

ECONOMY AGRICULTURE RURAL

# CHAIRMAN'S ADDRESS 2018







# AMALGAMATED PLANTATIONS

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### AMALGAMATED PLANTATIONS PRIVATE LIMITED

MERGER OF AGRICULTURE AND RURAL HUMAN  
RESOURCE-REVIVING RURAL YOUTH'S INTEREST IN  
AGRICULTURE.

**Address by Chairman  
Ranjit Barthakur**  
at the  
Eleventh Annual General Meeting  
On Friday, 22nd June, 2018



**Dear Members,**

**Namaste and welcome** to the 11th Annual General Meeting of your Company, Amalgamated Plantations Private Limited.

After a particularly challenging FY 17, we had a better FY 18. Efforts and initiatives on crop stability, quality upgradation are starting to deliver results. I am encouraged by the fact that there appears to be some progress with most of the key focus areas as highlighted in my last speech, which were:

- quality improvement of our own plantations and manufactured products in line with consumer expectations
- encouragement of business partnership with small tea growers for critical input material supply
- strategic cost optimisation through increased mechanisation
- augmentation of plantation throughput by aggressive cultivation of pepper
- direct consumer contact through retailing
- revenue enhancement through expansion of other agro businesses

### **Key Theme & Industry Position**

I have over the years shared my views on various aspects of sustainable and inclusive agriculture, given its importance in the Indian economy. I have also tried to articulate my thoughts on the tea industry dynamics as affecting the regulated tea industry and possible ways for rejuvenation.

This time I would like to speak on **Merger of Agriculture and Rural Human Resource-Reviving rural youth's interest in agriculture. They need conveniently usable technologies that ensure higher productivity and income, at reduced costs.**

Given this premise, the current situation in Indian agriculture in general looks particularly challenging based on the following:

- Despite substantial investments in irrigation, increase in net irrigated area is abysmal.

- Availability of institutional credit to agriculture which tripled in the last decade has not been able to increase reach to a commensurate number of borrowers. Hence, we find that the bulk of the farmer's credit needs are even now met by informal credit sources, including usurious moneylenders.
- Production of foodgrains, milk, horticultural products and fish has been surging consistently. Yet India continues to score poorly on global hunger index. It ranked 100<sup>th</sup> among 119 countries in the 2017 index, down from 97<sup>th</sup> in 2016. About one-fourth of the world's undernourished and hungry people live in India and a comparatively higher percentage in rural India.
- Nearly sixty six per cent of the population receives heavily subsidized foodgrains under the National Food Security Act. Yet malnutrition is rampant, manifested in poor health and stunted growth of children.
- Minimum Support Prices (MSPs) are hiked generously every year. Yet the farmer's income is not rising. Worse still, the gap between farm and non-farm incomes is widening.
- Payback from investment in agricultural research and development is reckoned to be higher than that from most other technology dependent sectors. Yet not even one percent of the agricultural sector's gross domestic product is spent on farm research. A sizeable part of the technology generated by agricultural research centres too does not reach the farmers.
- The share of agriculture and allied activities in gross capital formation which was around twenty per cent in the early 1980s, has plunged to around seven per cent in recent years.
- Huge number of farmers are exiting farming over the last couple of decades. Census data says that the total count of farmers (depending solely on agricultural income) declined from 110 million in 1991 to 103 million in 2001 and to a mere 95.8 million in 2011.

However, when we look at the tea plantation sector, the story is slightly different. Interestingly, tea cultivation has become a household occupation with more than one million people dependent on tea plantation in Assam and North Bengal. What this possibly emphasizes is the viability of tea plantation as a remunerative economic activity as contrasted with cultivation of other staple crops. Tea being a cash crop with shorter cash to cash cycle is a lesser load on the pocket as compared to cultivation of food grains etc, where the cycle is more elongated and hence we find new converts to tea cultivation as a means of sustainable livelihood.

## **Tea Business Scenario**

### **Production**

Indian crop at 1321.76 million kgs grew 4.29 % over the previous year with Assam production being flat and higher increases from West Bengal and South India. Exports grew by 13% to clock 251.90 million kgs, which is heartening as it helps reduce the quantity available in the domestic market.

Significant changes in weather pattern in various tea growing areas have affected production, apart from increased pest infestation. Further, production increases have mostly come from the small tea growers and very little from the regulated sector, which in many cases showed a decline. In North India, regulated industry contributed 52% of the crop in calendar year 2017 as against 56% in 2016. The Bought Leaf sector's contribution was higher at 48 % against 44 % in the previous calendar year.

### **Reconstruction of Wages**

I welcome the proposal for instituting a minimum wage for daily rated employees in tea industry based broadly on Ackroyd's formula on sustainable calorie requirement. This is expected to replace a swathe of cash and non-cash emoluments/ benefits currently provided. Such a step I feel would help accurately monetize costs thereby creating a somewhat level playing field between the regulated and unregulated producers. I would urge the state governments of Assam and West Bengal to take

full advantage of this opportunity to evaluate the matter on a holistic basis so that other concomitant issues impacting the long term viability of the regulated tea industry also get addressed.

This is in fact is a clarion call for addressing the issue of unequal distribution of rural and agricultural wealth and incentives between the regulated and unregulated players in the industry.

## **Company Performance**

I hope that the Annual Report has reached you in time and you have had a chance to read through the details and company financials. I list below the salient highlights which require a special mention:

### **Tea Business & Company Financials**

**Crop production** in 2017-18 ended marginally higher at 41.99 million kgs against 41.20 million kgs in the previous year, a rise of about 2%. The company continues to take advantage of the buoyant orthodox market through increased production, which is one of the highest in the country. The beneficial mix has resulted in higher differential price realisations. Despite some climate related challenges in Upper Assam, overall performance of other regions was satisfactory. Strategic thrust in uprooting replanting as a measure of bush renewal and health, continues apace. This thrust is expected to yield positive results to the age profile of our tea bush inventory in the coming years.

**Bought leaf procurement** at 15.78 million kgs showed an increase similar to own crop. Profitability improved with better realisations and the thrust on this line of business continues. Initial forays were made into the value added packet tea segment to augment profitability.

**Revenue from Operations** at Rs 652.62 crores (Rs 622.52 crores in FY 17) saw a healthy growth mainly driven by better price realisations on a higher throughput.

**Average price realisation on our CTC teas** improved by roughly 6.77% over the previous

year, beating the industry and proving that quality improvement initiatives are finally delivering on their desired promises. Orthodox teas continued to deliver an additional price differential of Rs 47.55 per kg over CTC.

**Income from Other Sources** at Rs 25.56 crores, reduced on the back of lower one time land compensations as compared to the previous year.

**The Financial Result** net of taxes at a negative of Rs 28.42 crores showed an improvement of 23% over the previous year, due to higher realizations and increases in expenses being contained to less than 2%. Expenses shadowed production increases broadly, with reductions achieved through robust cost management. Consequent beneficial impacts were seen on EBITDA and EBIT. Cash from Operations, showed a significant positive delta change.

**Total Comprehensive Income** reported was a negative of Rs 20.10 crores against Rs 49.25 crores in the previous year driven by actuarial gains on higher discounting rates.

After much debate and consideration, in order to conserve company networth, it was decided not to recommend a dividend.

### **Goods and Services Tax**

I am happy to state that your Company successfully transited to the GST regime w.e.f. July 1<sup>st</sup> 2017. Full advantage in terms of input tax credit needs to be extracted from our business partners, mainly our vendors, so that benefits of the tax cost pass through materializes fully for the benefit of the company.

### **Agri & other businesses**

**Pepper crop** at 60.57 MT was almost 22.5% higher than the previous record of 49.44 MT achieved in 2015-16 and double of the crop achieved in 2016-17. I consider this to be an extremely strategic business initiative, which enables the company to partly derisk from being solely exposed to tea plantation business. Pepper crop has almost trebled in the last five years.

**Retail** initiative through kiosks saw a growth of around 9% with increased profitability. I

would like to see more thrust in this activity, which affords a direct consumer interface providing many insights on fast changing needs, preferences and trends.

### **Company initiatives/ status report**

Success has mainly come from the initiatives reinforced on **modern field practices and skill development through selective mechanization**. This has resulted in **cost optimization and elimination** through deployment of superior technologies. I congratulate the management in this endeavor. I can see that they are right directionally and the same is borne out by the higher crop and higher average price realization.

To promote skill development amongst the workforce, increased **use of improved agricultural equipment** continues to be encouraged. This also helps supplement shortage of field employees during certain months. Towards this end, deployment of **mechanical harvesters, hand shears, power sprayers, tractor mounted sprayers, pruning machines motorized pit diggers** etc have increased manifold.

All the above activities have helped the company to lift average yield during the last 4 years from 1717 to 1870 kgs per hectare, around 9% against the industry yield improvement of 3% during the same period.

**Teas (Tea extension and advisory services)** facilitated TruStea certification for 5943 small tea growers supplying 92.34 million kgs of green leaf. Training on good agriculture practices, knowledge sharing, sustainable livelihood, technology infusion, financial literacy and support campaign, medical camps were conducted for small tea growers across Assam Valley.

**New Initiatives** include organic certification process for 49 small tea growers from Karbi Anglong area; production of 9.30 lakh kgs of orthodox tea from green leaf sourced directly from the TruStea certified growers and training on mechanical harvesting and operation of pruning machines generated lot of interest among the small tea growers.

One critical aspect that I would like to see more of is innovation and risk taking, which is extremely necessary to combat the challenges of modern day business in any sphere.

## **SUSTAINABILITY INITIATIVES**

I notice that efforts to reduce environmental footprint continues with vigour with the main focus on **strengthening renewable energy bases**. Examples are, solar-powered habitats in estates, integrated application of solar energy for electricity supply, sewerage treatment, flushable toilets and community livestock sheds, and composting applications. I consider this initiative path breaking with the potential to revolutionise community living in tea estates.

To counter climatic vagaries, several timely measures like **drip and micro irrigation** have been introduced at various locations on test basis with very encouraging results. This along with **rainwater harvesting** in low lying catchment areas otherwise unsuitable for tea can potentially improve micro climatic conditions around our estates.

We are pleased to be part of **Rainforest Alliance certification programme** essential for tea exports. Significant progress has also been made in the effort to **Trustea** certify the small tea growers. Time is not far when accreditation and certification would be considered as basic compliances to sell teas even in the domestic market and we continue to make good progress in this respect. However, it is disappointing to see that the market is unwilling to compensate compliant producers, which certainly comes with a cost.

**Estate Employee Councils (EEC)** at all estates continue to function effectively with equal participation of our women employees. I consider this to be a very important platform to disseminate company/ operation critical information to all concerned and also to take valuable feedback from the employees on various factors which help us to improved their working conditions and livelihoods.

### **Welfare**

We directly serve the communities around the tea estates. Many social initiatives were

implemented in Assam and North Bengal through **APPL Foundation** in the areas of **education, skill development, healthcare, environment, livelihoods, and conservation of tribal art, crafts and culture.**

Apart from normal and on-going activities on Adult Education, Digital Literacy, e-Healthcare, RHRC-Chubwa, APPITI-Rowta, VTC-Chubwa, Small Farm Integration and Sustainable Agriculture by SDTT, I would like to highlight the following new initiatives of the Foundation launched during the year:

**Project Sambhuya** which aids skill development of tea garden hospital staff in ante and postnatal care in collaboration with SAATHI, a NGO and formation of Hospital committees and Quality Control committees for superior delivery of estate healthcare.

**Nutrition Programme** for pregnant and lactating women to support safe motherhood was initiated in collaboration with WISH Foundation at various estates in Upper Assam.

This year's **Sirish Festival** held at Misa, was a huge success with unprecedented participation from Dooars and Bramhaputra Valley displaying the cultural diversity/ uniqueness of tea tribes. I would like to place on record my thanks to the Hon'ble Chief Minister of Assam, Mr. Sarbananda Sonowal, who could find time to attend the festival despite pressing official commitments.

**Project Unnati**, continues to focus on the all-round improvement of housing, sanitation, water supply needs of the estate employees.

## **Conclusion**

Going back to my opening remarks on opportunities to merge agriculture and make it more economically viable for youth, the report card seems to contain grim pointers to what went awry with agriculture and attempts to reason why. Clearly the policies and programmes for agricultural development in India have neither been formulated judiciously nor executed meticulously. Sadly, the fault lines are continuing unabated till today. The situation is the same for the tea plantation industry.

Tea cultivation as part of agriculture, is treated virtually as a means to meet the growing and changing consumer demands for farm goods with an eye on managing inflation. Hardly has any attempt been made to safeguard the interests of the producers vis-a-vis those of the consumers.

Economic and structural reforms that began in 1991 have also bypassed this sector for all practical purposes. Tea continues to be a part of Commerce Ministry, even though the backbone is agriculture.

Time has now come to reform the entire tea plantation industry, so that economic uplift comes with social growth. The National Academy of Agricultural Sciences (NAAS) in a policy paper issued recently, maintains that sustained growth with social justice and not just growth, should be the basis to determine priorities, programmes and resource allocation for economic development. It has called for bridging rural-urban divide to forestall massive out migration from villages. To mitigate the woes of agriculture, the effort should be to target unirrigated, ecologically marginal and agriculturally backward areas, which are the worst victims of neglect till now, dissemination of improved technology and development of market infrastructure. These would help raise production, boost farm income and reduce regional disparities. Also needed is a massive skill development programme with an emphasis on income generation in non-farm rural sector to help rural youth to supplement their earnings. Otherwise, the distress may continue to worsen.

Before I end I must take this opportunity to congratulate all of you as members of the Tata Group which has completed 150 years of service that has had a huge social impact. Tata Group has been instrumental in transforming Indian industry in almost every area of economic endeavor. In our nearly half a century of being part of this Group, tea plantations in the North East of India have hugely benefitted from its benevolent leadership. It is now incumbent upon us to sustain this relationship in a mutually beneficial symbiosis by innovating to remain relevant to the Group in this day and

age by being part of the strategic value chain and by delivering an economic, social and environmental impact.

I thank my colleagues on the Board for their guidance. I thank the Managing Director, Mr Jagjeet Kandal, the operating management, staff and workers for all the efforts put in. There are many positives in this year's performance that we can build upon and I trust that we can all work together for a turn around.

I wish you and your families, good health and happiness.

Thank you.

**RANJIT BARTHAKUR**

**CHAIRMAN**

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