

DUNCANS INDUSTRIES LIMITED

(UNDERGOING CORPORATE INSOLVENCY RESOLUTION PROCESS)

Brief background of Duncans Industries Limited (Corporate Debtor)

Duncans Industries Limited is an India-based tea company. The Corporate Debtor tea garden encompass over 12,000 hectares of land spread over the Dooars, Terai and Darjeeling region of North Bengal. The CD is engaged in the business of cultivating, growing and processing of tea. The two prestigious gardens in Darjeeling, Marybong and Runglee Rungliot Tea Gardens have very successfully implemented Quality System in line with ISO 9002 standards. By the 80's Duncans has established itself as a major packet tea player in India. With the demand for Duncans' Tea the rise and expansion potential exhausted in the existing garden of Darjeeling & Dooars, the company decided to expand its tea-growing base.

The results was an ambition land projects. In 1990 Duncans acquired about 2,000 hectares of land in Dinajpur & Jalpaiguri districts in North Bengal. And thus was laid the foundation of four tea gardens being developed under two projects Terai Land Project and Madarihat Land Projects. The Company has tea estates in various Districts viz. Alipuduar, Jalpaiguri, Darjeeling and Uttar Dinajpur. The tea estates of the company include Birpara, Hantapara, Dumchipara, Lankapara, Tuslipara, Garganda, Killcott, Nagaisuree, Bagracote, Gungaram, Runglee, Marybong, Terai Land (Goalgach and Patagora) and Madarihat.

Established in 1859 as Playfair Duncan and Company, Duncans as a brand has become synonymous with tea. As its business expanded, the Birpara Tea Company was founded and the company was renamed Duncans Agro Industries. In December 1993, the Duncan Goenka group ventured into the fertiliser industry by acquiring Chand Chhap Fertilizers and Chemicals from ICI India. The following year, Duncans Agro Industries Ltd was merged with Chand Chhap Fertilizers and Chemicals Ltd to form Duncans Industries Ltd.

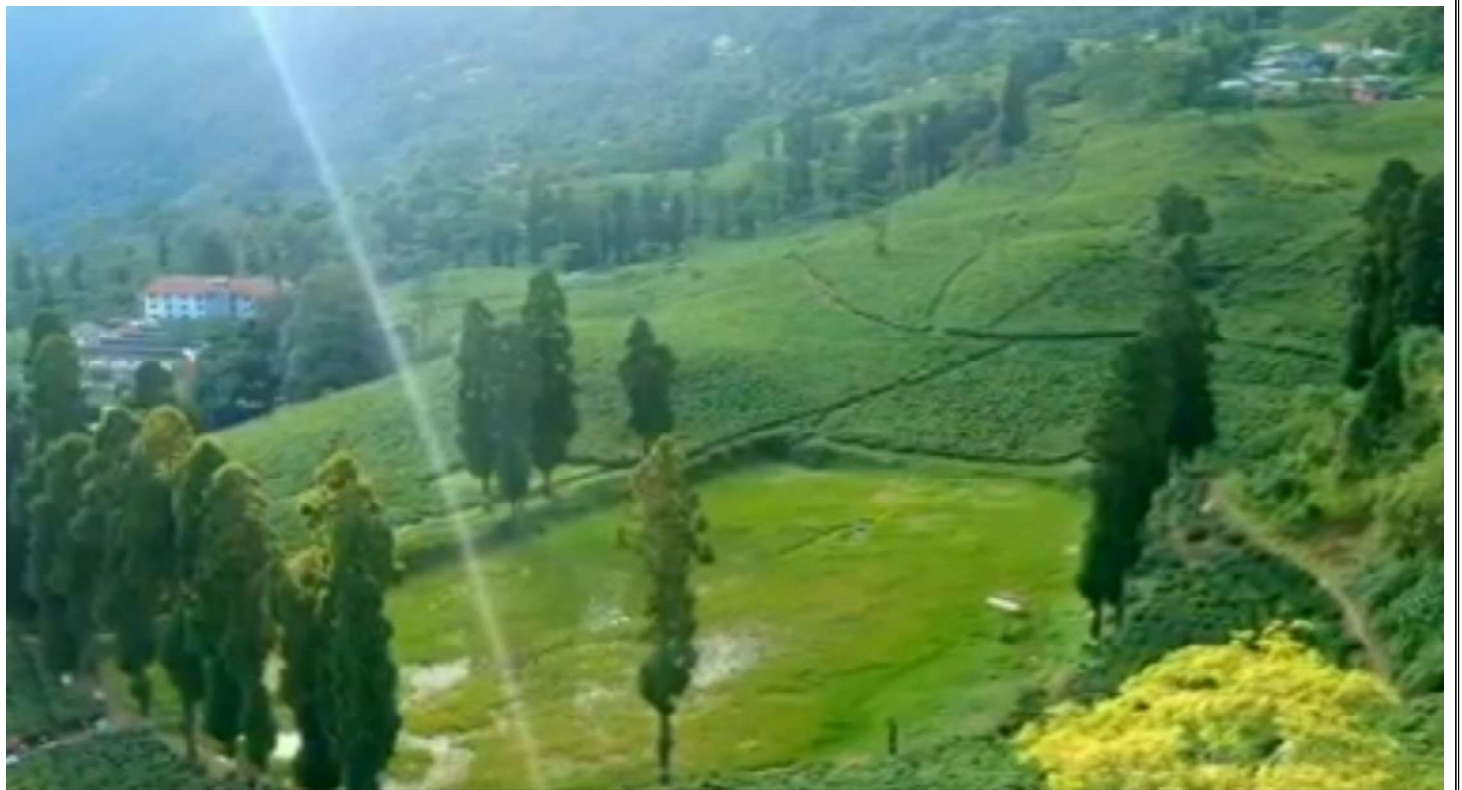
Subsequently, fertilizer business was demerged through a BIFR scheme in 2012 and now the company is involved in the business of tea only.

However, the tea gardens of North Bengal faced severe drought which extended from November 2013 to May 2014. Apart from the adverse climatic conditions prevailing in the region, the problem got aggravated by a severe pest attack in almost all the tea gardens. As a result, there has been a huge shortfall in tea crop leading to a tremendous crunch in the working capital of the Company. During the winter months of January to March 2015 there is no production of tea and the consequent shortfall in the cash flow has resulted in arrears in the payment of wages etc. This disturbed the operations of its tea gardens and payment of wages. The consequent large scale absenteeism by the labour force, resulted in a vicious cycle of non-plucking of tea, a drastic fall in the production, manufacture of poor quality tea with lower selling prices, leading to higher losses. As a result to above the operation of all the Tea Gardens was disturbed.

With a view to normalize the operation for the season 2016, a Tripartite Settlement was entered into on 22nd January, 2016 with the respective unions and Govt of West Bengal according to which past dues were to be cleared in phased manner starting from end January, 2016. However, in the meantime Govt of India vide its Notification dated 28 January, 2016 has authorized Tea Board to take over the management control of the six gardens of the Company. The company had filed a writ in High Court at Kolkata which was disposed of vide dated 15th March, 2016 and the Corporate Debtor filed appeal against the said order.

It is pertinent to note that although Central Government authorised Tea Board to take over the management control of these gardens, Tea Board expressed its inability and lack of expertise to do so and was scouting for third party to manage the gardens. Hon'ble High Court at Kolkata although did not quash or stay the notification, passed an interim order and observed that the situation is worse than what it was on the day when the notification January 28, 2016 was issued and made an interim arrangement by allowing Duncans to take over the management of these gardens and run in a prudent businessman like manner.

Since the date of the Notification, the gardens were in abnormal situation and resumption of operation involved complex activities at various levels. Making these unattended gardens operational, required support from all the concerned parties like the workers, the vendors, the various government departments, etc. accordingly, a meeting was convened by the District Magistrate, Alipurduar which were attended by the representative of Corporate Debtor, Sabhadipati – AlipurduarZillaparishad, SP - Alipurduar, Asst. Labour Commissioner - Birpara and Workers' representatives and Chaired by the District Magistrate, Alipurduar. After a protracted discussion by and between the parties, inter alia, it was agreed that operations of the gardens by the management of Duncans will be resumed one by one starting with Birpara Tea Estate.





Marybong Tea Garden











