



AMALGAMATED PLANTATIONS
PRIVATE LIMITED

CHAIRMAN'S
A D D R E S S
2016



ECOLOGY

SOCIAL

ECONOMIC



AMALGAMATED PLANTATIONS

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**Rural Prosperity in Assam & North Bengal
is interdependent on inclusive Agriculture**

**Address by the Chairman
Ranjit Barthakur**

at the
Ninth Annual General Meeting
On Friday, 12th August, 2016

OPENING REMARKS

Dear Members

Good Morning and Namaskar!

It's my pleasure to meet you again at the 9th Annual General Meeting of your company, Amalgamated Plantations Private Limited. I trust the notice convening the meeting, the Directors' Report and the Audited Financial Statements for the year 2015-2016 have reached you on time and you have had sufficient opportunity to go through the same. The requisite quorum being present, I call the meeting to order.

Business performance

Your company has risen to the business challenges in a very positive & considered manner and continues to invest in plantation and people assets. The year had progressed with significant threats to crop and price realization deliveries, aggravated by non conducive weather and a soft tea market. The average price realisation of APPL, during the year was Rs.150.56 per kg as compared to Rs.146.41 per kg in the previous year, i.e. an increase of Rs.4.14 per kg. However, cost increases on a per kg basis, exceeded realisation. Record crops at the end of the season, in February 2016; and March 2016, helped salvage some part of the apprehended full year losses. Total income was slightly ahead of the previous year at Rs 579.96 crores. We continued to benefit from a strong orthodox market, where your company has created a new benchmark with record volume throughput and realisation. Adverse cost impact due to negotiated wage settlement, retiral liabilities, procurement cost of subsidised food grains, pesticide application expenditure and general input cost inflation, along with spends on social infrastructure etc., aggregated to Rs 35 crores. Total expenses for the financial year 2015-16 was reported at Rs. 601.90 crores against Rs. 587.00 crores for the previous year, a net increase of Rs.14.90 crores. Loss before Tax for the year was Rs. 21.94 crores (Rs 12.54 crores in the previous year) and Loss after Tax for the year was Rs. 23.42 crores (Rs. 13.76 crores in the previous year) after providing Rs. 1.48 crores (Rs. 1.22 crores in the previous year) for taxation liabilities, mainly at minimum alternate tax rate. Despite losses for the second successive year, a dividend of Rs 0.60 per share for the year has been

recommended to honour Shareholders like yourselves. The total cash outflow on account of dividend, inclusive of taxes, for 2015-16, would be Rs. 10.80 crores.

Your Directors are also pleased to recommend for the approval of the Shareholders the payment of 0.01% dividend for the year 2015 / 16, on Redeemable Preference Shares issued to Tata Global Beverages Limited.

Our focus on improved field practices, quality enhancement and increased bought leaf strategy has contributed to cushioning our performance against adverse market variables.

On trends and focus areas

Continuing on the theme of inclusive agriculture, initiated a couple of years back; we at APPL believe that the resources available to a plantation business could be broadly categorized as under:

Human Assets - the entire complement of employees operating at all levels in the organisation.

Productive Assets - the resources deployed, generating value to business, field, factory, machines.

Social Assets- covering the welfare and mandatory infrastructure supporting operations.

Human Resource, consisting of the work force of the company is considered as an asset appreciating over the years and contributing to the development and well being of the company and themselves. In our continuous celebration of this people centric operations, we have tried to enhance employee competencies through continual and vigorous training programmes on various aspects of our operations. Total number of training days in the year trebled compared to the previous year. At the staff/management level, we have also embarked upon a drive towards promoting and rewarding meritocracy through higher linkages of variable pay to individual and organisational business achievements.

Our constant endeavour in developing our plantation assets and the infrastructure of our factories has led to enhanced working standards and productivity.

Social assets along with social security provides confidence to the work force and helps in retaining

quality human resources. Our effort is to maintain high social values, social security and committed welfare measures like healthcare facilities, schools, creches, etc. on which Rs.23.85 crores was spent during 2015-16, to retain our valued work force.

The formation of new State Governments in Assam and West Bengal, gives us hope to pursue the Unified Tea Policy with greater momentum and refocus on progressive and contemporary rural and agricultural initiatives/measures that would help in enhancing wealth for all sections of the rural population. These initiatives are also being discussed at various levels within the industry to achieve a consensus. The Unified Tea Policy seeks far reaching changes to current mandate/ practices, which it is hoped would help extricate us from the deep structural and operating challenges besetting us.

Your company continues to look towards innovative disruption at the organizational as well as industry level, so that the future of the huge dedicated workforce, their families and those indirectly dependent on us for livelihood, gets secured and enriched, leading to revolutionary changes in the rural areas.

To reinvent ourselves, we have to focus on the following-

- **Address consumer needs-** this should be the primary focus, at all levels of the organisation, for delivery.
- **Address climate change and adverse environmental impacts-** due to which pest and water management have assumed critical importance, not only to protect crop, but also to improve yields including water and challenges arising out of fluoride and arsenic.
- **Challenge efficiencies attained by small tea growers-** who are a fast growing group of rural entrepreneurs, delivering global products and creating sustainable wealth for the communities, in collaboration with us.
- **Advocacy for Government support on rural and agricultural wellbeing, furthering inclusion** – highlight to the government that existing financial support schemes on healthcare, irrigation, manufacturing etc. should be extended to the organised sector of the industry as well; permit freehold land ownership and allow greater alternative land use.

DIRECTORS

During the year, Mr. Bhaskar Barua retired from the Directorship of the company with effect from 27th February, 2016. The Board of Directors record their appreciation and gratitude for the valuable services rendered by Mr. Bhaskar Barua and wish him a healthy retired life.

Mr. Roopendra Narayan Roy, a man of great financial wisdom, joined the Board of Directors of your company as an Independent Director from 21st August, 2015 and took over the leadership of the Audit Committee of the Board from Mr. Bhaskar Barua.

GLOBAL TEA INDUSTRY

World tea production for the calendar year 2015 excluding China, was 2045 million kgs against 2157 million kgs in the previous year. This translates to a decrease of 112 million kgs, with major crop losses in Kenya, Uganda and Sri Lanka.

Average world tea prices in Indian Rupee equivalents, for 2015 against 2014 were, for Bangladesh- Rs.156 against Rs 142; for Kenya- Rs.181 against Rs.135 and for Sri Lanka- Rs.180 against Rs.207.

INDIAN TEA INDUSTRY

Indian crop at 1192 million kgs, in calendar year 2015, was 15 million kgs lower than the crop in 2014. While crop in Assam Valley was down by 1.50 million kgs, major losses were recorded in other tea growing areas of Dooars, Terai, Cachar and South India.

This crop shortfall got reflected in the prices. North India averaged higher at Rs. 142.27 per kg in the year, as against Rs. 140.82 in the previous year.

Demand for cheaper/ cost effective teas from smaller bought leaf suppliers/ manufacturers impacted the overall market sentiment. Major packeters continue to look for avenues to rationalise portfolio costs.

COMPANY'S PERFORMANCE

Overview of Tea Operations

Climatic Conditions

Although the rainfall recorded during the calendar year 2015 was higher by 23% as compared to the

previous year, the same continued to be unevenly distributed. However, good rainfall in the last quarter helped the company to harvest record crop during the months of February and March 2016, much in line with the industry.

Production

During the year, your company produced 38.07 million kgs against 37.16 million kgs in the previous year, an increase of 2%.

Your company is investing in irrigation facilities in estates which are most susceptible to drought and also creating water bodies (38 ponds over 54.63 hectares), rain water harvesting and underground recharge facilities. Very important field initiatives are also being undertaken to improve bush health and soil nutrition through composting, shade planting, foliar application, etc.

Product Mix and Quality

With a strong Orthodox market and appropriate leaf quality, total Orthodox production was scaled up to 5.52 million kgs. There was improvement in the CTC grade mix and quality as well, resulting in higher realisations.

In our drive to improve the quality of produce, resolving quality related challenges in the factories was the main focus area during the fiscal.

In the last quarter of the fiscal, the two state of the art mega factories at Hattigor and Lattakoojan, with capacities of 5.5 million and 4 million kgs of tea, respectively, were commissioned. Raw material sourcing strategy for these factories is being covered separately, under the section "Tea Extension and Advisory Services". Commissioning of these huge facilities, it is expected, would lead to substantial increase in green leaf procurement from the adjoining areas, thereby causing a multiplier effect on rural prosperity through inclusive agriculture.

Field Practices

To circumvent the shortage of workers during peak season, mechanical harvesters and manual shears were deployed selectively. We are continuing to increase mechanization and shearing in plucking activity during the coming years, in a phased manner.

Pruning machines were also deployed to undertake pruning operations during the year in harder prunes,

to enable early completion of pruning and making available mandays for other cold weather jobs.

Efficient power spraying machines and three tractor mounted sprayers were deployed across estates to ensure effective spraying of pesticides and reduce cycle time. These machines would replace manual machines in a phased manner, where feasible.

Organic

Hathikuli Tea Estate has produced organic Orthodox and CTC teas to meet specific customer requirements. These teas have been well received by the market. However, **we continue to face enormous operational challenges with respect to organic agriculture in Hathikuli.** Soil status improvement by increased composting, pest control and improved cultivation practices are a challenge to increase the production levels. Despite these challenges, in order to enhance quality of life of the estate employees, renovations of estate housing and other facilities have continued apace, as also our effort towards protecting the world heritage Kaziranga National Park. However, we are having a re-think on the strategy because of continuing losses.

Energy

To conserve energy, we have installed energy saving and energy efficient equipment such as Aquaero Therm Coal Heaters, Energy efficient motors, LED lights, etc. Efforts in this area will continue every year. Furthermore, the matter of load regularization is also being actively pursued with APDCL, to reduce usage of captive gensets, which would also result in significant cost savings.

TEA EXTENSION AND ADVISORY SERVICES (TEAS)

The main purpose of this initiative is to ensure that the small tea growers get linked to the superior rural and agricultural processes to deliver products of global standards, for which they are being trained in Good Tea Cultivation practices to increase yield and improve compliance and quality of green leaf which will help them to get a fair price for sustainable livelihood and become a stable supply base to APPL factories. This department is supporting tea growers with Trustea Certification for food safety and in augmenting revenue generation through supplemental agri business initiatives viz, cultivation of spices, fishery and animal husbandry.

Key activities undertaken during 2015-16 were:

- *Linkage*- Identified and linked 5252 small Tea growers
- *Knowledge Sharing*-Total 5223 Booklets named "Guide to Cultivation of Tea" distributed
- *Standardization of Record Keeping* - 3485 farm diaries distributed
- *Support towards Trustea Certification* - 20 coordinators employed to guide STGs
- *Agri Input*: Fertilizers and PPC approved pesticides are being arranged at lower rates
- *Quality Exploration*- Potential quality green leaf producers being linked
- *New Initiatives*- STGs located in virgin unexplored areas being contacted
- *Training on GAP*- 34 field workshops done; 270 soil samples tested
- *Awareness on Food Safety*- 48 programmes on PPC/PPF, 21 on Trustea held
- *Technology Infusion* - Sessions conducted for knowledge upgrade by mobile technology
- *Alternate Income*- 22 sessions on black pepper cultivation, 5000 saplings distributed
- *Financial Support*- Supported STGs in submitting application for KCC/Bank loan
- *Health Camp* -Two health camps and an eye camp were organized & 250 STGs connected

Overview of Agri-Business Operations

Your company continues to focus on growing its Agri business division pursuing a strategy to enter the "value added" product segment, towards which construction of a state of the art processing facility in Assam named "**Spice Park**" was made operational during the year. To enable inputs to the huge facility, the team is conducting a *Cluster Mapping and Collaborative Farming* programme, which promotes inclusive rural growth through community services by mapping potential raw material sources across various north eastern states. **Over the past year we have faced several challenges in the business and a new business plan is being drawn up to address the same.**

Black Pepper

In garden black pepper production touched a record

of 50 MT, valued at Rs 3 crores at an average of Rs.600 per kg, during the last fiscal. Self sufficiency in planting material has been achieved with pepper nurseries in all gardens operating satisfactorily. This has enabled a 50% increase in planting as compared to the previous year, with planting completion planned in another couple of years. The production is expected to increase manifold during the coming years.

Fishery & Dairy Farming

To mitigate weather dependency, the main grow out culture was restricted and the team decided to prioritise and focus only on the high yielding ponds with good water retention capacity and stocking with self generated pure-line fish seeds from Hathikuli Hatchery. A pilot for the "Mola" variety has already been successfully conducted. Fisheries should be looked at as a social project providing sustenance to a cross section of people living in the vicinity.

Dairy operations have been restricted to a single unit in Lattakoojan. This endeavour is supporting the reduction of the chemical load in our organic ventures through the use of farm yard manure and cow urine for bio-pesticidal control.

Overview of Polypack Operations

The three Packaging Centres of Dam Dim, Nonoi and Kellyden have performed extremely well, packing 248.89 lakh kgs of tea and have generated a profit of Rs. 1.66 crores, which is 21% higher than in the previous year. The Units have been upgraded and are world class in terms of both manpower skillsets and machinery/ equipment.

SOCIAL INITIATIVES THROUGH CORPORATE SOCIAL RESPONSIBILITY (CSR) AND APPL FOUNDATION (APPLF)

Under the broad categories of education and skill development, healthcare, revival of Adivasi music and culture and conservation of the environment, your company vigorously pursued its objectives under corporate social responsibility.

In 2015-16, APPL Foundation expanded its activities in the fields of education and skilling, healthcare, environment and livelihoods and culture in the tea plantations of Assam and North Bengal, to ensure people-centric growth and development, which we

believe is the key for success to be sustainable. Our single objective, through all our projects was simply to promote a holistic sense of wellbeing and resilience among our people, in order to build healthier and happier communities.

With this in mind, skilling programmes at APPITI, Rowta and the VTCs in Chubwa and Dam Dim enrolled over 700 trainees of which placement has already been provided to almost 100 trainees. Basic training in computers and digital literacy was provided to over 250 young students from in and around Lattakoojan.

In an attempt to combat the problem of women and children being trafficked out of the state of Assam, a programme was launched at Hattigor and Majuli tea estates to raise community awareness on the issue and provide guidance to residents on how to prevent such events in their own communities. Over 100 women workers were also part of the adult literacy programme at these 2 estates, who are now able to sign their names and read their pay slips for the first time.

Healthcare also received a lot of focus over the year, with our Referral Hospital & Research Centre (RHRC) at Chubwa treating over 40,000 patients from in and around the estate. The eHealthcare Project in partnership with Hewlett Packard, which uses IT cloud based technology to record and store medical data of individuals has successfully treated over 20,000 patients at the different eHealth Centres. A cancer screening camp was conducted by ASMI at Kellyden, where 200 women workers from in and around the estate, were screened and tested. Support was also given to the Kolkata Chapter of Mission Smile to provide care to needy children suffering cleft defects.

Livelihood programmes to train and support farmers engaged in agricultural practices in remote areas has also been a primary focus for the Foundation. A project to integrate over 2000 small farmers from Kamrup district of Assam and some parts of Meghalaya into self-help groups, provide them with technological support and training to efficiently negotiate market forces has been undertaken in collaboration with Sir Dorabjee Tata Trust (SDTI). By enhancing livelihoods of the villagers, the project also has significant environmental implications as it helps in keeping them away from detrimental

practices like sand mining that is damaging the habitat of the river dolphins in the area. Fruit trees being planted as part of the project act as a buffer between the farmers' lands and surrounding forests, providing grazing grounds for the elephants that venture out of the forests in search of food.

To acknowledge the contribution of plantation communities and showcase their unique cultures, APPL Foundation was privileged to host the second Sirish Festival, an annual event, at Powai Tea Estate, Margherita. The event had 2000 participants from the plantations in the different cultural events and was attended by around 35,000 people from the communities. On the final day alone, over 7000 people attended the event at Powai. The Icon Awards were also presented during this event to Shri Sananta Tanty for literature and Shri Subil Barg for culture.

Under Project Unnati, for the year 2015-16, an amount of Rs. 14 crores was spent towards construction of 59 new workers' houses, 1196 new toilets, 1292 new bathrooms and 340 new water platforms; further 851 quarters were renovated. Alongside, 3130 households have been provided with Tata Swach Water Filters and initiatives have also commenced for providing sewage tank cleaning trucks and bio-toilets.

CLOSING REMARKS

The tea industry being a commodity industry experiences its own business cyclicity with crests and troughs of earnings and expenses. Currently, the industry is passing through a phase where costs broadly exceed earnings and the challenge is to find ways to reverse the trend. We believe that the path to inclusive agriculture in rural India, as is being communicated and initiated, would help broad base the market, resurrect exports hitherto reeling under pressure from various quarters with declining global competitiveness of Indian teas and answer evolving consumer preferences, driven by democratisation of information, which has helped in spreading awareness and refining aspirations. We see inclusive agriculture as providing a boost to rural development as a whole and the agriculture sector in particular. With Government support inclusive agriculture can be used to promote employment generation in rural India.

Under such trying business conditions as is currently prevailing, conventional response of most

manufacturers to combat increased cost of production (CoP) would be to target overheads, sacrifice expenses required for repairs and maintenance, operational controls and organizational manpower and in turn incur intangible costs which are seldom apparent on the balance sheet. This essentially leads us to infer that a monochromatic view of the business and the limited scope of optimization applied to only one or two levers of the business value chain would only bring short term results and hence would not be sustainable in the long run. Thus, the tea business ecosystem requires a massive boost in the form of a comprehensive Unified Tea Policy that includes the interests of all stakeholders and addresses all the issues faced by them concurrently, albeit in a phased manner, so that improvements in one aspect are not achieved by sacrificing other aspects.

In conclusion, I am sure that the Shareholders would like to join me in conveying our appreciation to the Managing Director, operating management, staff, workers and stakeholders for their sincere and dedicated service during 2015-16 under the most difficult conditions in the tea industry.

I wish you and your families good health and happiness.

Thank you,

RANJIT BARTHAKUR

CHAIRMAN

AMALGAMATED PLANTATIONS PRIVATE LIMITED



**AMALGAMATED PLANTATIONS
PRIVATE LIMITED**

Regd Office :1 Bishop Lefroy Road, Kolkata - 700020, West Bengal, India

Ph : 91-33-66053750 Fax: 91-33-22837894

Corporate Office : Christian Basti, G.S. Road, Guwahati - 781005, Assam, India

www.amalgamatedplantations.co.in

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