCHEDULE 'D' | | | | |
| UNSECURED LOANS | | | | |
| Other Loans and Advances | | | | |
| Short Term Loans : | | | | |
| From Bank of India under Buyers Line Credit | — | | 213.77 | |
| From IDBI Bank Limited | <u>500.00</u> | <u>500.00</u> | <u>500.00</u> | 713.77 |
| Sales Tax Deferment under Government of Gujarat New Sales Tax Incentive Scheme for Industries [Rs. 18.54 payable within one year (Previous year Rs. 18.55)] | <u>55.63</u> | | 74.18 | |
| | <u>555.63</u> | | <u>787.95</u> | |

SCHEDULE 'E' FIXED ASSETS

(Amount in Rs. Lacs)

| Particulars | *GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---------------------|-----------|-----------------------------|---------------------|--------------------|-----------|-------------|--------------------|---------------------|---------------------|
| | As at 31.03.2010 | Additions | Sales and/or Adjustments | As at 31.03.2011 | Upto 31.03.2010 | Additions | Adjustments | Upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| Land Freehold | 4.09 | — | — | 4.09 | — | — | — | — | 4.09 | 4.09 |
| Land Leasehold | 20.04 | — | 0.27 | 19.77 | — | — | — | — | 19.77 | 20.04 |
| Land & Plantation | 424.07 | 0.53 | — | 424.60 | — | — | — | — | 424.60 | 424.07 |
| Building & Water Supply Installation | 2551.02 | 68.79 | 4.21 | 2615.60 | 517.56 | 69.16 | 4.10 | 582.62 | 2032.98 | 2033.46 |
| Machinery & Electric Installation | 10992.51 | 775.18 | 929.27 | 10838.42 | 5515.79 | 766.86 | 864.33 | 5418.32 | 5420.10 | 5476.72 |
| Furniture & Fittings | 263.64 | 3.60 | 2.61 | 264.63 | 177.25 | 13.93 | 2.06 | 189.12 | 75.51 | 86.39 |
| Vehicles | 222.03 | 42.24 | 22.88 | 241.39 | 116.87 | 37.33 | 19.03 | 135.17 | 106.22 | 105.16 |
| Total | 14477.40 | 890.34 | 959.24 | 14408.50 | 6327.47 | 887.28 | 889.52 | 6325.23 | 8083.27 | 8149.93 |
| Previous Year | 15096.82 | 655.71 | 1275.13 | 14477.40 | 6471.62 | 935.51 | 1079.66 | 6327.47 | | |

* At Cost, except leasehold land which is at cost, less amount written off.

SCHEDULE 'F'

INVESTMENTS

(A) LONG TERM AT COST

Other than trade - Unquoted

In Fully Paid up Equity Shares :

| | Face Value Rs. | Number | As at 31st March, 2011 Amount in Rs. Lacs | As at 31st March, 2010 Amount in Rs. Lacs |
|-------------------------------------|----------------------|--------|---|---|
| Cawnpore Sugar Works Ltd. | 10/- | — | — | 0.52 |
| Kanoria Exports Private Ltd. | 10/- | 10800 | 1.08 | 1.08 |
| Rydak Enterprises & Investment Ltd. | 10/- | 71900 | 6.47 | 6.47 |
| Samrat Industrial Resources Ltd. | 10/- | 72100 | 4.03 | 4.03 |
| Total Long Term Investments | | | <u>11.58</u> | <u>12.10</u> |



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'F' (Contd.)

INVESTMENTS

| | Face Value Rs. | Units | As at 31st March, 2011 Amount in Rs. Lacs | As at 31st March, 2010 Amount in Rs. Lacs |
|--|----------------------|-------------|---|---|
| (B) CURRENT INVESTMENTS : UNQUOTED | | Units | | |
| Sundaram BNP Paribas Select Focus-Growth Option | 10/- | 12443.425 | 10.02 | 10.02 |
| JM Money Manager Fund Super Plus Plan - Growth Option (Sold 802974.327 Units) | 10/- | 151431.608 | 19.40 | 121.72 |
| JM Money Manager Fund Super Plan (170) Growth(Purchased 450028.79 Units) | 10/- | 605540.111 | 81.00 | 20.00 |
| Sundaram BNP Paribas FTP 18 Months Series Y-Growth | 10/- | 250000.000 | 25.00 | 25.00 |
| Reliance Money Manager Fund - Retail Option -Growth (Purchased 19619.617 Units and Sold 21871.316 Units) | 1000/- | 2182.218 | 28.00 | 55.05 |
| Reliance Quarterly Interval Fund - Series III Retail Option -Growth | 10/- | 634383.294 | 81.00 | — |
| Reliance Monthly Interval Fund - Monthly Interval Fund Series 1 Retail Option - Growth Plan | 10/- | 192770.341 | 25.00 | — |
| Reliance Quarterly Interval Fund-Series I Retail Option-Growth | 10/- | 378008.951 | 50.00 | — |
| Reliance Vision Fund-Retail Plan - Growth Plan (Sold 4405.112 Units) | | — | — | 10.00 |
| Reliance Growth Fund-Retail Plan-Growth Plan (Sold 2730.241 Units) | | — | — | 10.00 |
| Reliance Regular Savings Fund-Debt Plan - Institu.-Growth (Purchased 230354.593 Units, Sold 799004.281 Units) | 10/- | 506853.017 | 65.00 | 135.00 |
| Reliance Short Term Fund-Retail Plan - Growth Plan (Sold 174153.325 Units) | | — | — | 30.00 |
| Reliance Monthly Income Plan - Growth Plan (Purchased 224135.256 Units) | 10/- | 349054.059 | 73.56 | 25.00 |
| Reliance Regular Savings Fund - Balanced Plan-Growth (Purchased 343946.405 Units) | 10/- | 612205.778 | 125.00 | 50.00 |
| Reliance Fixed Horizon Fund-XIV-Series 1-Growth Plan | 10/- | 200000.000 | 20.00 | 20.00 |
| Reliance Fixed Horizon Fund-XVIII-Series 3-Growth Plan | 10/- | 763640.451 | 76.37 | — |
| Birla Sun Life Savings Fund - Retail - Growth (Sold 238088.398 Units) | | — | — | 40.06 |
| HDFC Floating Rate Income Fund-Short Term Plan - Retail Option -Growth (Sold 195241.301 Units) | | — | — | 29.95 |
| HDFC Top 200 Fund-Growth (Purchased 9663.967 Units) | 10/- | 15362.525 | 30.00 | 10.00 |
| HDFC Monthly Income Plan-Long Term -Growth | 10/- | 247165.541 | 55.01 | — |
| HDFC Prudence Fund Growth | 10/- | 46069.221 | 90.00 | — |
| HDFC Cash Management Fund Treasury Advantage-Retail Plan Growth (Purchased 848416.837 Units, Sold 670114.631 Units) | 10/- | 178302.206 | 37.06 | — |
| Templeton India Short Term Income Retail Plan - Growth (Sold 1646.747 Units) | | — | — | 30.00 |
| Templeton India Income Opportunities Fund - Growth | 10/- | 1384530.632 | 140.00 | 140.00 |
| Templeton India Growth Fund | 10/- | 9034.778 | 10.00 | — |
| F T India Dynamic PE Ratio Fund of Fund-Growth | 10/- | 136332.142 | 50.00 | 50.00 |
| LICMF Savings Plus Fund-Growth Plan (Sold 864155.051 Units) | | — | — | 125.00 |
| Kotak Credit Opportunities Fund - Growth | 10/- | 300000.000 | 30.00 | — |
| Fortis Short Term Income Fund-Regular - Growth (Sold 216133.657 Units) | | — | — | 30.00 |



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'F' (Contd.)

| INVESTMENTS | Face | Units | As at | |
|---|--------------|------------|--|---|
| | Value Rs. | | 31st March, 2011 Amount in Rs. Lacs | As at 31st March, 2010 Amount in Rs. Lacs |
| (B) CURRENT INVESTMENTS : UNQUOTED | | | | |
| BNP Paribas Fixed Term Fund-Series21E-Growth | 10/- | 323009.000 | 32.30 | — |
| Birla Sun Life Dynamic Bond Fund - Retail-Growth (Sold 266234.028 Units) | | — | — | 40.00 |
| Birla SunLife Monthly Income-Growth | 10/- | 118057.331 | 42.29 | — |
| UTI Fixed Income Interval Fund-Series-II Quarterly Interval Plan-VI-Growth | 10/- | 343689.854 | 40.00 | — |
| ICICI Prudential Fixed Maturity Plan - Series 53-1Yr Plan F-Cumulative | 10/- | 150000.000 | 15.00 | — |
| Birla Sun Life FTP Series CP (368 Days) Growth Purchased and sold during the year : | 10/- | 750000.000 | 75.00 | — |
| | Purchased | Sold | — | — |
| Reliance Monthly Interval Fund- Monthly Interval Fund Series I- Retail Option Growth | 157629.256 | 157629.256 | — | — |
| Reliance Monthly Interval Fund - Monthly Interval Fund Series II- Retail Option Growth | 242462.337 | 242462.337 | — | — |
| Reliance Liquid Fund - Cash Plan - Growth Option - Growth Plan | 321138.629 | 321138.629 | — | — |
| Total Current Investments | | | 1326.01 | 1006.80 |
| Total | | | 1337.59 | 1018.90 |

SCHEDULE 'G'

CURRENT ASSETS, LOANS AND ADVANCES

| Current Assets | As at 31st March, 2011 Amount in Rs. Lacs | | As at 31st March, 2010 Amount in Rs. Lacs | |
|--|---|---------|---|---------|
| Stocks : | | | | |
| Stores, Spare Parts and Food Grains | 472.21 | | 331.54 | |
| Stores-in-Transit | 0.62 | | 17.24 | |
| Cotton, Polyester, Filament Yarn, Staple Fibre etc. | 2740.52 | 3213.35 | 2028.75 | 2377.53 |
| Stock-in-Trade : | | | | |
| Finished Tea | 124.35 | | 106.28 | |
| Materials in Process | 680.53 | | 567.98 | |
| Yarn | 1002.19 | | 97.45 | |
| Cloth | 342.36 | | 61.58 | |
| Waste | 104.13 | 2253.56 | 21.36 | 854.65 |
| (Per inventories taken, valued and certified by the Management) | | | | |
| Sundry Debtors (Unsecured) : | | | | |
| Outstanding for a period exceeding six months Considered Good | 22.31 | | 1.62 | |
| Considered Doubtful | 15.37 | | 15.37 | |
| Less : Provision made for Doubtful Debts | (15.37) | | (15.37) | |
| Others - Considered Good | 1074.82 | 1097.13 | 1119.59 | 1121.21 |
| Cash and Postage-in-hand (Certified) | | 16.52 | | 19.21 |
| Balances with Scheduled Banks : | | | | |
| In Current Accounts | 39.03 | | 45.65 | |
| In Fixed Deposit Accounts (Lodged with Banks) | 69.47 | | 50.84 | |
| In Unpaid Dividend and Refund Account | 10.45 | 118.95 | 6.20 | 102.69 |



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE 'G' (Contd.)

| CURRENT ASSETS, LOANS AND ADVANCES Loans and Advances (Unsecured) | As at | | As at | |
|--|--------------------|----------------|--------------------|----------------|
| | 31st March, 2011 | | 31st March, 2010 | |
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Advances Recoverable in Cash or in Kind or for value to be received | | | | |
| Considered Good | 928.36 | | 559.89 | |
| Considered Doubtful | 0.13 | | 0.13 | |
| Less : Provision made for Doubtful Advances | (0.13) | | (0.13) | |
| Balance with Excise/Govt. Departments | 54.78 | | 86.71 | |
| Deposits (Including Rs. 35.08 (Previous year Rs. 14.87) with NABARD under Tea Development Scheme) | 90.93 | | 70.73 | |
| Interest accrued but not due | 5.08 | | 2.61 | |
| MAT Credit Entitlement | 305.11 | | 167.62 | |
| Income Tax Refundable | 14.96 | | 14.30 | |
| Advance payment of Fringe Benefit Tax | — | | 0.05 | |
| Advance payment of Taxation (Net of Provision) | 29.37 | | (9.73) | |
| Provision of tax of Rs. 127.00 (Previous year Rs. 148.24) | | | | |
| Tax Deducted at Sources | 12.74 | | 22.10 | 914.28 |
| | | 1441.33 | | 5389.57 |
| | | 8140.84 | | |

SCHEDULE 'H'

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

| | | | | |
|--|---------|----------------|---------|----------------|
| Sundry Creditors (i) Due to Micro, Small and Medium Enterprises (Refer Note No. 6 of Schedule 'R') | 2.25 | | 0.53 | |
| (ii) Others | 2336.74 | | 1146.71 | |
| Advance against Consignment | 2.92 | | — | |
| Sundry Deposits | 3.45 | 2345.36 | 3.45 | 1150.69 |
| Investor Education & Protection Fund (IEPF) shall be credited by the following amounts namely :- (If remained unpaid on dates, due for transfer to IEPF) | | | | |
| (a) Unpaid Dividend Account | 10.27 | | 6.03 | |
| (b) Unpaid Right Issue Refund Account | 0.03 | 10.30 | 0.03 | 6.06 |
| | | 2355.66 | | 1156.75 |

Provisions

| | | | | |
|------------------------------|---------|--|---------|--|
| For Proposed Dividend | 135.09 | | 135.09 | |
| For Tax on Proposed Dividend | 21.91 | | 22.96 | |
| | 157.00 | | 158.05 | |
| | 2512.66 | | 1314.80 | |

SCHEDULE 'I'

MISCELLANEOUS EXPENDITURE

(To the extent not written off and/or adjusted)

| | | | | |
|----------------------|---|--|------|--|
| Share Issue Expenses | — | | 4.07 | |
| | — | | 4.07 | |



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| SCHEDULE 'J' | Figures for the Current Year | | Figures for the Previous Year | |
|--|---------------------------------|-----------------|----------------------------------|-----------------|
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| SALES & OPERATING INCOME | | | | |
| Sales : (Gross) | | | | |
| Finished Loose Tea | 3219.53 | | 3091.95 | |
| Packet Tea | 42.80 | | 29.23 | |
| Cloth, Yarn & Waste | 13946.02 | 17208.35 | 12048.29 | 15169.47 |
| Less : Excise Duty | | (11.10) | | (7.83) |
| Sales (Net) | | 17197.25 | | 15161.64 |
| Yarn Job Work Receipts | | 484.13 | | 143.08 |
| (Tax deducted Rs. 7.03) (Previous year Rs. 2.34) | | | | |
| Export Incentives | | | | |
| Duty Draw Back | 2.43 | | 7.50 | |
| DEPB | 17.14 | | 132.72 | |
| BKU Yozana | 1.28 | 20.85 | 0.43 | 140.65 |
| Profit on Tea Seed (Refer Note No. 8 of Schedule 'R') | | 5.01 | | 2.62 |
| | | <u>17707.24</u> | | <u>15447.99</u> |
| SCHEDULE 'K' | | | | |
| OTHER SOURCES | | | | |
| Interest (Gross) (Tax Deducted Rs. 0.90) (Previous year Rs. 0.62) | | | | |
| On Fixed Deposit with Banks | 4.56 | | 1.78 | |
| From Others | 7.54 | 12.10 | 8.68 | 10.46 |
| Rent (Gross) (Tax Deducted Rs.4.77) (Previous year Rs. 7.19) | | 48.99 | | 46.52 |
| Replanting Subsidy | | 3.75 | | 3.65 |
| Orthodox Subsidy | | 0.42 | | — |
| Miscellaneous Receipts | | 51.82 | | 56.65 |
| Profit on sale of Fixed Assets/Discarded (Net) | | 122.10 | | 178.04 |
| Profit on sale of Investments (Net) | | 38.73 | | 19.03 |
| Exchange Rate Gain / Loss (Net) | | 25.60 | | (6.76) |
| Adjustment in respect to previous year (Net) | | 1.50 | | (6.65) |
| | | <u>305.01</u> | | <u>300.94</u> |
| SCHEDULE 'L' | | | | |
| COTTON, POLYESTER, FILAMENT YARN, STAPLE FIBRE ETC. CONSUMED | | | | |
| Stocks at Commencement | | 2028.75 | | 1051.13 |
| Purchases | | 9160.32 | | 7348.18 |
| | | 11189.07 | | 8399.31 |
| Less : Stocks at Close | | 2740.52 | | 2028.75 |
| | | 8448.55 | | 6370.56 |
| Cloth Purchased | | 1011.96 | | 191.95 |
| | | <u>9460.51</u> | | <u>6562.51</u> |
| SCHEDULE 'M' | | | | |
| CULTIVATION AND MANUFACTURING EXPENSES | | | | |
| Cultivation Expenses | 306.19 | | 241.90 | |
| Manufacturing Expenses | 712.66 | | 598.48 | |
| (Including Purchase of Green Tea Leaves Rs. 455.21) (Previous year Rs. 371.88) | | | | |
| Purchase of Black Tea | 36.23 | | 21.40 | |
| Power & Fuel | 2206.25 | | 2181.46 | |
| Stores and Spares Consumed | 1009.48 | | 784.85 | |
| Tea Chest, Pouches and Gunny Bags | 31.47 | | 27.47 | |
| | | <u>4302.28</u> | | <u>3855.56</u> |



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| SCHEDULE 'N' | Figures for the | | Figures for the | |
|--|--------------------|---------------|--------------------|---------------|
| | Current Year | | Previous Year | |
| PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Salaries, Wages, Bonus etc [Including Proportionate Deferred Revenue Expenditure VRS Compensation Rs.Nil (Previous Year Rs. 47.63) Provision for Bonus Rs.129.04 and Short Provision of Bonus for earlier year Rs. 0.01] | 1311.57 | | 1266.49 | |
| Remuneration to the Directors (Refer Note No. 11 of Schedule 'R') | 39.96 | | 39.00 | |
| Contribution to Provident and Other Funds | 228.35 | | 161.51 | |
| Contribution to State Insurance Scheme | 46.08 | | 29.79 | |
| Workmen & Staff Welfare Expenses | 127.51 | | 124.15 | |
| | <u>1753.47</u> | | <u>1620.94</u> | |
| SCHEDULE 'O' | | | | |
| SELLING AND DISTRIBUTION EXPENSES | | | | |
| Freight & Other Sale Charges | 157.25 | | 159.10 | |
| Brokerage, Commission and Discount on Sales | | | | |
| To Selling Agents | 110.65 | | 91.86 | |
| To Others | <u>135.01</u> | <u>245.66</u> | <u>123.16</u> | <u>215.02</u> |
| | | <u>402.91</u> | | <u>374.12</u> |
| SCHEDULE 'P' | | | | |
| OTHER EXPENSES | | | | |
| Rent | 7.89 | | 7.84 | |
| Insurance Charges | 19.61 | | 17.50 | |
| Rates & Taxes | 75.19 | | 57.07 | |
| Transport & Maintenance | 53.69 | | 47.25 | |
| Hank Yarn Obligation Quota Purchased | 13.40 | | 2.74 | |
| Miscellaneous Expenses | 340.63 | | 317.58 | |
| Repairs : | | | | |
| Machinery | 297.45 | | 292.97 | |
| Building | 36.54 | | 42.08 | |
| Others | <u>12.02</u> | <u>346.01</u> | <u>9.91</u> | <u>344.96</u> |
| Loss due to Fire (Refer Note No. 16 of Schedule 'R') | 19.91 | | — | |
| Directors' Fees | 1.11 | | 0.97 | |
| Bad Debts & Irrecoverable Advances Written Off | 0.07 | | 1.09 | |
| Investment Written Off | 0.52 | | — | |
| Share Issue Expenses Written Off | 4.07 | | 4.08 | |
| Charity & Donation | 25.33 | | 0.31 | |
| Amount Written Off Against Leasehold Land | 0.27 | | 0.28 | |
| | <u>907.70</u> | | <u>801.67</u> | |
| SCHEDULE 'Q' | | | | |
| INTEREST & FINANCE CHARGES | | | | |
| Interest : On Fixed Loans and Deposits (Net of Subsidy) | 377.33 | | 363.42 | |
| Others | <u>165.87</u> | <u>543.20</u> | <u>140.44</u> | 503.86 |
| Discounting Charges | 24.63 | | 16.74 | |
| Unexpired Premium on Term Loan amortised | — | | 4.95 | |
| | <u>567.83</u> | | <u>525.55</u> | |



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 'R'

NOTES ON ACCOUNTS

| | (Amount in Rs. Lacs) | |
|---|----------------------|-------------------|
| | As at | As at |
| | <u>31.03.2011</u> | <u>31.03.2010</u> |
| 1) Contingent Liabilities not provided for : | | |
| (a) Claims against the Company not acknowledged as debts | 23.09 | 16.48 |
| (b) Bills Discounted | 52.69 | 159.10 |
| Since Realised | — | 128.85 |
| (c) Disputed Sales Tax Demands including interest and penalty under appeal | 15.44 | 15.44 |
| (d) Disputed Service Tax Excise Matters | 2.10 | 2.31 |
| 2) Estimated amount of contracts remaining to be executed on Capital Account but not provided for Rs 937.41 (Previous year Rs. 27.85) | | |
| 3) Secured Loans : | | |
| A. Terms Loans from Banks of Rs. 5078.77 lacs under their Project Finance Scheme are secured against joint equitable mortgage of all immovable properties both present and future pertaining to Textile Division ranking pari passu interse and hypothecation of all movable properties both present and future pertaining to Textile Division (save and except book debts) including movable machinery, machinery spares, tools and accessories, subject to prior charge created and/or to be created in favour of Bankers of the Company's Textile Division for Working Capital Facilities and guaranteed by the Managing Director. | | |
| B. Working capital facility from Punjab National Bank of Rs. 196.17 Lacs is secured against hypothecation of green tea leaves, before and after plucking, tea in process, finished tea in stock/transit and/or lying with brokers/agents relating to Season 2011, book debts (present and future) and equitable mortgage of immovable properties and machineries of Tea Estates as additional security and further guaranteed by the Managing Director. | | |
| C. Out of other facilities taken from State Bank of India, Bank of India and IDBI Bank Limited (i) amount of Rs. 2440.49 are secured against hypothecation of all tangible assets including movable machinery, stock-in-trade, stores, book debts etc. and second charge on entire fixed assets, present and future, pertaining to Textile Division and guaranteed by the Managing Director: (ii) Rs. 250.00 are secured by exclusive charge on stock of raw material, semi finished and finished goods, consumable stores and spares including book debts pertaining to Textile Division: and (iii) Rs. 800.00 are secured against endorsement of warehouse receipts relating to Textile Division in favour of Bank. | | |
| 4) Total Salaries, Wages, Bonus and Gratuity amounted to Rs. 1688.93 (Previous year Rs. 1607.84) | | |
| 5) Miscellaneous Expenses includes payment (including service tax) to Auditors is as under : | | |
| | <u>2010-2011</u> | <u>2009-2010</u> |
| (i) Statutory & Branch Auditors : | | |
| As Auditors (including Rs. 1.54 to Branch Auditors) | 2.26 | 2.21 |
| For Taxation Matters | 0.19 | 0.19 |
| For Other Matters (including reimbursement of expenses) | 1.69 | 0.86 |
| | <u>4.14</u> | <u>3.26</u> |
| (ii) Cost Auditors : | | |
| Cost Audit Fees | 0.40 | 0.31 |
| For Other Matters (including reimbursement of expenses) | 0.02 | 0.02 |
| | <u>0.42</u> | <u>0.33</u> |
| 6) Micro & Small Enterprises Dues : | | |
| (a) Amount Due and outstanding to suppliers as at the end of the accounting year is Rs.2.25 (Prev. year Rs. 0.53) | | |
| (b) Interest paid during the year - Nil | | |
| (c) Interest payable at the end of the accounting year - Nil | | |
| (d) Interest accrued and unpaid at the end of the accounting year - Nil | | |
| 7) Guarantees given by State Bank of India are secured by extension of hypothecation charge over stocks and book debts and second charge on entire fixed assets, present & future pertaining to Textile Division. Amount outstanding Rs 177.10 (Previous Year Rs. 147.10). | | |
| 8) The details of Profit on Tea Seed : | <u>Qty (Units)</u> | <u>Rs.</u> |
| Manufactured/Purchased | 491 | 25.04 |
| Less : Sold | 491 | 30.05 |
| Profit | | <u>5.01</u> |
| 9) Additions to Fixed Assets includes capitalisation of borrowing cost of Rs. 18.01 (Previous Year Rs. Nil). | | |



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Amount in Rs. Lacs)

10) Additional Information pursuant to the Provisions of Part II of the Schedule VI of the Companies Act, 1956 :

A. Licenced and Installed Capacity and Actual Production :

| Class of Goods | LICENCED CAPACITY | | INSTALLED CAPACITY | | ACTUAL PRODUCTION | |
|------------------|-----------------------------------|-----------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2010-2011 | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 | 2009-2010 |
| Black Tea | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 21,20,264 Kgs | 20,95,286 Kgs |
| Green Tea Leaves | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 68,67,619 Kgs | 69,75,216 Kgs |
| Cloth | 692 Looms | 692 Looms | 73 Looms | 94 Looms | 97,24,792 Mtrs. | 1,34,46,716 Mtrs. |
| Yarn | 50,224 Spindles* 6,536 Rotors* | 50,224 Spindles* 6,536 Rotors* | 43,152 Spindles/ Rotors | 47,616 Spindles/ Rotors | 38,44,522 Kgs (Saleable) | 42,53,496 Kgs (Saleable) |

* Company has filed Memorandum for manufacture of NE 15-100% Acrylic by installing 1760 additional Ring Spindles at Textile Division, with Secretariat of Industrial Approvals, Ministry of Industry, Government of India.

B. Opening and Closing Stock of Goods Produced :

| Class of Goods | Unit | OPENING STOCK | | | | CLOSING STOCK | | | |
|----------------|-------|---------------|--------|-----------|--------|---------------|---------|-----------|--------|
| | | 2010-2011 | | 2009-2010 | | 2010-2011 | | 2009-2010 | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Black Tea | Kgs. | 67,380 | 106.28 | 84,986 | 105.60 | 77,898 | 124.35 | 67,380 | 106.28 |
| Cloth | Mtrs. | 1,77,028 | 61.58 | 17,778 | 8.64 | 5,80,609 | 342.36 | 1,77,028 | 61.58 |
| Yarn | Kgs. | 71,603 | 97.45 | 93,975 | 101.93 | 5,28,087 | 1002.19 | 71,603 | 97.45 |
| | | | 265.31 | | 216.17 | | 1468.90 | | 265.31 |

C. Particulars in respect of Purchases and Sales :

| Class of Goods | Unit | PURCHASES | | | | SALES (Net of Excise Duty) | | | |
|------------------|-------|-----------|---------|-----------|--------|----------------------------|----------|-------------|----------|
| | | 2010-2011 | | 2009-2010 | | 2010-2011 | | 2009-2010 | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Black Tea | Kgs. | 30,750 | 36.23 | 16,346 | 21.40 | 21,27,703 | 3262.33 | 20,97,080 | 3121.18 |
| Green Tea Leaves | Kgs. | 24,60,498 | 455.21 | 22,15,766 | 371.88 | — | — | — | — |
| Cloth | Mtrs. | 10,09,407 | 1011.96 | 1,62,487 | 191.95 | 1,03,30,618 | 6324.95 | 1,34,49,953 | 5308.76 |
| Yarn | Kgs. | Nil | Nil | Nil | Nil | 33,88,038 | 6486.52 | 42,75,868 | 5692.16 |
| Others | | Nil | Nil | Nil | Nil | 1123.45 | | | 1039.54 |
| | | | 1503.40 | | 585.23 | | 17197.25 | | 15161.64 |

D. Details of Raw Materials Consumed :

| Class of Goods | Unit | 2010-2011 | | 2009-2010 | |
|---|--------|-----------|---------|-----------|---------|
| | | Quantity | Amount | Quantity | Amount |
| Cotton | M.Tons | 7,662 | 7739.95 | 8,256 | 5661.08 |
| Polyester Fibre | M.Tons | 713 | 613.37 | 962 | 647.87 |
| Staple Fibre, Polyester Filament Yarn, etc. | M.Tons | 37 | 87.07 | 48 | 52.53 |
| Others | | | 8.16 | | 9.08 |
| | | | 8448.55 | | 6370.56 |

Note : Green Tea Leaves Consumed (Raw Materials) 93,28,117 Kgs (91,90,982 Kgs.) of which 24,60,498 Kgs. Purchased (Value Rs. 455.21).

E. Value of Raw Materials, Spares Parts and Components Consumed :

| | RAW MATERIALS | | | | SPARE PARTS & COMPONENTS | | | |
|------------|---------------|--------|-----------|--------|--------------------------|--------|-----------|--------|
| | 2010-2011 | | 2009-2010 | | 2010-2011 | | 2009-2010 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Imported | — | — | — | — | 87.21 | 33.64 | 96.00 | 36.93 |
| Indigenous | 8448.55 | 100.00 | 6370.56 | 100.00 | 172.00 | 66.36 | 163.94 | 63.07 |
| | 8448.55 | 100.00 | 6370.56 | 100.00 | 259.21 | 100.00 | 259.94 | 100.00 |



SCHEDULE FORMING PART OF THE ACCOUNTS

| SCHEDULE 'R' (Contd.) | (Amount in Rs. Lacs) | |
|--|----------------------|----------------|
| | 2010-2011 | 2009-2010 |
| F. Value of Imports on C.I. F Basis : | | |
| Spare Parts & Components | 116.77 | 86.01 |
| Capital Goods | <u>839.03</u> | <u>—</u> |
| | <u>955.80</u> | <u>86.01</u> |
| G. Expenditure in Foreign Currency : | | |
| Traveling Expenses | 30.50 | 41.87 |
| Bank Charges | 5.54 | 4.69 |
| Commission on Sales | 20.34 | 14.08 |
| Others | <u>1.93</u> | <u>0.11</u> |
| | <u>58.31</u> | <u>60.75</u> |
| H. Earnings in Foreign Currency : | | |
| F.O.B. Value of Exports | | |
| Direct | 2588.17 | 1981.65 |
| Through Export House | <u>634.04</u> | <u>769.87</u> |
| (Certified by the Management) | <u>3222.21</u> | <u>2751.52</u> |

11) Computation of Net Profit under Section 198 of the Companies Act, 1956 read with Section 349 of the Act for the purpose of calculating Directors' Remuneration :

| | 2010-2011 | | 2009-2010 |
|---|----------------|--------------|----------------|
| Profit as per Profit & Loss Account | 1143.58 | | 1134.69 |
| Add : Directors' Remuneration | 60.72 | 56.28 | |
| Directors' Fees | <u>1.11</u> | <u>61.83</u> | <u>57.25</u> |
| Net Profit for the purpose of Computation of Remuneration | <u>1205.41</u> | <u>0.97</u> | <u>1191.94</u> |

Remuneration including actual/estimated value of perquisites paid to Managing Director and Wholetime Director in terms of approval as per details below :

| | 2010-2011 | | 2009-2010 |
|--|--------------|--|--------------|
| Directors' Remuneration | | | |
| Salary | 39.96 | | 39.00 |
| Contribution to Provident, Superannuation and Gratuity Funds | 11.48 | | 7.91 |
| Other Benefits | <u>9.28</u> | | <u>9.61</u> |
| | <u>60.72</u> | | <u>56.52</u> |

12) Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

a. **Defined Contribution Plans :** Amount of Rs.189.45 (Previous Year Rs.161.10) is recognised as expense and included in "Payments to and Provision For Employees" in Schedule - N of the Profit & Loss Account.

b. **Defined Benefit Plans :**

 Defined Benefit Obligation

 i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

| | Gratuity | |
|---|---------------|---------------|
| | 2010-2011 | 2009-2010 |
| a. Present Value of Defined Benefit Obligation at the beginning of the year | 724.88 | 684.37 |
| b. Interest Cost | 59.05 | 55.29 |
| c. Current Service Cost | 45.07 | 40.85 |
| d. Actuarial Losses / (Gains) | 44.89 | (11.05) |
| e. Benefits Paid | 52.87 | 44.58 |
| f. Present Value of Defined Benefit Obligation at the close of the year | <u>821.02</u> | <u>724.88</u> |



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Amount in Rs. Lacs)

ii. Changes in the fair value of Plan Assets and the reconciliation thereof :

| | Gratuity | |
|---|-----------|-----------|
| | 2010-2011 | 2009-2010 |
| a. Fair value of Plan Assets at the beginning of the year | 751.35 | 673.91 |
| b. Add :Expected return on Plan Assets | 69.11 | 65.35 |
| c. Less / (Add) : Actuarial Losses / (Gains) | (5.08) | (10.41) |
| d. Add : Contributions | 54.66 | 67.08 |
| e. Less: Benefits Paid | 52.87 | 44.58 |
| f. Fair value of Plan Assets at the close of the year | 817.17 | 751.35 |
| Actual Return on Plan Assets | 64.03 | 54.94 |

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan asset in (ii) to assets and liabilities recognised in the Balance Sheet

| | Gratuity | |
|---|-----------|-----------|
| | 2010-2011 | 2009-2010 |
| a. Present Value of Defined Benefit Obligation | 821.02 | 724.88 |
| b. Less: Fair value of Plan Assets | 817.17 | 751.35 |
| c. Present Value of unfunded Obligation | 3.85 | (26.47) |
| d. Net Liability / (Asset) recognised in the Balance Sheet | 3.85 | (26.47) |

iv. Amount recognised in the Profit and Loss Account are as follows :

| | Gratuity | |
|---|-----------|-----------|
| | 2010-2011 | 2009-2010 |
| a. Current Service Cost | 45.07 | 40.85 |
| b. Interest Cost | 59.05 | 55.29 |
| c. Expected return on Plan Assets | (69.11) | (65.35) |
| d. Actuarial Losses / (Gains) | 49.97 | (0.64) |
| e. Past Service Costs | — | — |
| f. Effect of curtailment / settlement | — | — |
| g. Adjustments for earlier years | — | — |
| Recognised in the Profit and Loss Account | 84.98 | 30.15 |

v. Broad Categories of Plan Assets as a percentage of Total Assets :

| | Gratuity | | | |
|---|-----------|---------|-----------|---------|
| | 31.3.2011 | | 31.3.2010 | |
| | Tea | Textile | Tea | Textile |
| a. Government of India/ State Government Securities | N A | 41% | N A | 43% |
| b. GILT Mutual Fund | N A | 4% | N A | — |
| c. Public Sector Bonds | N A | 53% | N A | 55% |
| d. Fixed Deposit under Special Deposit Scheme | N A | 2% | N A | 2% |
| e. Insurer Managed Fund | 100% | N A | 100% | N A |
| | 100% | 100% | 100% | 100% |

vi. Actuarial Assumptions as on the Balance Sheet date :

| | Gratuity | | | |
|--|-----------|---------|-----------|---------|
| | 31.3.2011 | | 31.3.2010 | |
| | Tea | Textile | Tea | Textile |
| a. Discount Rate | 8.25% | 8.05% | 8.00% | 8.00% |
| b. Expected rate of return on Plan Assets | 8.00% | 9.25% | 8.00% | 9.25% |
| c. Salary Escalation rate — Management and Non-Management Staff | 7.00% | 4.50% | 7.00% | 5.00% |



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Amount in Rs. Lacs)

vii. Amount of Current and previous two years are as follows :

| | Gratuity | | |
|--|---------------|-----------|---------|
| | 2010-2011 | 2009-2010 | 2008-09 |
| a. Present value of Defined Benefit obligation | 821.02 | 724.88 | 684.37 |
| b. Less: Fair value of Plan Assets | 817.17 | 751.35 | 673.91 |
| c. Surplus/ (Deficit) in the plan | 3.85 | (26.47) | 10.46 |
| d. Experience Adjustments on plan liabilities (losses)/ gain | 54.60 | 21.28 | (1.71) |
| e. Experience Adjustments on plan asset (losses)/ gain | 1.69 | (0.72) | (2.28) |

viii. The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- c) Amount recognised as an expense in respect of Compensated Leave Absences is Rs. 18.37 (Previous Year Rs 23.68)
- d) Short Term payment of Leave Encashment amounting to Rs. 10.20 (Previous year Rs. 10.93) is charged to Profit & Loss Account.

13) Segment Reporting as per AS-17 notified by Companies (Accounting Standards) Rules, 2006, for the year ended 31st March, 2011.

(Amount in Rs. Lacs)

| (A) Information about Primary (Business) Segment | Tea | | Textile | | Total | |
|--|----------------|---------|-----------------|----------|-----------------|----------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| SEGMENT REVENUE | | | | | | |
| External Sales & Other Income | 3276.23 | 3122.69 | 14696.29 | 12604.58 | 17972.52 | 15727.27 |
| Less: Excise Duty | — | — | (11.10) | (7.83) | (11.10) | (7.83) |
| Sales (Net of Excise Duty) and Other Income | 3276.23 | 3122.69 | 14685.19 | 12596.75 | 17961.42 | 15719.44 |
| Total Revenue | 3276.23 | 3122.69 | 14685.19 | 12596.75 | 17961.42 | 15719.44 |
| SEGMENT RESULT | | | | | | |
| Segment Result | 1057.60 | 1214.23 | 677.12 | 485.10 | 1734.72 | 1699.33 |
| Unallocated Corporate Expenses (net of Income) | | | | | (35.41) | (49.55) |
| Interest Expense | | | | | (567.83) | (525.55) |
| Interest Income | | | | | 12.10 | 10.46 |
| Dividend Income | | | | | — | — |
| Income Taxes | | | | | (331.60) | (335.14) |
| Net Profit | | | | | 811.98 | 799.55 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 1993.25 | 1967.73 | 14340.59 | 11325.47 | 16333.84 | 13293.20 |
| Unallocated Corporate Assets | | | | | 1813.38 | 1293.12 |
| Total Assets | | | | | 18147.22 | 14586.32 |
| Segment Liabilities | 241.05 | 199.68 | 2114.61 | 947.34 | 2355.66 | 1147.02 |
| Unallocated Corporate Liabilities | | | | | 157.00 | 167.78 |
| Total Liabilities | | | | | 2512.66 | 1314.80 |
| Capital Expenditure | 96.87 | 109.67 | 1355.14 | 309.09 | 1452.01 | 418.76 |
| Depreciation & Amortisation | 74.24 | 65.45 | 798.91 | 856.30 | 873.15 | 921.75 |
| Non-cash Expenses other than depreciation | 0.52 | — | 0.09 | 52.58 | 0.61 | 52.58 |



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

(Amount in Rs. Lacs)

| (B) Information about Secondary (Geographical) Segment | India | | Outside India | | Total | |
|---|----------|----------|---------------|---------|----------|----------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Segment Revenue | 14739.21 | 12967.92 | 3222.21 | 2751.52 | 17961.42 | 15719.44 |
| Segment Assets | 17904.39 | 14527.93 | 242.83 | 58.39 | 18147.22 | 14586.32 |
| Capital Expenditure | 1452.01 | 418.76 | — | — | 1452.01 | 418.76 |

Notes :

- The reportable primary segment is based on two business namely; Tea & Textile and the reportable secondary segment is based on geographical location of customers.
- The segment revenue, results, assets & liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

14) Related Party Disclosures as per AS-18 notified by Companies (Accounting Standards) Rules, 2006 for the year ended 31st March, 2011.

(A) Relationships :

(i) Key Management Personnel & Relatives

| | | |
|-------------------------|---------------------|--------------------------|
| Shri Basudeo Kanoria | Shri Adarsh Kanoria | Master Varenya Kanoria |
| Smt Pushpa Devi Kanoria | Smt Shubha Kanoria | Shri Radhe Shyam Saraogi |

(ii) Associates

| | | |
|------------------------------|-------------------------------------|----------------------------------|
| Kanoria Exports Private Ltd. | Rydak Enterprises & Investment Ltd. | Samrat Industrial Resources Ltd. |
|------------------------------|-------------------------------------|----------------------------------|

(iii) Enterprises over which key management personnel and/or their relatives have significant influence

Eskay Udyog Ltd.

(Amount in Rs. Lacs)

(B) Transactions during the year with related parties in normal course of business & balances at the end of the financial year

In relation to Item no.

| | A (i) above | | A (ii) above | | A (iii) above | |
|--|-------------|---------|--------------|---------|---------------|---------|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| (i) Rent received | — | — | 1.26 | 1.26 | — | — |
| (ii) Expenses reimbursed | 1.07 | 0.95 | — | — | — | — |
| (iii) Salary & other benefits | 64.00 | 59.29 | — | — | — | — |
| (iv) Dividend Paid | 28.21 | 9.40 | 54.60 | 18.20 | 15.65 | 5.17 |
| (v) Rent paid | — | — | 5.40 | 5.40 | — | — |
| (vi) Sale of Goods | — | — | — | 0.39 | — | — |
| (vii) Outstanding payable as on 31st March, 2011 | — | — | — | — | — | — |

15) Statement showing calculation of Earning Per Share, as per AS-20, notified by Companies (Accounting Standards) Rules, 2006.

| | | |
|--|-----------|-----------|
| Profit After Tax (Rs. in lacs) | 2010-2011 | 2009-2010 |
| | 811.98 | 799.55 |
| Weighted average number of Equity Shares of Rs.10/- each fully paid up | 9005985 | 9005985 |
| Earning Per Share (in Rs.)(Basic & Diluted) | 9.02 | 8.88 |

16) During the year a fire has broken out in the Spinning Section (Synthetic) of the textile unit. The Company has lodged the claim with the Insurance Company. The net loss due to fire of Rs 19.91 is shown under other expenditure in Schedule 'P'.



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

17) The break-up of major components of Deferred Tax Assets & Liabilities calculated in accordance with AS-22, notified by Companies (Accounting Standards) Rules, 2006 :

| | (Amount in Rs. Lacs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2011 | As at 31st March, 2010 |
| <u>Deferred Tax Assets being the Tax impact on –</u> | | |
| (i) Unabsorbed Depreciation/Losses Carried Forward as per Income Tax Laws | 278.25 | 468.56 |
| (ii) Expenses charged in books but allowance thereof deferred under Income Tax Laws | 59.02 | 65.22 |
| | <u>337.27</u> | <u>533.78</u> |
| <u>Deferred Tax Liabilities being the Tax impact on –</u> | | |
| (i) Difference of Written Down Value of Fixed Assets as per Income Tax Laws & Books | 816.23 | 808.25 |
| (ii) Balance of Deferred Revenue Expenses claimed under Income Tax Laws on payment basis | — | — |
| | <u>816.23</u> | <u>808.25</u> |
| Net Difference of Deferred Tax Liabilities & Assets | <u>478.96</u> | <u>274.47</u> |

18) In accordance with the Accounting Standard (AS-28) on impairment of Assets, there is no indication of impairment based on internal/external factors and hence no impairment is considered necessary during the year under review.

19) The figures of the previous year have been re-grouped/re-arranged, wherever necessary.

20) Information pursuant to Part IV of Schedule VI of the Companies Act, 1956 :

| | | | (Amount in Rs. '000) | |
|---|-----------------------|-----------------------------|----------------------|-------------|
| (i) Registration Details | | | | |
| Registration No. | L51909WB1983PLC036542 | State Code | | 21 |
| Balance Sheet Date | 31.03.2011 | | | |
| (ii) Capital Raised during the year | | | | |
| Public Issue | Nil | Right Issue | | Nil |
| Bonus Issue | Nil | Private Placement | | Nil |
| (iii) Position of Mobilisation & Deployment of Funds | | | | |
| Total Liabilities | 1,56,34,56 | Total Assets | | 1,56,34,56 |
| <u>Sources of Funds</u> | | <u>Application of Funds</u> | | |
| Paid-up Capital | 9,01,07 | Net Fixed Assets | | 86,68,79 |
| Reserves & Surplus | 49,33,47 | Investments | | 13,37,59 |
| Secured Loans | 87,65,43 | Net Current Assets | | 56,28,18 |
| Unsecured Loans | 5,55,63 | Miscellaneous Expenditure | | — |
| Deferred Tax Liabilities (Net) | 4,78,96 | | | |
| (iv) Performance of the Company | | | | |
| Turnover (Total Income) | 1,80,12,25 | Total Expenditure | | 1,68,68,67 |
| Profit Before Tax | 11,43,58 | Profit After Tax | | 8,11,98 |
| Earning Per Share (in Rs.) | 9.02 | Dividend Rate (%) | | 15 |
| (v) Generic Names of Three Principal Products/Services of the Company (as per monetary terms) | | | | |
| Item Code No. | 52051401 | Product Description | | Cotton Yarn |
| Item Code No. | 551221 | Product Description | | Cloth |
| Item Code No. | 9024002 | Product Description | | Black Tea |



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

21) STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

1. System of Accounting

- i) The Company generally follows the mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties.
- ii) Financial statements are based on historical cost convention modified by revaluation of certain fixed assets. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.

2. Fixed Assets and Depreciation

A) Fixed Assets :

Fixed Assets, other than revalued, are stated at cost of acquisition or construction and net of Subsidy / Cenvat less accumulated depreciation (except on freehold land)/amortisation.

B) Depreciation and Amortisation :

a) Leasehold Land :

Premium on leasehold land is amortised over the period of lease.

b) Other Fixed Assets :

i) Depreciation on additions to Building, Water Supply Installation, Machineries and Electrical Installation upto 31st December 1975 for Textile Division and upto 31st March, 1976 for Tea Division and on all other Assets is being provided on Written Down Value Basis, in terms of Section 205(2)(a) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.

ii) Depreciation on additions to Building, Water Supply Installation, Machineries and Electrical Installation from 1st January, 1976 for Textile Division and from 1st April, 1976 for Tea Division has been provided on Straight Line Basis, in terms of Section 205(2)(b) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.

iii) In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis.

iv) In respect of revalued assets the difference of depreciation, between written down value and revalued amount, has been charged to Revaluation Reserve.

3. Borrowing Cost

- i) Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use and all other borrowing costs are recognised as an expense in period for which they are incurred, unless otherwise stated.
- ii) Borrowing costs such as the premium paid in connection with the borrowings are being amortised over the period of respective borrowings in proportion with the outstanding balances.

4. Government Grants

Capital Grants relating to specific assets are reduced from the gross value of the fixed assets. Other revenue grants are credited to Profit & Loss Account or deducted from the related expenses.

5. Investments

All investments are held as Long Term Investments, unless otherwise mentioned and are stated at cost, unless there is a permanent fall in the value of Investments.

6. Inventories

- i) Raw Materials are valued at cost or net realisable value whichever is lower, at Textile Division and at net realisable value in Tea Division. Cost is arrived at on the basis of cost of respective lots remaining in stock and related expenses.
- ii) Stores, Coal, etc are valued at cost. Costs of stores is arrived at on F.I.F.O. basis in Textile Division except coal which is valued on monthly average basis. At Tea Division, all stores are valued on monthly average basis.
- iii) Materials-in-Process is valued at cost on absorption basis or net realisable value, whichever is lower.
- iv) Yarn is valued at cost on absorption basis or net realisable value whichever is lower including excise duty.
- v) Cloth is valued at cost on absorption basis or net realisable value whichever is lower including excise duty.
- vi) Finished Tea is valued at net realisable value.
- vii) Waste is valued at estimated realisable value.
- viii) Materials-in-Transit is valued at cost to date of the Balance Sheet.



SCHEDULE FORMING PART OF THE ACCOUNTS

SCHEDULE 'R' (Contd.)

7. Exchange Fluctuations

Monetary Current Assets and Liabilities in foreign currency outstanding at the close of the financial year are valued at the appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Profit & Loss Account.

8. Sales

- i) Sale of goods is recognised at the point of despatch of finished goods to the customers.
- ii) Export sales are accounted on the basis of dates of Bill of Lading.
- iii) Export benefits in the nature of "Duty Entitlement Pass Book under the Duty Exemption Scheme", "Duty Draw back Scheme" and "Bishesh Krishi Upaz Yozana (BKU Yozana Scheme)" are accounted in the year of export.

9. Employee Benefits

- i) Defined Contribution Plans : The Company has defined benefit contribution plans in the form of Provident Fund, Superannuation Fund, EDLI, ESIC and Labour Welfare Fund and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.
- ii) Defined Benefit Plans : The Company has defined benefit plans namely Leave encashment/compensated absence and Gratuity for employees, the liability for which is determined on the basis of actuarial valuations at the end of the year. Gains and losses arising out of actuarial valuations are recognised immediately in the Profit and Loss Account as income or expense.
- iii) Other Defined Benefits : Provision for other Defined Benefit for long term leave encashment is made based on an independent actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognised immediately in the statement of profit and loss account as income or expenses. Company recognises the undiscounted amount of short term employee benefits during the accounting period based on service rendered by employee.
- iv) Retrenchment Compensation : Retrenchment Compensation is being amortised over a period of future benefit as estimated by the management.

10. Impairment of Assets

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the asset net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital.

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the accounts by way of a note. Contingent assets are neither recognised nor disclosed in the financial statements.

12. Taxes on Income

- i) Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- ii) Deferred tax is recognised on the basis of timing differences, being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent periods.

Signatures to Schedules A to R

Per our Report attached.

For JAIN & CO.

Chartered Accountants

M. K. JAIN

Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata 700 001

Dated, the 7th day of May, 2011

A. KANORIA

Managing Director

G. MOMEN

D. KUMAR

A. DUTTA

Directors

P. K. SAW

Company Secretary

BENGAL TEA & FABRICS LIMITED

Registered Office : 45, Shakespeare Sarani, 4th Floor, Kolkata 700 017

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.

ATTENDANCE SLIP

I hereby record my presence at the 28th ANNUAL GENERAL MEETING of the Company at "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Saturday, the 6th August, 2011 at 10.30 A.M.

REGD. FOLIO NO. :

D.P. ID No.

NO. OF SHARES :

Client ID No.....

NAME OF THE SHAREHOLDER (IN BLOCK LETTERS)

SIGNATURE OF THE SHAREHOLDER OR PROXY

BENGAL TEA & FABRICS LIMITED

Registered Office : 45, Shakespeare Sarani, 4th Floor, Kolkata 700 017

PROXY FORM

REGD. FOLIO NO. :

D.P. ID No.

NO. OF SHARES :

Client ID No.....

I/We.....

of.....

..... being a Member/Members of BENGAL TEA & FABRICS LIMITED

hereby appoint.....of.....

or failing himof.....

or failing himof.....

as my/our Proxy to attend and vote for me/us on my/our behalf at the 28th ANNUAL GENERAL MEETING of the Company to be held on Saturday, the 6th August, 2011 and at any adjournment thereof.

Signed this day of..... 2011.

Signature.....

Revenue
Stamp

Note : The Proxy Form duly completed must reach/deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.