

Bengal Tea & Fabrics Limited

BOARD OF DIRECTORS

Mr. Adarsh Kanoria
Chairman & Managing Director

Mr. Radhe Shyam Saraogi
Whole-time Director

Mr. Golam Momen
Mr. Dharendra Kumar
Mr. Samveg A Lalbhai

COMPANY SECRETARY
Mr. Nitin Bagaria

AUDITORS
M/s. Jain & Co.
Chartered Accountants

BRANCH AUDITORS
M/s. Dalal & Shah
Chartered Accountants

COST AUDITORS
M/s. N. D. Birla & Co.
Cost Accountants

BANKERS
State Bank of India
Punjab National Bank
Bank of India

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 2280-6692/93/94
Fax : 91 33 2287-0263
E-mail : cbmsl1@cal2.vsnl.net.in

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NOTICE

TO THE MEMBERS

NOTICE is hereby given that the 26th Annual General Meeting of the Members of Bengal Tea & Fabrics Limited will be held at "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Monday, the 27th day of July, 2009 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, 2009 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 26th Annual General Meeting until the conclusion of the 27th Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

By Order of the Board

Registered Office :
45, Shakespeare Sarani,
Kolkata-700 017
Dated, the 11th day of May, 2009

NITIN BAGARIA
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 20th day of July, 2009 to 27th day of July, 2009 (both days inclusive).
3. Members holding shares in dematerialised 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.
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 ECS. Members desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agents.

By Order of the Board

Registered Office :
45, Shakespeare Sarani,
Kolkata-700 017
Dated, the 11th day of May, 2009

NITIN BAGARIA
Company Secretary

DIRECTORS' REPORT

Dear Members,

The Directors of the Company present their 26th Annual Report and Audited Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2009 and the corresponding figures for the last year are as under:

| | (Rupees in Lacs) | |
|--|------------------|-------------|
| | 2008 - 2009 | 2007 - 2008 |
| Profit before Interest, Depreciation and Tax | 1354.48 | 1480.55 |
| Less: Interest & Finance Charges | 445.46 | 450.04 |
| Depreciation | 798.52 | 799.12 |
| Profit after Interest & Depreciation | 110.50 | 231.39 |
| Less: Provision for Taxation (Net of MAT Credit Entitlement) | 68.80 | 49.50 |
| Excess Provision for Taxation | (-1.52) | (-)4.47 |
| Fringe Benefit Tax | 4.06 | 4.18 |
| Provision for Deferred Taxation | (-104.13) | 33.40 |
| Profit after tax | 143.29 | 148.78 |
| Add/Less:- Balance Brought Forward from Last Account | 214.44 | 128.88 |
| Less: Proposed Dividend & Tax thereon | 52.68 | 63.22 |
| Credit balance carried to Balance Sheet | 305.05 | 214.44 |

DIVIDEND

Your Directors are pleased to recommend a payment of Dividend of Re. 0.50 (Paise Fifty) per Equity Share for the year ended 31st March, 2009.

OPERATIONS**Tea Division:**

The overall performance of the Tea Industry during the Calendar Year 2008 has been satisfactory. The All India Production has been higher by about 36 million Kgs, mainly from South India. However, due to less carryover of stock, higher exports coupled with improved domestic demand, the price realisation improved substantially.

During the year under review, the Company achieved production of 20.32 lacs Kgs of Black Tea as compared to 20.60 lacs Kgs in the previous year. The Company's policy of uprooting old areas for Replantation and inclement weather conditions has led to lower production. However due to better market conditions and thrust on producing quality tea, the sale realisation has improved by about 30%.

In the current season, the tea prices are expected to rule firm due to negligible carryover and drop in production during early part of the season. Improved export enquiries due to lower crop in Kenya and Sri Lanka may also have further positive impact on the price realisation. Since your Company is focusing mainly on making quality tea, the outlook appears to be good.

TEXTILE DIVISION

The predominantly cotton-based Indian Textile Industry had been performing fairly well during the past few years, mainly due to the adequate availability of good quality home grown cotton but since this year, the Indian Textile Industry has been struggling to maintain margins. Apart from various other factors like escalation in bank interest rate, slump in the local and export markets, the abnormal cotton price coupled with increase in Minimum Support Price (MSP) has totally paralysed the performance of the textile industry and even the top ticket mills have incurred losses. The Division, however, managed to earn cash profits due to its relentless thrust on modernisation and reduction of costs. Further the Division has reset its product-mix in view of the increased demand for value added fabrics.

MODERNISATION AND PROSPECTS

The Directors are pleased to announce the successful completion and implementation of the Expansion cum Modernisation Scheme of the Textile Division. Being committed to customer's ecstasy, the Division has been modernised with the latest state-of-the-art machinery from world renowned manufactures like Trutzschler, Rieter, Toyota, etc. Moreover, two old ring frames having total capacity of 2016 Spindles have been replaced with latest compact Spindles to produce quality value added products. The Division is suitably poised to meet the challenges ahead.

In Tea Division, the Company has invested Rs. 78 Lacs during the year on modernisation of factory for further improving the quality.

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' REPORT (Contd.)**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, 2009;
- (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, 2009 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

Despite several reminders, a sum of Rs. 6,500/- remained unclaimed for a period of seven years from the date of its becoming due for payment and the same was deposited during the year in Investor Education and Protection Fund under Section 205C of the Companies Act, 1956. As on 31st March, 2009, no amount is payable towards the fixed deposits accepted from public and matured for repayment.

DIRECTORS

The Directors deeply regret to report the sad demise of Shri. Supriya Gupta, Director of the Company, who passed away on 7th February 2009. He was associated with the Company as Director since 30th January 2001. The Directors place on record sincere appreciation for the valuable services rendered by Shri. Supriya Gupta, to the Company and express their condolences to the bereaved family.

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 26th 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, Information required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto marked Annexure- "C" and forms part of this Report.

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 – "D".

ACKNOWLEDGEMENT

The Directors appreciate the cooperation 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
Dated, the 11th day of May, 2009

ADARSH KANORIA
Chairman

Management Discussion & Analysis Report

ANNEXURE – “A”

(Forming part of the Directors Report for the financial year ended 31st March, 2009)**Textile Division***Industry Structure and Developments:*

Textile Sector plays a very vital and dominant role in the Country's economy, however, the macro conditions in the immediate previous years has not been kind to it. During the year 2007-2008, the industry reported lower realisation on account of sudden appreciation of rupee against USD. To tide over the crisis emanating from the steep upsurge in Rupee value, the Government announced various measures viz. reduction in interest rate on pre-shipment and post shipment credit, revision in draw back and DEPB, reduction of basic customs duty on certain items related to textile sector. However, the worst fears of the industry came true in 2008-2009, such as the hike in MSP of raw cotton, slow disbursements of subsidies under TUFS, high borrowing costs, worsening of international market demand, unanticipated extreme currency movements, etc.

Opportunities and Threats :

The Industry is facing acute pressure from the global turmoil. The Government had announced some proposals for the sector in the interim budget for 2009-2010 and the interim trade policy, but the same are considered inadequate. The revival of the industry is largely dependant upon stimulus package from the Government and also improvement in the global scenario.

However, there is a continuing pressure on exports due to fierce competition from other countries like China, Bangladesh and Vietnam. Moreover, any restriction of market access for exports of Indian textiles and clothing products, under the WTO's Agreement on Textiles and Clothing, would have serious implications for the industry.

Product-wise Performance :

The performance of the Division has been mixed. The Fabrics section has performed better than the yarn section. Gray Cloth Sales was higher as compared to yarn sales. Overall, the Textile Division suffered from erratic power cuts, drastic increase in cotton prices, high cost of power & freight and low demand. The gist of performance of the textile products of the Company, during the financial year 2008-2009 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.) |
| 2008-2009 | 112.91 | 117.03 | 37.07 | 36.52 | 38.01 | 124.81 |
| 2007-2008 | 99.58 | 105.19 | 37.04 | 50.20 | 50.14 | 114.71 |
| Change | (+) 13.39% | (+) 11.26% | (+) 0.08% | (-) 27.25% | (-) 24.19% | (+) 8.80% |

Outlook :

The profitability of the textile division will depend upon availability of domestic cotton of good quality at remunerative price and also the Yarn prices remaining remunerative. It is also expected that the power supply from State grid may improve during the current year which in turn will lead to better working results for the division. The completion and implementation of the Expansion cum Modernisation Plan is also expected to result in better quality products at lower costs. As far as force field factors are concerned, international markets like USA and Europe are expected to improve and in India, budgetary allocations from Central Government towards TUFS are expected to be enhanced.

Risk and Concerns :

The performance of the industry is largely dependent on global market situation and Central Government policy. Other areas of concern are rupee fluctuations, slow utilization of accumulated CENVAT credits and pendency in disbursement of TUFS subsidies.

Discussion on the Financial Performance with respect to the Operational Performance :

During the year, the financial performance of the Textile Division was severely affected by the poor demand in International Markets like USA and Europe, which led to decline in both export and domestic yarn sales. During the year, the Cotton prices have shown an increasing trend due to higher exports coupled with increase in MSP, which also affected the financial health of the division. Further, frequent dislocation of power supply had its adverse impact on the performance of the textile division. Hence profitability from the textile division has been lower compared to last year. During the year, the division managed a cash profit of Rs. 76 lacs as against Rs. 571 lacs in the previous year.

Tea Division*Industry Structure and Developments:*

Tea is indigenous to India and is an area where the country can take a lot of pride. This is mainly because of its pre-eminence as a foreign exchange earner and its contributions to the country's GNP. India is also the largest tea consuming country in the world and the domestic consumption is gradually increasing due to increasing population, increasing urbanization, increase in income and standard of living.

Opportunities and Threats :

The various initiatives taken by the Government/Tea Board, including promotional support to Exporters for participating in Exhibitions, setting up of Special Purpose Tea Fund, undertaking brand building exercise, providing incentives in the form of subsidies etc, are likely to benefit the Industry in long term. Promotional Programs undertaken by Tea Board of India are also likely to benefit the industry in long term.

Management Discussion & Analysis Report (Contd.)

Even though the year under review and the current year so far have been satisfying, there are many imponderables like the unfavourable global demand-supply scenario, competition in export markets and imports from low-cost countries.

Product-wise Performance :

During the year under review, the production of green tea leaves of Ananda Tea Estate was 67.20 lac kgs as compared to previous year of 71.47 lac kgs. This reduction was mainly on account of inclement weather conditions and uprooting of tea areas for replantation. The Company continued to exploit the opportunities of processing outsourced green tea leaves. During the year, tea prices remained strong on the back of good internal demand for quality teas. The average realisation of the tea sold by the Company was about 30% higher as compared to the previous year. The gist of performance of the division during the financial year 2008-2009 is as under :

| Black Tea | | | |
|------------|----------------------|-----------------|-----------------------------------|
| | Production (Lac Kgs) | Sales (Lac Kgs) | Average Realisation (Rs. Per Kg.) |
| 2008-2009 | 20.32 | 20.39 | 121.47 |
| 2007-2008 | 20.60 | 20.25 | 93.53 |
| Change (%) | (-) 1.36% | (+) 0.69% | (+) 29.87% |

Outlook :

Production of tea in India is expected to be lower in the current year and therefore tea prices are expected to remain strong. The Division is expected to maintain both quality and quantity, resulting in satisfactory profitability.

Risks & Concerns :

Besides climatic conditions, price blends, the strategy of bought leaf factories, import of tea for re-export, poor irrigation facilities and Government policies 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 has resulted into achieving higher profitability. Considering the overall scenario of the Industry, the performance of the Division appears to be satisfactory.

Internal Control Systems and their Adequacy :

The working systems of the Company have been designed in such ways that have in-built internal checks at different levels. In addition to the Management Audit, Internal Auditors of both divisions furnish their reports at regular intervals and their reports are discussed at the Meetings of the Audit Committee and necessary steps are taken thereon. In the opinion of the management, the existing internal checks & controls are adequate.

Information regarding Human Resources/Industrial Relations :

The relationships were cordial throughout the year at both the divisions. The total number of manpower employed by the Textile & Tea Division as on 31st March, 2009 were 788 & 1218 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 11th day of May, 2009

ADARSH KANORIA
Chairman

REPORT ON CORPORATE GOVERNANCE(Forming part of Directors' Report for the financial year ended 31st March, 2009)**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 DirectorsComposition, Attendance & Information of other Directorships/Committee Memberships

The Board of Directors comprises of five members consisting of three independent non-executive directors having experience in business, finance etc. The attendance during the financial year 2008-2009 and composition of the Board of Directors is as under:

| Name of the Director | Category | No. of other Directorships* | No. of other Board Committee(s)** in which he is | | Attendance at last AGM held on 05.07.2008 | Attendance at Board Meetings |
|-------------------------|---------------------------|---|--|----------|---|------------------------------|
| | | | Member | Chairman | | |
| Mr. Adarsh Kanoria | Promoter Executive | 4 | - | - | Yes | 5 |
| Mr. Radhe Shyam Saraogi | Executive | - | - | - | No | 2 |
| Mr. Golam Momem | Independent-Non-Executive | 12 | 12 | 1 | Yes | 3 |
| Mr. Dharendra Kumar | - do - | 12 | 2 | - | Yes | 4 |
| Mr. Samveg A. Lalbhai | - do - | 10 | 2 | 2 | No | 1 |
| Mr. Supriya Gupta | - do - | Ceased to be a Director w.e.f. 07.02.2009 | | | 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 2008-2009, the Board of Directors met five times on the following dates: 05.05.2008, 25.07.2008, 25.10.2008, 30.01.2009 and 16.03.2009.

Information about the Directors seeking re-appointment

Mr. Golam Momen, a Bachelor of Arts, aged about 76 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. 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 also holds the Directorships/Committee Memberships of the following other companies:

| Sl. No. | Name of the Company | Committee Membership |
|---------|---|---|
| 1. | Apeejay Tea Limited | 1. Audit Committee 2. Share sub-division Committee |
| 2. | Baghmari Tea Company Limited | - |
| 3. | Digjam Limited (Formerly Birla VXL Limited) | 1. Audit Committee 2. Remuneration Committee |
| 4. | Dover Tea (Private) Limited | - |
| 5. | Empire & Singlo Tea Limited | 1. Remuneration Committee |
| 6. | Harrisons Malayalam Limited | 1. Remuneration Committee |
| 7. | Kanco Enterprises Limited | 1. Audit Committee 2. Share Transfer Committee 3. Shareholders/Investors Grievance Committee 4. Remuneration Committee |
| 8. | Scottish Assam (India) Limited | 1. 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 | 1. Shareholders/Investors Grievance Committee |

3. Audit CommitteeTerms 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

2. Recommendation in respect of appointment, re-appointment and removal of statutory & 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. Supriya Gupta (Chairman) (ceased w.e.f. 07.02.2009) | Independent - Non-Executive | 3 | 05.05.2008 |
| Mr. Golam Momen | - do - | 3 | 25.07.2008 |
| Mr. Dharendra Kumar | - do - | 4 | 25.10.2008 |
| Mr. Samveg A. Lalbhai (Inducted w.e.f. 16.03.2009) | - do - | - | 30.01.2009 |

4. Remuneration CommitteeTerms 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.

Composition, Meeting & Attendance

| Name of the Members | Category | Dates on which Meeting held |
|---|------------------------------|--|
| Mr. Supriya Gupta (Chairman) (ceased w.e.f. 07.02.2009) | Independent - Non- Executive | The meeting of Remuneration Committee was not required to be held during the year under review |
| Mr. Golam Momen | - do - | |
| Mr. Dharendra Kumar | - do - | |
| Mr. Samveg A. Lalbhai (Inducted w.e.f. 16.03.2009) | - do - | |

Remuneration Policy

The Non-Executive Directors are being remunerated by way of fees of Rs. 5,000/- for attending each meeting of Board and Rs. 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 2008-2009 and other disclosures

| Name of the Director | Salary (Rs.) | Benefits (Rs.) | Contribution to PF, Gratuity and other Funds (Rs.) | Meeting Fees (Rs.) | Service Contract/ Tenure | Notice Period | Number of Shares held |
|-------------------------|--------------|----------------|--|--------------------|--------------------------|---------------|-----------------------|
| Mr. Adarsh Kanoria | 3000000/- | 487636/- | 445181/- | - | 01-01-2008 to 31-12-2010 | 3 Months* | 534524 |
| Mr. Radhe Shyam Saraogi | 900000/- | 373711/- | 286269/- | - | 01-01-2008 to 31-12-2010 | 3 Months* | - |
| Mr. Golam Momen | - | - | - | 27000/- | NA | NA | 750 |
| Mr. Supriya Gupta | - | - | - | 24000/- | NA | NA | - |
| Mr. Dharendra Kumar | - | - | - | 32000/- | NA | NA | - |
| Mr. Samveg A. Lalbhai | - | - | - | 11000/- | 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. Nitin Bagaria, Company Secretary**, is the Compliance Officer of the Company. The Company received 13 complaints during the financial year 2008-2009, which were resolved /replied to the satisfaction of the shareholders within due time. No complaint was pending as on 31st March, 2009.

REPORT ON CORPORATE GOVERNANCE (Contd.)**6. General Body Meetings**

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

| | Date of Meeting | Venue | Time |
|----------|-----------------|---|------------|
| 23rd AGM | 22.07.2006 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |
| 24th AGM | 23.06.2007 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |
| 25th AGM | 05.07.2008 | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 | 10.30 A.M. |

The Shareholders passed the Special Resolutions set out in the respective notices of the 23rd and 24th AGMs. No Special Resolution was proposed in 25th 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.

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, 2009, are as under:

Mandatory requirements

| Sl. No. | Particulars of Compliance in respect of applicable 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 three 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 /Kalantar" 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 | : | Monday, 27 th day July, 2009 |
| | | Time | : | 10.30 A.M. |
| | | Venue | : | Kalakunj, 48, Shakespeare Sarani, Kolkata 700 017 |
| Financial Year | : | | : | 1 st April 2008 to 31 st March, 2009 |
| Date of Book Closure | : | | : | 20 th July, 2009 to 27 th July, 2009 (Both days inclusive) |
| Dividend Payment Date | : | | : | After 27 th July 2009 but before 26 th August 2009 if declared 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 2009-2010.

Market Price Data and Number of Shares traded at Bombay Stock Exchange Ltd during the Financial Year 2008-2009

| | April | May | June | July | August | September | October | November | December | January | February | March |
|--------|-------|--------|-------|-------|--------|-----------|---------|----------|----------|---------|----------|--------|
| High | 25.00 | 28.95 | 23.50 | 21.65 | 21.60 | 21.15 | 15.55 | 14.80 | 16.00 | 17.40 | 17.50 | 18.10 |
| Low | 19.20 | 21.75 | 17.65 | 16.70 | 17.05 | 13.75 | 9.05 | 11.40 | 11.01 | 12.14 | 13.05 | 13.60 |
| Volume | 87834 | 268707 | 59488 | 56563 | 46937 | 83197 | 37231 | 61994 | 35050 | 29962 | 24799 | 109785 |

REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | | |
|---|------------|------------|------------|
| <i>Performance in comparison to broad based indices :</i> | 31.03.2009 | 31.03.2008 | Change (%) |
| Share prices of BTFL (Rs.) | 17.35 | 20.55 | (-) 15.57% |
| V/s BSE Sensex | 9708.50 | 15644.44 | (-) 37.94% |

Registrar & Share Transfer Agents : C.B.Management Services (P) Ltd., P-22, Bondel Road, Kolkata 700 019
Tel No. 2280-6692/93/94, Fax No. 2287-0263
E-mail: cbmsl1@cal2.vsnl.net.in

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

Distribution of Shareholding as on 31st March, 2009

| Sl. No. | Category of Shareholders (No. of Shares Held) | Number of Shareholders | Percentage of Shareholders | Number of Shares Held | Percentage of Holding |
|---------|--|---------------------------|-------------------------------|--------------------------|--------------------------|
| 1 | Upto 50 | 10899 | 76.19 | 525596 | 5.84 |
| 2 | 51 - 100 | 1403 | 9.81 | 132793 | 1.47 |
| 3 | 101 - 500 | 1476 | 10.32 | 390565 | 4.34 |
| 4 | 501 - 1000 | 301 | 2.10 | 244197 | 2.71 |
| 5 | 1001 - 2000 | 118 | 0.82 | 179800 | 2.00 |
| 6 | 2001 - 3000 | 32 | 0.22 | 83347 | 0.92 |
| 7 | 3001 - 4000 | 11 | 0.08 | 38946 | 0.43 |
| 8 | 4001 - 5000 | 16 | 0.11 | 74645 | 0.83 |
| 9 | 5001 - 10000 | 16 | 0.11 | 124103 | 1.38 |
| 10 | 10001 & above | 34 | 0.24 | 7211993 | 80.08 |
| | Total | 14306 | 100.00 | 9005985 | 100.00 |

Shareholding Pattern as on 31st March, 2009

| Sl. No. | Category | Number of Shares held | Percentage of Shareholding |
|---------|--|--------------------------|-------------------------------|
| | I PROMOTERS (constituting GROUP as per MRTP Act, 1969) | | |
| 1 | Mr. Adarsh Kanoria | 534524 | 5.93% |
| 2 | Mr. Basudeo Kanoria | 276250 | 3.07% |
| 3 | Mrs. Pushpa Devi Kanoria | 349335 | 3.88% |
| 4 | Mrs. Shubha Kabnorla | 449216 | 4.99% |
| 5 | Master Kushagra Kanoria | — | — |
| 6 | Miss Aanvi Kanoria | — | — |
| 7 | Master Varenva Kanoria | 270000 | 3.00% |
| 8 | Other Relatives/Individuals | — | — |
| 9 | Eskay Udyog Limited | 1023675 | 11.37% |
| 10 | Rydak Enterprises & Investment Limited | 1806720 | 20.06% |
| 11 | Samrat Industrial Resources Limited | 1833606 | 20.36% |
| 12 | Kanoria Exports Private Limited | — | — |
| 13 | Other Companies | — | — |
| 14 | Family/Charitable/Beneficial Trusts and HUFs' | — | -- |
| | Sub-total (I) | 6543326 | 72.66% |
| | II NON PROMOTERS | | |
| 1 | Institutional Investors (Financial Institutions, Insurance Companies, Banks, Mutual Funds etc) | 134432 | 1.49% |
| 2 | Body Corporates (other than above) | 304713 | 3.38% |
| 3 | Resident Public | 1988648 | 22.08% |
| 4 | NRIs' / Foreign Nationals | 6059 | 0.07% |
| 5 | The Official Trustee of West Bengal | 11520 | 0.13% |
| 6 | Clearing Members | 17287 | 0.19% |
| | Sub-total (II) | 2462659 | 27.34% |
| | Grand Total (I) + (II) | 9005985 | 100.00% |

REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | |
|--|---|---|
| <i>Dematerialisation & Liquidity of Shares</i> | : | 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 21.59% of the total equity shares have been dematerialised upto 31 st day of March, 2009. The shares are regularly traded at BSE. |
| <i>Outstanding GDR/ADR/Warrants or any Convertible instruments</i> | : | Nil |
| <i>Plant Locations</i> | : | Ananda Tea Estate, North Lakhimpur, Assam - 787 056 Asarwa Mills, Asarwa Road, Ahmedabad-380 016 |
| <i>Address for correspondence</i> | : | Share-related queries/correspondences Registrar & Share Transfer Agents – Address as above OR The Company Secretary Bengal Tea & Fabrics Limited Century Towers, 4 th 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

Kolkata
Dated, the 11th day of May, 2009ADARSH KANORIA
Chairman**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

Kolkata
Dated, the 11th day of May, 2009ADARSH KANORIA
Managing Director**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, 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

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 AccountantsP-21/22, Radhabazar Street,
Kolkata-700 001.
Dated the 11th day of May, 2009M.K. JAIN
Partner
Membership No 55048

ANNEXURE - " C"

PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A) OF THE COMPANIES ACT,1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

| Sl. No. | Name | Age (Years) | Designation/ Nature of Duties | Remuneration (Rupees) | Qualification | Experience (Years) | Date of Commencement of Employment | Last Employment |
|--|----------------|-------------|--|-----------------------|---|--------------------|------------------------------------|-----------------|
| A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR AND IN RECEIPT OF REMUNERATION AGGREGATING RS. 24,00,000/- OR MORE PER ANNUM. | | | | | | | | |
| 1. | Adarsh Kanoria | 42 | Chairman and Managing Director, Management (subject to control, direction and superintendence of Board of Directors) | 39,32,817/- | B.Com, Diploma in Case Studies from Harvard Business School, U.S.A. | 17 | 01.01.1992 | — |

Notes :-

- Remuneration includes Salary, Medical Insurance Premium, Personal Accident Insurance Premium, Contribution to Provident Fund and Gratuity Fund and Taxable Value of Perquisites.
- The above appointment is contractual.

For and on behalf of the Board

Kolkata
Dated, the 11th day of May, 2009

ADARSH KANORIA
Chairman

ANNEXURE - " D"

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, 2009

CONSERVATION OF ENERGY

Energy Conservation Measures taken:

The Company has taken following steps to conserve the energy:

- Commissioned new Boiler which is Energy efficient with considerable saving of fuel.
- Replaced all conventional tube lights and also installed new ones with Electronic ballasts to save power units.
- Installed new Condensate Recovery System in our Processing Department, thus effecting saving in water (up to 20,000 liters per day) and the R.O. process.
- During the year vertical Coal Fire Heater had been installed in the tea division of the Company.
As a result of (a) & (d) 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

- Installed new Back filters for exhaustion of Boiler flue gases to minimize the pollution level.
- The new imported machines for the Spinning Preparatory are provided with powerful suction thus maintaining dust free atmosphere especially at the blowroom and cards.
- Process flow modified at Processing to minimize the consumption of water, chemicals thus reducing the load on ETP.
- Automatic Waste Evacuation System with Fine filter in the Blowroom, Carding section, and for the Combers for clean working atmosphere.

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) | 9,87,950 | 10,57,220 | 3,34,33,770 | 3,92,48,070 |
| Total Amount (Rs.) | 57,22,239 | 60,21,037 | 14,90,63,910 | 14,80,83,729 |
| Rate / Unit (Rs.) | 5.79 | 5.70 | 4.46 | 3.77 |
| (b) Own Generation | | | | |
| (i) Through Diesel (units) | 3,97,583 | 4,16,636 | --- | --- |
| Unit per ltr. of Diesel | 3.37 | 3.42 | --- | --- |
| Cost/Unit (Rs.) | 9.72 | 9.08 | --- | --- |
| (ii) Through Furnace Oil Generator (units) | --- | --- | --- | 2,67,000 |
| Unit per ltr. of F. O. | --- | --- | --- | 3.95 |
| Cost/Unit (Rs.) | --- | --- | --- | 5.01 |
| 2. Coal (Specify quality and where used) | | | | |
| Quantity (Tones) | 1,638 | 1,477 | 6,879 | 10,298 |
| Total Cost (Rs.) | 72,41,546 | 46,11,933 | 1,93,43,516 | 2,37,69,266 |
| Average Rate (Rs.) | 4,422 | 3,122 | 2,812 | 2,308 |
| Quality : Dust Khasi, 4500 kilo calories / kg. Used in drier : Ash 40% to 60% and 30% to 35% | | | | |
| 3. Furnace Oil | | | | |
| Quantity (K. Ltr.) | 6.05 | 9.70 | --- | 67.60 |
| Total Amount (Rs.) | 1,58,120 | 2,17,000 | --- | 13,38,449 |
| Average Rate (Rs.) / K. Ltr. | 26,149 | 22,420 | --- | 19,787 |
| (B) CONSUMPTION PER UNIT OF PRODUCTION | | Unit | Current year | Previous year |
| (i) Black Tea | | Kg. | | |
| Electricity | | Unit | 0.68 | 0.72 |
| Furnace Oil | | Ltrs. | 0.003 | 0.005 |
| Coal (Quality as above) | | Kgs. | 0.81 | 0.72 |
| (ii) Yarn | | Kg. | | |
| Electricity | | Unit | 4.41 | 4.36 |
| Coal | | Kgs. | 0.54 | 0.82 |
| (iii) Cloth | | Mtr. | | |
| Electricity | | Unit | 0.81 | 0.90 |
| Coal | | Kgs. | 0.94 | 0.96 |

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) Significant improvement in yarn quality and fabric with the upgradation of the Spinning preparatory machines. (b) High value shirting fabrics with compact yarn. (c) Specialized functional finishes for Dress material and Shirting fabrics. (d) Optimisation of process parameters at Spinning, Weaving & Processing. |
| (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) Meeting the high quality requirements of Export and Domestic Market for yarn and Fabrics. (b) Better quality of fabric approved by the popular brands. (c) Saving of water and load on ETP. (d) Improvement in quality of yarn and fabric with minimum man power, saving power and cost of chemicals. |
| (3) Future plan of action | The Division wishes to continue the membership of Tea Research Association. | (a) To further install condensate water recovery system at the Sizing Section. (b) Full Automation of New Boiler control system with PLC and Invertor for fuel saving and better utilization. (c) New Stabilizer for the loomshed for controlled voltage and power saving. (d) Extensive Rain water harvesting system is planned. |

| | | 2008-2009 | 2007-2008 |
|---|-----|-----------|-----------|
| (4) Expenditure on R & D | | | |
| (a) Capital (Rs.) | Nil | --- | 1,61,431 |
| (b) Recurring (Rs.) | Nil | 17,44,334 | 18,28,050 |
| (c) Total (Rs.) | Nil | 17,44,334 | 19,89,481 |
| (d) Total R & D Expenditure as a percentage of total turnover | Nil | 0.17% | 0.19% |

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

| | TEA | TEXTILE |
|--|----------------|--|
| 1. Efforts, in brief, made towards technology absorption, adaptation & innovation. | Not Applicable | (a) Sophisticated Blow room with Automatic Bale plucker, contamination removal system and chute feeding. (b) Latest generation High production Carding machines, Draw frames and Combers. (c) One New FBC Boiler of 6 ton per hour capacity installed for consistent supply of steam. (d) New Vertical drying range with inverter drive. (e) Added two more compact yarn manufacturing system in two more Ring frames. |
| 2. Benefits derived as a result of above efforts | Not Applicable | (a) Superior quality yarn and fabric for Export and high quality conscious Customers in the Domestic Market. (b) Less manual operations and very high rate of output, Reduction of manpower would be achieved. (c) Consistent supply of Steam. (d) High value fabric for Customers in the higher brand RMG sector. |
| 3. There is no imported technology involved | | |

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year 2008-2009, the Company had contributed about Rs 12.24 Crores (net of outgo) to the exchequer in the form of valuable foreign exchange money.

| | (Amount in Rs. Lacs) | |
|------------------------------|----------------------|-----------|
| | 2008-2009 | 2007-2008 |
| 1. Foreign Exchange Earnings | 3053.80 | 3813.51 |
| 2. Foreign Exchange Outgo | 1,830.12 | 402.45 |

For and on behalf of the Board

Kolkata
Dated, the 11th day of May, 2009

ADARSH KANORIA
Chairman

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, 2009, as well as the annexed Profit & Loss Account and the Cash Flow Statement for the year ended 31st March, 2009, 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 2009, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2009 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, 2009.
 - 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

P-21/22, Radhabazar Street,
Kolkata-700 001.
Dated the 11th day of May, 2009

M. K. JAIN
Partner
Membership No 55048

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 3 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;
 - 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 ;

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

| Name of Statute | Nature of Dues | Period to which it pertains | Amount in Rs. (lacs) | Forum where dispute is pending |
|--------------------------------|---|-------------------------------|-------------------------------|--|
| 1. Gujarat Sales Tax Act, 1969 | Sales Tax | 1996-97 to 1997-98 | 15.09* | Gujarat Sales Tax Tribunal, Ahmedabad |
| 2. Central Sales Tax Act, 1956 | Central Sales Tax | 2005-06 | 0.35 | Dy. Comm. of Taxes (Appeals) Jorhat, Assam |
| 3. Employees State Insurance | Employees State Insurance | 2003-04 2004-05 2003-04 | 0.08 } ** 3.65 } 0.74 } | Industrial Court, Ahmedabad |
| 4. Service Tax Act, 1994 | Cenvat Credit on outward Transportation | 2004-05 to 2006-07 | 2.10*** | CESTAT, Ahmedabad |

* Rs . 15.09 lacs has been paid under protest.

** Rs . 0.93 lacs has been paid under protest.

*** Rs . 2.10 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 financial institutions and 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

P-21/22, Radhabazar Street,
Kolkata-700 001.
Dated the 11th day of May, 2009

M. K. JAIN
Partner
Membership No 55048

BALANCE SHEET as at 31st March, 2009

| | Schedule | As at 31st March, 2009 Amount in Rs. Lacs | | As at 31st March, 2008 Amount in Rs. Lacs | |
|---|----------|---|-----------------|---|-----------------|
| SOURCE OF FUNDS | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | A | 901.07 | | 901.07 | |
| Reserves & Surplus | B | <u>3665.43</u> | 4566.50 | <u>3590.43</u> | 4491.50 |
| Loan Funds | | | | | |
| Secured Loans | C | 6728.95 | | 5669.01 | |
| Unsecured Loans | D | <u>291.62</u> | 7020.57 | <u>111.26</u> | 5780.27 |
| Deferred Tax Liabilities (Net) (Refer Note No. 17 of Schedule 'R') | | | 82.25 | | 186.38 |
| TOTAL | | | <u>11669.32</u> | | <u>10458.15</u> |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross Block | E | 15096.82 | | 12766.38 | |
| Less : Depreciation | | <u>6471.62</u> | | <u>6604.42</u> | |
| | | 8625.20 | | 6161.96 | |
| Capital Work-in-Progress | | <u>260.80</u> | 8886.00 | <u>517.46</u> | 6679.42 |
| Investments | F | | 655.67 | | 232.23 |
| Current Assets, Loans and Advances | G | 3870.23 | | 5066.56 | |
| Less : Current Liabilities and Provisions | H | <u>1803.31</u> | | <u>1565.92</u> | |
| Net Current Assets | | | 2066.92 | | 3500.64 |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | I | | 60.73 | | 45.86 |
| TOTAL | | | <u>11669.32</u> | | <u>10458.15</u> |
| 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 : 11th day of May, 2009

| | |
|---------------------------------------|-------------------|
| A. KANORIA | Managing Director |
| D. KUMAR G. MOMEN S. A. LALBHAI | Directors |
| N. BAGARIA | Company Secretary |

PROFIT & LOSS ACCOUNT for the year ended 31st March, 2009

| | Schedule | For the year ended | For the year ended |
|--|----------|--------------------|--------------------|
| | | 31st March, 2009 | 31st March, 2008 |
| | | Amount in Rs. Lacs | Amount in Rs. Lacs |
| INCOME | | | |
| Sales & Operating Income | J | 12656.82 | 12680.05 |
| Closing Stock | | 807.07 | 1164.78 |
| Other Sources | K | 329.94 | 154.67 |
| | | <u>13793.83</u> | <u>13999.50</u> |
| EXPENDITURE | | | |
| Opening Stock | | 1164.78 | 1017.52 |
| Cotton, Polyester, Filament Yarn and Staple Fibre, etc Consumed | L | 5294.82 | 5669.26 |
| Cultivation and Manufacturing Expenses | M | 3228.89 | 3223.93 |
| Payments to and Provision for Employees | N | 1455.46 | 1398.73 |
| Selling and Distribution Expenses | O | 429.41 | 479.00 |
| Other Expenses | P | 865.99 | 730.51 |
| Interest & Finance Charges | Q | 445.46 | 450.04 |
| Depreciation | | 814.13 | 816.52 |
| Less : Transferred from Revaluation Reserve | | <u>15.61</u> | <u>17.40</u> |
| | | <u>798.52</u> | <u>799.12</u> |
| | | <u>13683.33</u> | <u>13768.11</u> |
| Profit for the year | | 110.50 | 231.39 |
| Less : Provision for Taxation | | 68.80 | 57.00 |
| Less : MAT Credit Entitlement | | <u>-</u> | <u>7.50</u> |
| | | <u>68.80</u> | <u>49.50</u> |
| Add : Excess Provision for Taxation for earlier year. | | (-) 1.52 | (-) 4.47 |
| Fringe Benefit Tax | | 4.06 | 4.18 |
| Provision for Deferred Taxation | | <u>(-) 104.13</u> | <u>33.40</u> |
| | | <u>143.29</u> | <u>82.61</u> |
| Profit After Tax | | 143.29 | 148.78 |
| Add : Balance Brought From Last Account | | 214.44 | 128.88 |
| | | <u>357.73</u> | <u>277.66</u> |
| Less : Proposed Dividend @Re 0.50 per share | | 45.03 | 54.04 |
| Less : Tax on Proposed Dividend | | <u>7.65</u> | <u>9.18</u> |
| Balance Carried to Balance Sheet | | <u>305.05</u> | <u>214.44</u> |
| Earning per Share (Basic & Diluted) (in Rs) | | 1.59 | 1.65 |
| (Refer Note No. 16 of Schedule 'R') | | | |

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 : 11th day of May, 2009

A. KANORIA Managing Director
D. KUMAR
G. MOMEN Directors
S. A. LALBHAI
N. BAGARIA Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

| SCHEDULE 'A' | As at 31st March, 2009 Amount in Rs. Lacs | As at 31st March, 2008 Amount in Rs. Lacs |
|--|---|---|
| SHARE CAPITAL | | |
| 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 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> |

| SCHEDULE 'B' | Amount in Rs. Lacs | | | |
|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|
| RESERVES AND SURPLUS | Balance as on 01.04.2008 | Additions | Deductions | Balance as on 31.03.2009 |
| Share Premium Account | 301.60 | - | - | 301.60 |
| General Reserve | 2562.67 | 6.53 | - | 2569.20 |
| Revaluation Reserve | 511.72 | - | 22.14 | 489.58 |
| Profit & Loss Account | 214.44 | 90.61 | - | 305.05 |
| | <u>3590.43</u> | <u>97.14</u> | <u>22.14</u> | <u>3665.43</u> |

SCHEDULE 'C'
SECURED LOANS

| | | | | |
|--|---------------|----------------|---------------|----------------|
| A. Term Loans from Financial Institutions under Project Finance Scheme | | | | |
| <u>Rupees Term Loans</u> | | | | |
| From Financial Institutions | | 64.00 | | 192.00 |
| From Banks | | 5430.50 | | 3899.32 |
| B. From Banks : | | | | |
| i) Punjab National Bank | | | | |
| a) Cash Credit | 152.83 | | 106.50 | |
| ii) State Bank of India | 152.83 | | 106.50 | |
| a) Cash Credit | 84.04 | | 253.64 | |
| b) Packing Credit | 596.18 | | 705.95 | |
| iii) Bank of India | 680.22 | | 959.59 | |
| a) Cash Credit | 37.60 | | 72.42 | |
| b) Packing Credit | 363.80 | | 346.58 | |
| c) Packing Credit in Foreign Currency | - | | 92.60 | |
| | <u>401.40</u> | <u>1234.45</u> | <u>511.60</u> | <u>1577.69</u> |
| | | <u>6728.95</u> | | <u>5669.01</u> |

Security in respect of each of the above is given in seriatim:-

- A. Secured against joint equitable mortgage of all immovable properties both present and future pertaining to Textile Division, ranking pari-passu inter se 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 the Bankers of the Company's Textile Division for Working Capital Facilities and guaranteed by the Managing Director.
- B i) Against hypothecation of green tea leaves, before and after plucking, tea in process, finished tea in stock/transit and/or lying with brokers relating to Season 2009-2010, book debts and equitable mortgage of immovable properties and machineries of Tea Estates as additional security and further guaranteed by the Managing Director.
- ii) & (iii) 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.

SCHEDULE 'D'
UNSECURED LOANS**Other Loans and Advances**

| | | |
|---|---------------|---------------|
| Short Term Loan From Banks Buyers Line Credit | 198.90 | - |
| Sales Tax Deferment under Government of Gujarat | | |
| New Sales Tax Incentive Scheme for Industries | 92.72 | 111.26 |
| | <u>291.62</u> | <u>111.26</u> |

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE 'E'
FIXED ASSETS**

(Amount in Rs. Lacs)

| Particulars | *GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------------------|---------------------|-----------------|-----------------------------|---------------------|--------------------|-----------|-------------|--------------------|--------------------|--------------------|
| | As at 31.03.2008 | Additions ** | Sales and/or Adjustments | As at 31.03.2009 | Upto 31.03.2008 | Additions | Adjustments | Upto 31.03.2009 | As at 31.3.2009 | As at 31.3.2008 |
| Land Freehold | 4.09 | - | - | 4.09 | - | - | - | - | 4.09 | 4.09 |
| Land Leasehold | 20.60 | - | 0.28 | 20.32 | - | - | - | - | 20.32 | 20.60 |
| Land & Plantation | 420.48 | 1.30 | - | 421.78 | - | - | - | - | 421.78 | 420.48 |
| Building & Water Supply Installation | 1670.01 | 461.96 | 10.58 | 2121.39 | 423.85 | 42.79 | 9.83 | 456.81 | 1664.58 | 1246.16 |
| Machinery & Electric Installation | 10238.11 | 2902.02 | 1042.10 | 12098.03 | 5915.46 | 735.40 | 914.84 | 5736.02 | 6362.01 | 4322.65 |
| Furniture & Fittings | 238.35 | 26.63 | 14.44 | 250.54 | 164.09 | 15.08 | 13.32 | 165.85 | 84.69 | 74.26 |
| Vehicles | 174.74 | 16.86 | 10.93 | 180.67 | 101.02 | 20.86 | 8.94 | 112.94 | 67.73 | 73.72 |
| Total | 12766.38 | 3408.77 | 1078.33 | 15096.82 | 6604.42 | 814.13 | 946.93 | 6471.62 | 8625.20 | 6161.96 |
| Previous Year | 12720.64 | 453.06 | 407.32 | 12766.38 | 6166.54 | 816.52 | 378.64 | 6604.42 | 6161.96 | 6554.10 |

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

** Additions are net of Rs 3.59 being Capital Subsidy on specific Processing Machinery receivable from Ministry of Textiles, Government of India and Rs. 11.21 being received from Tea Board under Quality Upgradation Scheme.

**SCHEDULE 'F'
INVESTMENTS****A) LONG TERM AT COST**

Other than Trade

Quoted

In Fully Paid up Equity Shares :

Samrat Industrial Resources Ltd.

Rydak Enterprises & Investment Ltd.

Cawnpore Sugar Works Ltd.

(Aggregate Market Value Rs. 9.00)

Previous Year Rs. 9.00)

Unquoted

In Fully Paid up Equity Shares

Kanoria Exports Private Ltd.

Total Long Term Investments

| | Face Value Rs. | Number | As at | As at |
|--|-------------------|--------|--|--|
| | | | 31st March, 2009 Amount in Rs. Lacs | 31st March, 2008 Amount in Rs. Lacs |
| | | | 4.03 | 4.03 |
| | | | 6.47 | 6.47 |
| | | | 0.52 | 0.52 |
| | | | 11.02 | 11.02 |
| | | | 1.08 | 1.08 |
| | | | 1.08 | 1.08 |
| | | | 12.10 | 12.10 |

B) CURRENT INVESTMENTS : UNQUOTED

| | Face Value Rs. | Units | | |
|--|-------------------|------------|--------|--------|
| Reliance Liquid Fund - Treasury Plan - Retail Option | | | | |
| - Growth Option - Growth Plan | 10 | - | - | 25.13 |
| (Sold 129551.879 Units) | | | | |
| Reliance Liquid Plus Fund-Retail Option - Growth Plan | 1000 | - | - | 50.00 |
| (Purchased 3592.029 Units and Sold 8191.204 Units) | | | | |
| Reliance Monthly Interval Fund-Series - I - Retail-Growth Plan | 10 | - | - | 120.00 |
| (Sold 1101918.256 Units) | | | | |
| Reliance Quarterly Interval Fund-Series III - Retail-Growth Plan | 10 | - | - | 25.00 |
| (Sold 234288.606 Units) | | | | |
| ICICI Prudential Flexible Income Plan - Growth Option | 10 | 945354.628 | 151.80 | -- |
| DBS Chola Freedom Income STP-Inst-Cumulative Org | 10 | 150196.357 | 21.04 | -- |
| Sundram BNP Paribas Ultra-ST Fund-Retail-Growth Option | 10 | 541751.625 | 63.00 | -- |
| SBI-SHF-Ultra Short Term Fund - Retail Growth Plan | 10 | 543565.724 | 61.39 | -- |
| JM Money Manager Fund Super Plus Plan - Growth Option | 10 | 171270.013 | 21.02 | -- |
| Reliance Income Fund Retail Plan - Growth Option | 10 | 290771.058 | 85.18 | -- |
| Birla Sunlife Income Plus - Growth Option | 10 | 221171.920 | 90.00 | -- |
| HDFC High Interest Fund - Growth | 10 | 230671.540 | 70.00 | -- |
| UTI Bond Fund - Growth | 10 | 110709.277 | 30.00 | -- |
| IDFC Dynamic Bond Fund Plan 'A' Growth | 10 | 162669.515 | 30.00 | -- |
| Sundaram BNP Paribas Bond Saver - Appreciation Option | 10 | 74875.638 | 20.14 | - |

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE 'F' (Contd.)**

| | Purchased | Sold | | |
|--|-------------|-------------|---------------|---------------|
| <u>Purchased and sold during the year -</u> | | | | |
| Reliance Liquid Plus Fund Retail Option-Weekly Dividend Plan | 12119.875 | 12119.875 | - | - |
| Reliance Liquid Plus Fund Institutional Option-Weekly Dividend Plan | 12137.593 | 12137.593 | - | - |
| Reliance Monthly Interval Fund Ser-1 Institution Growth | 1099274.230 | 1099274.230 | - | - |
| Reliance Fixed Horizon Fund VIII-Ser-11 Retail Growth Plan-91 days | 500000.000 | 500000.000 | - | - |
| Sundaram BNP Paribas FTP 90 Days Ser-6 Retail-Growth | 200000.000 | 200000.000 | - | - |
| DBS Chola Interval Income Fund QPC-Institutional-Cumulative | 191036.564 | 191036.564 | - | - |
| Canara Robeco FMP-3-Qtrly Plan-4-Retail-Growth | 200000.000 | 200000.000 | - | - |
| LIC MF Interval Fund Series-1 Qtrly-Growth | 194660.463 | 194660.463 | - | - |
| ABN AMRO Flexible Short Term Plan Series-A | 179443.009 | 179443.009 | - | - |
| Sundaram BNP Paribas Interval Fund Qtrly Plan-C-Retail-Growth | 187344.855 | 187344.855 | - | - |
| DBS Chola Fixed Maturity Plan Series 10-91 days (Qty-Plan-1)-Cumulative | 200000.000 | 200000.000 | - | - |
| JM Interval Fund Qtrly Plan-6-Institutional-Growth-Plan | 190903.451 | 190903.451 | - | - |
| Sundaram BNP Paribas Interval Fund Qtrly-Plan E-Retail-Growth | 404388.000 | 404388.000 | - | - |
| Reliance Fixed Horizon Fund X Ser-13 Super Institutional Plan Growth | 1700000.000 | 1700000.000 | - | - |
| UTI Fixed Income Interval Fund Series-II Qtr Interval Plan VI-Growth | 250000.000 | 250000.000 | - | - |
| Kotak Qtrly Interval Plan Ser-4-Growth | 233224.184 | 233224.184 | - | - |
| HDFC FMP 90D Sep 2008(IX) (1) Retail Growth | 500000.000 | 500000.000 | - | - |
| ICICI Prudential Interval Fund-Qtr Interval Plan-Institutional-cumulative | 250000.000 | 250000.000 | - | - |
| JM Fixed Maturity Fund-Series XII Quarterly Plan-3-Institutional-Growth | 150000.000 | 150000.000 | - | - |
| JM Interval Fund Qtrly Plan-1-Institutional-Growth | 232798.518 | 232798.518 | - | - |
| Sundaram BNP Paribas Fixed Interval Fund-Qtrly-Plan-B-Retail Growth | 227305.790 | 227305.790 | - | - |
| Sundaram BNP Paribas Fixed Term Plan-90 days-Series-9-Institutional-Growth | 200000.000 | 200000.000 | - | - |
| HDFC FMP 90D November 2008(X)(2) Retail Growth | 200000.000 | 200000.000 | - | - |
| HDFC FMP 90D November 2008(X)(3) Retail Growth | 500000.000 | 500000.000 | - | - |
| SBI Debt Fund Series-90 Days-32-Growth | 600000.000 | 600000.000 | - | - |
| DBS Chola FMP-Series 10-91 Days [Qtrly Plan III] Cumulative | 205410.000 | 205410.000 | - | - |
| Reliance Fixed Horizon Fund-XII Series 14-Super Institutional Growth Plan | 1000000.000 | 1000000.000 | - | - |
| Sundaram BNP Paribas Money Fund - Appreciation | 111776.179 | 111776.179 | - | - |
| Reliance Medium Term Fund-Retail Growth | 140939.559 | 140939.559 | - | - |
| HDFC Cash Management Fund Savings Plus Plan-Retail Growth | 242232.476 | 242232.476 | - | - |
| ICICI Prudential Income Plan Growth | 525542.497 | 525542.497 | - | - |
| Reliance Medium Term Fund-Retail-Growth | 568329.044 | 568329.044 | - | - |
| HDFC Cash Management-Treasury Advantage Plan Retail-Growth | 269769.527 | 269769.527 | - | - |
| Total Current Investments | | | <u>643.57</u> | <u>220.13</u> |
| | | | <u>655.67</u> | <u>232.23</u> |

SCHEDULE 'G'**CURRENT ASSETS, LOANS AND ADVANCES**

| | As at 31st March, 2009 | | As at 31st March, 2008 | |
|---|---------------------------|---------------|---------------------------|-----------------|
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Current Assets | | | | |
| <u>Stocks</u> | | | | |
| Stores, Spare Parts and Food Grains | 360.21 | | 382.05 | |
| Stores-in-Transit | 2.45 | | 2.94 | |
| Cotton, Polyester, Filament Yarn, Staple Fibre etc. | <u>1051.13</u> | 1413.79 | <u>1045.73</u> | 1430.72 |
| <u>Stock-in-Trade</u> | | | | |
| Finished Tea | 105.60 | | 105.40 | |
| Materials in Process | 571.72 | | 600.86 | |
| Yarn | 101.93 | | 283.33 | |
| Cloth | 8.64 | | 124.73 | |
| Waste | <u>19.18</u> | 807.07 | <u>50.46</u> | 1164.78 |
| (Per inventories taken, valued and certified by the Management) | | | | |
| <u>Sundry Debtors (Unsecured)</u> | | | | |
| Outstanding for a period exceeding six months | | | | |
| Considered Good | | 1.97 | | 1.18 |
| Considered Doubtful | 15.72 | | | 15.37 |
| Less : Provision made for Doubtful Debts | <u>(-)15.37</u> | 0.35 | | <u>(-)15.37</u> |
| Others - Considered Good | | <u>751.93</u> | | <u>951.80</u> |
| | | 754.25 | | 952.98 |
| <u>Cash and Postage-in-hand (Certified)</u> | | 5.52 | | 5.61 |
| <u>Balances with Scheduled Banks</u> | | | | |
| In Current Accounts | 33.45 | | 44.98 | |
| In Fixed Deposit Accounts | 36.47 | | 131.79 | |
| (Lodged with Banks) | | | | |
| In Unpaid Dividend and Refund Account | 4.75 | | - | |
| Interest Accrued but not due | <u>1.95</u> | 76.62 | <u>1.11</u> | 177.88 |

SCHEDULES FORMING PART OF THE BALANCE SHEET**SCHEDULE 'G' (Contd.)**

| | As at 31st March, 2009 Amount in Rs. Lacs | | As at 31st March, 2008 Amount in Rs. Lacs | |
|---|---|----------------|---|----------------|
| Loans and Advances (Unsecured) | | | | |
| Advances Recoverable in Cash or in Kind or for value to be received | | | | |
| - Considered Good | 495.55 | | 948.25 | |
| - Considered Doubtful | | 0.13 | | 0.13 |
| Less : Provision made for Doubtful Advances | | (-0.13) | | (-)0.13 |
| Balance with Excise / Govt. Departments | 149.60 | | 171.70 | |
| Deposits (Including Rs. 2.46 with NABARD under Tea Development Scheme) | 59.46 | | 96.19 | |
| MAT Credit Entitlement | 71.75 | | 97.54 | |
| Income Tax Refundable | 5.50 | | 5.79 | |
| Advance Payment of Tax (Net of Provision) | 9.16 | | (-)1.00 | |
| Advance Payment of Fringe Benefit Tax (Net of Provision) | 0.37 | | 0.37 | |
| Tax Deducted at Sources | 21.59 | 812.98 | 15.75 | 1334.59 |
| | | <u>3870.23</u> | | <u>5066.56</u> |

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')

ii) Others

Interest accrued but not due on Secured Loans

Advance against Consignment

Sundry Deposits

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

(b) Unpaid Right Issue Refund Account

(c) Unpaid Matured Deposits

(d) Interest accrued on Matured Deposits

Provisions

For Proposed Dividend

For Tax on Proposed Dividend

SCHEDULE 'I'**MISCELLANEOUS EXPENDITURE**

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

VRS Compensation Deferred

Unexpired Premium on Term Loans

Share Issue Expenses

SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT**SCHEDULE 'J'****SALES & OPERATING INCOME**

Sales : (Gross)

Finished Loose Tea

Packet Tea

Cloth, Yarn & Waste

Less : Excise Duty

Sales (Net)

Yarn Job Work Receipts

(Tax deducted Rs. 0.07 Previous Year 0.39)

Export Incentives :

Duty Draw Back

DEPB

Profit on Tea Seed (Refer Note No. 8 of Schedule 'R')

| | Figures for the Current Year Amount in Rs. Lacs | | Figures for the Previous Year Amount in Rs. Lacs | |
|----------|---|----------|--|--|
| 2436.11 | | 1874.02 | | |
| 40.23 | | 19.94 | | |
| 10065.06 | 12541.40 | 10588.48 | 12482.44 | |
| | (-)15.60 | | (-)14.72 | |
| | 12525.80 | | 12467.72 | |
| | 2.86 | | 16.26 | |
| 116.52 | | 30.48 | | |
| 9.24 | 125.76 | 162.63 | 193.11 | |
| | 2.40 | | 2.96 | |
| | <u>12656.82</u> | | <u>12680.05</u> | |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT**SCHEDULE `K`
OTHER SOURCES**

| | Figures for the Current year | | Figures for the Previous year | |
|--|---------------------------------|---------------|----------------------------------|---------------|
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Interest (Gross) (Tax Deducted Rs. 1.87) (Previous Year Rs. 2.42) | | | | |
| On Fixed Deposit with Banks | 4.68 | | 6.48 | |
| From Others | 10.47 | 15.15 | 7.41 | 13.89 |
| Rent (Gross) (Tax Deducted Rs. 9.71) (Previous Year Rs. 6.83) | | 40.09 | | 28.62 |
| Dividend | | 0.61 | | – |
| Replanting Subsidy | | 4.82 | | – |
| Miscellaneous Receipts | | 98.41 | | 77.48 |
| Profit on sale of Fixed Assets (Net) | | 129.52 | | 30.56 |
| Profit on sale of Investments (Net) | | 36.81 | | 0.13 |
| Excess Depreciation for earlier years written back | | 0.77 | | 3.88 |
| Adjustment relating to previous year (Net) | | 3.76 | | 0.11 |
| | | <u>329.94</u> | | <u>154.67</u> |

**SCHEDULE `L`
COTTON, POLYESTER, FILAMENT YARN
STAPLE FIBRE ETC. CONSUMED**

| | | | | |
|------------------------|--|----------------|--|----------------|
| Stocks at Commencement | | 1045.74 | | 1564.06 |
| Purchases | | 5280.75 | | 5024.94 |
| | | <u>6326.49</u> | | <u>6589.00</u> |
| Less : Stocks at Close | | 1051.13 | | 1045.74 |
| | | <u>5275.36</u> | | <u>5543.26</u> |
| Cloth Purchased | | 19.46 | | 126.00 |
| | | <u>5294.82</u> | | <u>5669.26</u> |

**SCHEDULE `M`
CULTIVATION AND MANUFACTURING EXPENSES**

| | | | | |
|---|--|----------------|--|----------------|
| Cultivation Expenses | | 166.78 | | 149.53 |
| Manufacturing Expenses (Including Purchase of Green Tea Leaves Rs. 247.45) (Previous year Rs. 205.38) | | 462.16 | | 412.07 |
| Purchase of Black Tea | | 23.48 | | 12.14 |
| Power & Fuel | | 1869.17 | | 1894.00 |
| Stores and Spares Consumed | | 678.13 | | 728.73 |
| Tea Chest, Pouches and Gunny Bags | | 29.17 | | 27.46 |
| | | <u>3228.89</u> | | <u>3223.93</u> |

**SCHEDULE `N`
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

| | | | | |
|---|--|----------------|--|----------------|
| Salaries, Wages, Bonus etc [Including Proportionate Deferred Revenue Expenditure VRS Compensation Rs. 52.60 (Previous Year Rs. 23.38) Provision for Bonus Rs. 112.15 and Short Provision of Bonus for earlier year Rs. 20.30] | | 1113.23 | | 1053.14 |
| Contribution to Provident and Other Funds | | 222.63 | | 235.98 |
| Workmen & Staff Welfare Expenses | | 119.60 | | 109.61 |
| | | <u>1455.46</u> | | <u>1398.73</u> |

**SCHEDULE `O`
SELLING AND DISTRIBUTION EXPENSES**

| | | | | |
|--|--------|---------------|--------|---------------|
| Freight & Other Sale Charges | | 239.90 | | 281.30 |
| Brokerage, Commission and Discount on Sales To Selling Agents | 78.77 | | 62.06 | |
| To Others | 110.74 | 189.51 | 135.64 | 197.70 |
| | | <u>429.41</u> | | <u>479.00</u> |

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

| SCHEDULE `P` OTHER EXPENSES | Figures for the Current year | | Figures for the Previous year | |
|--|---------------------------------|---------------|----------------------------------|---------------|
| | Amount in Rs. Lacs | | Amount in Rs. Lacs | |
| Rent | | 6.89 | | 6.94 |
| Insurance Charges | | 15.65 | | 23.85 |
| Rates & Taxes | | 60.12 | | 53.60 |
| Transport & Maintenance | | 44.14 | | 42.56 |
| Hank Yarn Obligation Quota Purchased | | 0.66 | | 0.84 |
| Miscellaneous Expenses | | 298.32 | | 289.49 |
| Repairs : | | | | |
| Machinery | 224.55 | | 227.20 | |
| Building | 33.67 | | 47.74 | |
| Others | 10.17 | 268.39 | 11.58 | 286.52 |
| Remuneration to the Directors (Refer Note No. 11 of Schedule 'R') | | 39.00 | | 23.25 |
| Directors Fees | | 0.94 | | 1.16 |
| Loss/Profit on Foreign Exchange Fluctuations (Net) | | 127.53 | | -2.05 |
| Share Issue Expenses Written Off | | 4.07 | | 4.07 |
| Amount Written off against Leasehold Land | | 0.28 | | 0.28 |
| | | <u>865.99</u> | | <u>730.51</u> |

**SCHEDULE `Q`
INTEREST & FINANCE CHARGES**

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Interest : On Fixed Loans and Deposits | 266.82 | | 252.19 | |
| Others | <u>134.65</u> | 401.47 | <u>135.41</u> | 387.60 |
| Discounting Charges | | 34.57 | | 45.87 |
| Unexpired Premium on Term Loan amortised | | 9.42 | | 16.57 |
| | | <u>445.46</u> | | <u>450.04</u> |

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE `R`
NOTES ON ACCOUNTS**

(Amount in Rs. Lacs)

| | As at 31.03.2009 | As at 31.03.2008 |
|---|---------------------|---------------------|
| 1) Contingent Liabilities not provided for : | | |
| (a) Claims against the Company not acknowledged as debts | 20.21 | 21.62 |
| (b) Bills Discounted | 433.02 | 829.58 |
| Since Realised | 42.63 | 129.94 |
| (c) Disputed Sales Tax Demands including interest and Penalty under appeal | 15.44 | 21.44 |
| 2) Estimated amount of contracts remaining to be executed on Capital Account but not provided for Rs. 192.09 (Previous year Rs. 2140.49) | | |
| 3) Total Salaries, Wages, Bonus and Gratuity amounted to Rs. 1408.94 (Previous year Rs. 1356.67) | | |
| 4) Profit or Loss on Sale of Stores remains adjusted in Stores Consumed Account and is not shown separately. | | |
| 5) Miscellaneous Expenses includes payment (including service tax) to Auditors is as under :- | | |
| | <u>2008-2009</u> | <u>2007-2008</u> |
| | <u>Rs. in Lacs</u> | <u>Rs. in Lacs</u> |
| (i) Statutory & Branch Auditors : | | |
| As Auditors (including Rs. 1.38 to Branch Auditors) | 2.04 | 2.08 |
| For Taxation Matters | 0.48 | 0.48 |
| For Other Matters (including reimbursement of expenses) | 1.19 | 1.31 |
| | <u>3.71</u> | <u>3.87</u> |
| (ii) Cost Auditors : | | |
| Cost Audit Fees | 0.34 | 0.39 |
| For Other Matters (including reimbursement of expenses) | 0.02 | 0.02 |
| | <u>0.36</u> | <u>0.41</u> |
| 6) Sundry Creditors do not include any amount due from any vendor covered under Micro, Small and Medium Enterprises Development Act, 2006 as per information available with the Management. | | |

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd.)**

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. 5.76 (Previous Year Rs. Nil).

| 8) The details of profit on Tea Seed : | Qty (Units) | Rs. in Lacs |
|--|-------------|-------------|
| Manufactures/Purchased | 430 | 18.14 |
| Less : Sold | 430 | 20.54 |
| Profit | | <u>2.40</u> |

9) Additions to Fixed Assets includes capitalisation of borrowing cost of Rs. 146.80 (Net of Interest received under TUFs Rs. 68.81).

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

(A) Licensed & installed Capacity and Actual Production (Amount in Rs. Lacs)

| Class of Goods | LICENSED CAPACITY | | INSTALLED CAPACITY | | ACTUAL PRODUCTION* | |
|--------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|-------------------------------------|-----------------------------------|
| | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 | 2008-2009 | 2007-2008 |
| Black Tea | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 20,32,137 Kgs | 20,59,624 Kgs |
| Green Tea Leaves | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 67,19,710 Kgs | 71,47,188 Kgs |
| Cloth (Including Knitted Fabrics) | 692 Looms | 692 Looms | 94 Looms | 72 Looms | 1,12,90,733 Mtrs (At Grey Stage) | 99,58,163 Mtrs (At Grey Stage) |
| Yarn | 50,224 Spindles** 6,536 Rotors** | 50,224 Spindles** 6,536 Rotors** | 47,616 Spindles/ Rotors | 47,616 Spindles/ Rotors | 36,51,634 Kgs. (Saleable) | 50,20,324 Kgs (Saleable) |

* Production Quantity in Gross(Waste,Gratis, etc not excluded.) Yarn Sample 133 Kgs (Previous Year 102 Kgs)

** 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 | | | |
|----------------|-------|---------------|--------|-----------|--------|---------------|--------|-----------|--------|
| | | 2008-2009 | | 2007-2008 | | 2008-2009 | | 2007-2008 | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Black Tea | Kgs. | 96,204 | 105.40 | 89,179 | 88.28 | 84,986 | 105.60 | 96,204 | 105.40 |
| Cloth | Mtrs. | 2,66,746 | 124.73 | 53,631 | 20.97 | 17,778 | 8.64 | 2,66,746 | 124.73 |
| Yarn | Kgs. | 2,43,449 | 283.33 | 2,37,517 | 280.91 | 93,975 | 101.93 | 2,43,449 | 283.33 |
| | | | 513.46 | | 390.16 | | 216.17 | | 513.46 |

(C) Particulars in respect of Purchases and Sales :

| Class of Goods | Unit | PURCHASES | | | | SALES (NET OF EXCISE DUTY) | | | |
|------------------|-------|-----------|--------|-----------|--------|----------------------------|----------|-------------|----------|
| | | 2008-2009 | | 2007-2008 | | 2008-2009 | | 2007-2008 | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Black Tea | Kgs. | 24,210 | 23.48 | 16,204 | 12.14 | 20,38,640 | 2476.34 | 20,24,580 | 1893.96 |
| Green Tea Leaves | Kgs. | 20,83,504 | 247.45 | 19,29,842 | 205.38 | - | - | - | - |
| Cloth | Mtrs. | 61,699 | 19.46 | 2,93,057 | 126.00 | 1,17,03,161 | 4338.00 | 1,05,19,270 | 3896.82 |
| Yarn | Kgs. | Nil | Nil | Nil | Nil | 38,00,975 | 4744.07 | 50,14,290 | 5751.73 |
| Others | | Nil | Nil | Nil | Nil | | 967.39 | | 925.21 |
| | | | 290.39 | | 343.52 | | 12525.80 | | 12467.72 |

(D) Details of Raw Materials Consumed :

(Amount in Rs. Lacs)

| Class of Goods | Unit | 2008-2009 | | 2007-2008 | |
|---|---------|-----------|---------|-----------|---------|
| | | Quantity | Amount | Quantity | Amount |
| Cotton | M. Tons | 7,293 | 4650.42 | 8,697 | 4916.46 |
| Polyester Fibre | M. Tons | 796 | 506.35 | 847 | 562.63 |
| Staple Fibre, Polyester Filament Yarn, etc. | M. Tons | 75 | 106.57 | 40 | 43.93 |
| Others | | | 12.02 | | 20.24 |
| | | | 5275.36 | | 5543.26 |

Note -

Green Tea Leaves Consumed (Raw Materials) 88,03,214 Kgs (90,77,030 Kgs.) of which 20,83,504 Kgs. Purchased (value Rs. 247.45)

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd)****(E) Value of Raw Materials, Spare Parts and Components Consumed :**

| | RAW MATERIALS | | | | SPARE PARTS & COMPONENTS | | | |
|------------|---------------|--------|-----------|--------|--------------------------|--------|-----------|--------|
| | 2008-2009 | | 2007-2008 | | 2008-2009 | | 2007-2008 | |
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| Imported | - | - | - | - | 40.80 | 20.80 | 26.10 | 12.62 |
| Indigenous | 5275.36 | 100.00 | 5543.26 | 100.00 | 155.35 | 79.20 | 180.76 | 87.38 |
| | 5275.36 | 100.00 | 5543.26 | 100.00 | 196.15 | 100.00 | 206.86 | 100.00 |

| | 2008-2009 Amount in Rs. Lacs | 2007-2008 Amount in Rs. Lacs |
|---|---------------------------------|---------------------------------|
| (F) Value of Imports on C.I.F. Basis : | | |
| Spare Parts & Components | 26.34 | 41.28 |
| Capital Goods | 1735.99 | 297.72 |
| | <u>1762.33</u> | <u>339.00</u> |
| (G) Expenditure in Foreign Currency : | | |
| Travelling Expenses | 42.04 | 28.76 |
| Bank Charges | 7.66 | 7.70 |
| Commission on Sales | 16.90 | 24.74 |
| Others | 1.19 | 2.25 |
| | <u>67.79</u> | <u>63.45</u> |
| (H) Earnings in Foreign Currency : | | |
| F.O.B. Value of Exports | | |
| Direct | 2365.92 | 3348.38 |
| Through Export House | 609.13 | 366.75 |
| (Certified by the Management) | <u>2975.05</u> | <u>3715.13</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 :

| | 2008-2009 | 2007-2008 |
|---|---------------|---------------|
| Profit as per Profit & Loss Account | 110.50 | 231.39 |
| Add : Directors' Remuneration | 54.93 | 39.63 |
| Directors' Fees | 0.94 | 1.16 |
| Net Profit for the purpose of Computation of Remuneration | <u>166.37</u> | <u>272.18</u> |

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

| Directors' Remuneration | 2008-2009 | 2007-2008 |
|--|--------------|--------------|
| Salary | 39.00 | 23.25 |
| Contribution to Provident, Superannuation and Gratuity Funds | 7.32 | 9.88 |
| Other Benefits | 8.61 | 6.50 |
| | <u>54.93</u> | <u>39.63</u> |

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

a. Defined Contribution Plans:

Amount of Rs.164.81 (Previous Year Rs.175.69) 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:

i. Defined Benefit Obligation:

Reconciliation of opening and closing balances of Present Value of the Defined Benefit Obligation. (Amount in Rs. Lacs)

| | Gratuity | |
|---|---------------|---------------|
| | 2008-2009 | 2007-2008 |
| a. Present value of Defined Benefit Obligation at the beginning of the year | 657.07 | 583.55 |
| b. Interest cost | 50.41 | 45.78 |
| c. Current service cost | 40.35 | 35.30 |
| d. Actuarial Losses / (Gains) | 24.74 | 30.72 |
| e. Benefits paid | 88.20 | 38.28 |
| f. Present value of Defined Benefit Obligation at the close of the year | <u>684.37</u> | <u>657.07</u> |

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd)**

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

| | Gratuity | |
|---|-----------|-----------|
| | 2008-2009 | 2007-2008 |
| a. Fair value of Plan Assets at the beginning of the year | 662.78 | 617.90 |
| b. Add : Expected return on Plan Assets | 61.29 | 55.40 |
| c. Add / (Less) : Actuarial Losses / (Gains) | (-)3.61 | (-)3.89 |
| d. Add : Contributions | 41.65 | 31.65 |
| e. Less : Benefits Paid | 88.20 | 38.28 |
| f. Fair value of Plan Assets at the close of the year | 673.91 | 662.78 |
| Actual Return on Plan Assets | 57.63 | 51.51 |

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 | |
|--|-----------|-----------|
| | 2008-2009 | 2007-2008 |
| a. Present value of Defined Benefit obligation | 684.37 | 657.07 |
| b. Less : Fair value of Plan Assets | 673.91 | 662.78 |
| c. Present value of unfunded obligation | 10.46 | (-)5.71 |
| d. Net Liability / (Asset) recognised in the Balance Sheet | 10.46 | (-)5.71 |

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

| | Gratuity | |
|---|-----------|-----------|
| | 2008-2009 | 2007-2008 |
| a. Current Service Cost | 40.35 | 35.30 |
| b. Interest Cost | 50.41 | 45.78 |
| c. Expected return on Plan Assets | (-)61.29 | (-)55.40 |
| d. Actuarial Losses / (Gains) | 28.35 | 34.61 |
| e. Past service costs | - | - |
| f. Effect of curtailment / settlement | - | - |
| g. Adjustments for earlier years | - | - |
| Recognised in the Profit and Loss Account | 57.82 | 60.29 |

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

| | Gratuity | | | |
|--|------------|---------|------------|---------|
| | 31.03.2009 | | 31.03.2008 | |
| | Tea | Textile | Tea | Textile |
| a. Government of India/State Government Securities | NA | 37% | NA | 37% |
| b. GILT Mutual Fund | NA | - | NA | 1% |
| c. Public Sector Bonds | NA | 62% | NA | 59% |
| d. Fixed Deposit under Special Deposit Scheme | NA | 1% | NA | 3% |
| | | 100% | | 100% |

vi. Actuarial Assumptions as at the Balance Sheet date :

(Amount in Rs. Lacs)

| | Gratuity | | | |
|---|------------|---------|------------|---------|
| | 31.03.2009 | | 31.03.2008 | |
| | Tea | Textile | Tea | Textile |
| a. Discount Rate | 8.05% | 7.50% | 8.00% | 8.00% |
| b. Expected rate of return on Plan Assets | 9.00% | 9.00% | 9.25% | 8.50% |
| c. Salary Escalation rate - Management & Non-Management Staffs | 7.00% | 4.50% | 7.00% | 5.00% |

vii. 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. 19.80 (Previous Year Rs. 21.84)

d. Short Term payment of Leave Encashment amounting to Rs 10.46 (Previous year Rs.11.36) is charged to Profit & Loss Account.

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd)**

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

14) Segment Reporting as per AS-17 issued by the Institute of Chartered Accountants of India, for the year ended 31st March, 2009

(Amount in Rs. Lacs)

| (A) INFORMATION ABOUT PRIMARY (BUSINESS) SEGMENT | Tea | | Textile | | Total | |
|---|--------------|----------|----------------------|----------|-----------------|-----------------|
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| SEGMENT REVENUE | | | | | | |
| External Sales & Other Income | 2531.61 | 1897.14 | 10454.99 | 10938.41 | 12986.60 | 12835.55 |
| Less : Excise Duty | — | — | (-)15.60 | (-)14.72 | (-)15.60 | (-)14.72 |
| Sales (Net of Excise Duty) and other Income | 2531.61 | 1897.14 | 10439.39 | 10923.69 | 12971.00 | 12820.83 |
| Total Revenue | 2531.61 | 1897.14 | 10439.39 | 10923.69 | 12971.00 | 12820.83 |
| SEGMENT RESULT | | | | | | |
| Segment Result | 818.99 | 449.14 | (-)209.66 | 271.52 | 609.33 | 720.66 |
| Unallocated Corporate Expenses (net of Income) | | | | | (-)69.13 | (-)53.12 |
| Interest Expense | | | | | (-)445.46 | (-)450.04 |
| Interest Income | | | | | 15.15 | 13.89 |
| Dividend Income | | | | | 0.61 | — |
| Income Taxes | | | | | 32.79 | (-)82.61 |
| Net Profit | | | | | 143.29 | 148.78 |
| OTHER INFORMATION | | | | | | |
| Segment Assets | 1909.82 | 1815.88 | 10756.14 | 9684.48 | 12665.96 | 11500.36 |
| Unallocated Corporate Assets | | | | | 806.67 | 523.71 |
| Total Assets | | | | | 13472.63 | 12024.07 |
| Segment Liabilities | 211.64 | 167.21 | 1538.99 | 1335.49 | 1750.63 | 1502.70 |
| Unallocated Corporate Liabilities | | | | | 52.68 | 63.22 |
| Total Liabilities | | | | | 1803.31 | 1565.92 |
| Capital Expenditure | 123.40 | 65.27 | 3028.71 | 877.42 | 3152.11 | 942.69 |
| Depreciation & Amortisation | 58.36 | 57.02 | 740.44 | 742.38 | 798.80 | 799.40 |
| Non-cash Expenses other than depreciation | 0.00 | 0.00 | 62.02 | 39.95 | 62.02 | 39.95 |
| (B) Information about Secondary (Geographical Segment) | India | | Outside India | | Total | |
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Segment Revenue | 9917.20 | 9007.32 | 3053.80 | 3813.51 | 12971.00 | 12820.83 |
| Segment Assets | 13449.21 | 11970.78 | 23.42 | 53.29 | 13472.63 | 12024.07 |
| Capital Expenditure | 3152.11 | 942.69 | — | — | 3152.11 | 942.69 |

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.

15) Related Party Disclosures as per AS-18 issued by the Institute of Chartered Accountants of India, for the year ended 31st March, 2009

(A) Relationships :

- Key Management Personnel & Relatives

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

| | | |
|---------------------------|-------------------------------------|----------------------------------|
| Kanoria Exports Pvt. Ltd. | Rydak Enterprises & Investment Ltd. | Samrat Industrial Resources Ltd. |
|---------------------------|-------------------------------------|----------------------------------|
- 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 | |
| | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| (i) Rent received | — | — | 1.26 | 1.26 | — | — |
| (ii) Expenses reimbursed | 0.94 | 0.95 | — | — | — | — |
| (iii) Salary & other benefits | 55.89 | 40.59 | — | — | — | — |
| (iv) Dividend paid | 10.55 | 17.58 | 21.84 | 36.40 | 6.14 | 10.24 |
| (v) Rent paid | — | — | 5.40 | 5.40 | — | — |
| (vi) Outstanding payable as on 31st March, 2009 | — | — | — | 1.07 | — | — |

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd)**

16) Statement showing calculation of Earning Per Share, as per AS-20, issued by the Institute of Chartered Accountants of India.

| | <u>2008-09</u> | <u>2007-08</u> |
|---|----------------|----------------|
| Profit After Tax (Rs. in lacs) | 143.29 | 148.78 |
| Weighted average number of Equity Shares of Rs. 10/- each fully paid up | 9005985 | 9005985 |
| Earning Per Share (in Rs.) (Basic & diluted) | 1.59 | 1.65 |

17) The break-up of major components of Deferred Tax Assets & Liabilities calculated in accordance with AS-22, issued by the Institute of Chartered Accountants of India is as under -

| | <u>As at 31st March 2009</u> | <u>As at 31st March 2008</u> |
|--|----------------------------------|----------------------------------|
| (Amount in Rs. Lacs) | | |
| <u>Deferred Tax Assets being the Tax impact on -</u> | | |
| (i) Unabsorbed Depreciation/Losses Carried Forward as per Income Tax Laws | 651.17 | 395.13 |
| (ii) Expenses charged in books but allowance thereof deferred under Income Tax Laws | 70.58 | 54.50 |
| | <u>721.75</u> | <u>449.63</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 | 786.13 | 624.57 |
| (ii) Balance of Deferred Revenue Expenses claimed under Income Tax Laws on payment basis | 17.87 | 11.44 |
| | <u>804.00</u> | <u>636.01</u> |
| Net Difference of Deferred Tax Liabilities & Assets | 82.25 | 186.38 |

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

| | (Amount in Rs. 000) | | |
|---|---------------------|-----------------------------|------------|
| (i) Registration Details | | | |
| Registration No. | 36542 | State Code | 21 |
| Balance Sheet Date | 31.03.2009 | | |
| (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 | 1,16,69,32 | Total Assets | 1,16,69,32 |
| <u>Source of Funds</u> | | <u>Application of Funds</u> | |
| Paid-up Capital | 9,01,07 | Net Fixed Assets | 88,86,00 |
| Reserves & Surplus | 36,65,43 | Investments | 6,55,67 |
| Secured Loans | 67,28,95 | Net Current Assets | 20,66,92 |
| Unsecured Loans | 2,91,62 | Miscellaneous Expenditure | 60,73 |
| Deferred Tax Liabilities (Net) | 82,25 | | |
| (iv) Performance of the Company | | | |
| Turnover (Total Income) | 1,29,86,76 | Total Expenditure | 1,28,76,26 |
| Profit Before Tax | 1,10,50 | Profit After Tax | 1,43,29 |
| Earning Per Share (in Rs.) | 1.59 | Dividend Rate (%) | 5 |
| (v) Generic Names of Three Principal Products/Services of the Company (as per monetary terms) | | | |
| Item Code No. | 52051401 | 551221 | 9024002 |
| Product Description | Cotton yarn | Cloth | Black Tea |

19) STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**1. System of Accounting**

- The company generally follows the mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties.
- 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 :

- Leasehold Land : Premium on leasehold land is amortised over the period of lease.
- Other
 - 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.
 - 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.
 - Depreciation on Ancillary Equipment to Plant & Machinery taken on lease is being provided on equated installments basis over a primary lease period of said machinery viz. 20% (corresponding rate under Schedule XIV-10.34%).

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE 'R' (Contd)**

- ii) In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis.
- v) 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 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.
- 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" and "Duty Draw back Scheme" are accounted in the year of export.
- 9. Equipment Lease Rent**
Total Lease Rent payable on machinery taken on lease has been treated as "Deferred Revenue Expenditure" and has been amortised over a period of expected life of machinery.
- 10. 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.
- 11. 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.
- 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, Radha Bazar Street
Kolkata 700 001
Dated, the 11th day of May, 2009

A. KANORIA Managing Director

| | | |
|---------------|--|-----------|
| D. KUMAR | | Directors |
| G. MOMEN | | |
| S. A. LALBHAI | | |

N. BAGARIA Company Secretary

CASH FLOW STATEMENT pursuant to Clause 32 of the Listing Agreement for the year ended 31st March, 2009

| | <u>FOR THE YEAR ENDED</u> 31st March, 2009 Amount in Rs. Lacs | <u>FOR THE YEAR ENDED</u> 31st March, 2008 Amount in Rs. Lacs |
|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax & Extraordinary Items | 110.50 | 231.39 |
| Amount written off against Leasehold land | 0.28 | 0.28 |
| Interest & Finance Charges | 445.46 | 450.04 |
| Depreciation | 798.52 | 799.12 |
| Interest Received | (-)15.15 | (-)13.89 |
| Rent Received | (-)40.09 | (-)28.62 |
| Dividend Received | (-)0.61 | -- |
| Profit on Fixed Assets sold/discarded (Net) | (-)129.52 | (-)30.56 |
| Excess Depreciation for earlier years Written Back | (-)0.77 | (-)3.88 |
| Deferred Revenue V R S Compensation | 52.60 | 23.38 |
| V R S Compensation Paid | (-)80.96 | (-)5.97 |
| Share Issue Expenses Written Off | 4.07 | 4.07 |
| Profit on sale of Investments | (-)36.81 | (-)0.13 |
| Unexpired premium on term loans | 9.42 | 16.57 |
| Dividend Paid | (-)54.04 | (-)90.06 |
| Dividend Distribution Tax Paid | (-)9.18 | (-)15.31 |
| Operating Profit before Working Capital Changes | 1053.72 | 1336.43 |
| ADJUSTMENT FOR :- | | |
| Trade & Other Receivables | 710.26 | (-)497.02 |
| Inventories | 374.64 | 344.07 |
| Trade Payables | 247.93 | 291.26 |
| Cash Generated from Operations | 2386.55 | 1474.74 |
| Interest & Finance Charges Paid / Payable | (-)445.46 | (-)450.04 |
| Income Tax Paid (net) | (-)61.26 | (-)71.51 |
| Cash Flow before Extra Ordinary Items | 1879.83 | 953.19 |
| Extra Ordinary Items | - | - |
| Net Cash Flow from Operating Activities | 1879.83 | 953.19 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (-)3152.11 | (-)942.69 |
| Sale of Fixed Assets | 261.41 | 62.84 |
| Purchase of Investments | (-)1251.11 | (-)315.00 |
| Sale of Investments | 864.48 | 95.00 |
| Dividend Received | 0.61 | - |
| Interest Received | 15.15 | 13.89 |
| Rent Received | 40.09 | 28.62 |
| Net Cash used in Investing Activities | (-)3221.48 | (-)1057.34 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Decrease/Increase in Short Term Borrowings from Banks | (-)343.24 | 538.59 |
| Increase/Decrease in Long Term Borrowings | 1403.18 | (-)0.68 |
| Increase/Decrease in Other Loans & Advances | 180.36 | (-)300.00 |
| Net Cash used in Financing Activities | 1240.30 | 237.91 |
| Net Increase/decrease in Cash and Cash Equivalents | (-)101.35 | 133.76 |
| Cash and Cash Equivalents as at (Opening Balance) | 183.49 | 49.73 |
| Cash and Cash Equivalents as at (Closing Balance) | 82.14 | 183.49 |

Per our report attached.
For Jain & Co.
Chartered Accountants

M.K.JAIN
Partner
(Membership No. 55048)
P-21/22, Radha Bazar Street
Kolkata 700 001
Dated, the 11th day of May, 2009

A. KANORIA Managing Director

D. KUMAR
G. MOMEN
S. A. LALBHAI Directors

N. BAGARIA 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 26th ANNUAL GENERAL MEETING of the Company at "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Monday, the 27th July, 2009 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 him.....of.....

or failing him.....of.....

as my/our Proxy to attend and vote for me/us on my/our behalf at the 26th ANNUAL GENERAL MEETING of the Company to be held on Monday, 27th July, 2009 and at any adjournment thereof.

Signed this.....day of2009

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.