

PUDUMJEE AGRO INDUSTRIES LIMITED

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***Annual Report
2001 – 2002***

PUDUMJEE AGRO INDUSTRIES LIMITED

DIRECTORS :

SHYAM M. JATIA (Chairman & Managing Director)
A. S. DAYAL
S. M. CONTRACTOR
R. C. SARAF
A. K. SOMANY
G. N. AGARWAL
S. C. KEDIA (Appointed w.e.f. 27.05.2002)

BANKERS :

STATE BANK OF INDIA
THE UNITED WESTERN BANK LIMITED
BANK OF BARODA
HDFC BANK LIMITED
BANK OF INDIA

SOLICITORS :

KANGA & COMPANY

AUDITORS :

KHARE & COMPANY

REGISTERED OFFICE :

THERGAON, POONA 411 033

REGISTRARS & TRANSFER AGENTS :

IIT CORPORATE SERVICES LTD.,
UNIT : PUDUMJEE AGRO INDUSTRIES LTD.,
PROTOPRIMA CHAMBERS, 2ND FLOOR,
NEAR CINEMAGIC THEATRE,
SUREN ROAD,
ANDHERI (E), BOMBAY - 400 093.

Demat Stock Code : INE105C01015

EQUITY SHARES ARE LISTED AT :

MUMBAI, PUNE, AHMEDABAD
AND NATIONAL STOCK EXCHANGES.

NOTICE

The Thirtyseventh Annual General Meeting of the Shareholders of **Pudumjee Agro Industries Limited** will be held at the Registered Office of the Company at Thergaon, Poona 411 033 on Monday, the 2nd day of September, 2002 at 9.00 a. m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2002, the Profit and Loss Account and Cash Flow Statement for the year ended on that date, together with the Reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. S. M. Contractor, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. R. C. Saraf, who retires by rotation and is eligible for re-appointment.
4. To appoint the Auditors to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.
5. To appoint Auditors under Section 228 of the Companies Act, 1956 for auditing the Accounts of the Agro Division of the Company at Narsinghpur (Madhya Pradesh), to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT the number of Directors for the time being in office be increased from six to seven".

7. To appoint a Director in place of Mr. Subhash Chandra Kedia, who was appointed as Additional Director of the Company pursuant to Article 126 of the Articles of Association and holds office only up to the date of this Annual General Meeting by reason of the provisions of section 260 of the Companies Act, 1956 and being eligible, offers himself for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of a Director in accordance with the provisions of Section 257 of the Companies Act, 1956 and, if thought fit, to pass the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Subhash Chandra Kedia be and is hereby appointed as Director of the Company".

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT the aggregate ceiling of 10 per cent of paid up capital of the Company for purchase of shares under Portfolio Investment Scheme prescribed in Sub-clause (iv) of Clause (1) of Schedule 3 to Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 issued under Foreign Exchange Management Act, 1999 be raised to 24% of the paid up capital of the Company".

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the above mentioned item nos. 6 to 8 are annexed hereto.

The Register of members and Share Transfer Books of the Company will be closed from Friday, the 23rd day of August, 2002 to Monday, the 2nd day of September, 2002, both days inclusive.

Registered Office :
Thergaon, Poona 411 033.
Dated : 27th June, 2002.

By order of the Board of Directors,
J. W. PATIL
ASSTT. COMPANY SECRETARY

PUDUMJEE AGRO INDUSTRIES LIMITED**ANNEXURE TO THE NOTICE****Explanatory Statement under Section 173 of the Companies Act, 1956.**

The following Explanatory Statement sets out all the material facts relating to item Nos.6 to 8 of the Special Business mentioned in the accompanying Notice dated 27th June, 2002 convening the 37th Annual General Meeting.

RESOLUTION NO. 6

Section 258 of the Companies Act, 1956 requires the sanction of the members by an Ordinary Resolution for increasing number of Directors within the limit fixed by the Company's Articles of Association. It is, therefore, necessary to pass a formal resolution increasing number of Directors for the time being in office from six to seven.

RESOLUTION NO. 7

Mr. Subhash Chandra Kedia was appointed as additional director of the Company under Article 126 of the Articles of Association with effect from 27th May, 2002. Under the provisions of section 260 of the Companies Act, 1956 and the Provisions of the said Article he holds office only up to the date of this Annual General Meeting. Mr. Kedia is a Bachelor of Science and Bachelor of Law and has about 26 years of Techno-Commercial and industrial experience. A Notice proposing Mr. Subhash Chandra Kedia for appointment to the office of Director at the Annual General Meeting, together with a deposit of Rs. 500/- has been received by the Company as required by Section 257 of the Companies Act, 1956. The Ordinary Resolution in this behalf is, therefore, commended for the approval of the members.

Except Mr. Subhash Chandra Kedia, no other director is interested in this resolution.

RESOLUTION NO. 8

Schedule 3 to Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, inter-alia, puts a condition that the aggregate paid up value of shares of any Company purchased by all Non Resident Indians, Persons of Indian origin and Overseas Corporate Bodies does not exceed 10% of paid up capital of the Company, provided that the aforesaid ceiling may be raised to 24% if a special resolution to that effect is passed by the General Body of the Indian Company concerned.

In order to broad base the shareholding structure and facilitate investment by NRI's, in the Company, it is proposed to raise the aforesaid aggregate ceiling of 10% to 24% Mr. S. M. Jatia being a relative of Mr. A.K. Jatia who is a person of Indian origin and a shareholder of the Company may be deemed to be interested in the resolution.

Registered Office :
Thergaon, Poona 411 033.
Dated : 27th June, 2002.

By order of the Board of Directors,
J. W. PATIL
ASSTT. COMPANY SECRETARY

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DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Thirtyseventh Annual Report on the working of the Company for the year ended 31st March, 2002, together with the statement of Accounts for that year.

FINANCIAL RESULTS

	2001-2002 Rs.	Previous Year Rs.
Gross profit before interest and depreciation	2,48,33,183	7,39,560
Adjusting therefrom Interest of	3,96,683	26,58,634
And Depreciation of	1,44,19,655	1,46,63,067
The net profit / (loss) comes to	1,00,16,845	(1,65,82,141)
Adjusting therefrom:		
The amount transferred from General Reserve of	—	1,62,82,141
The income/(expenses) of earlier years of	3,20,825	(16,353)
The Balance brought forward from last year of	1,89,36,564	1,89,52,917
The Total comes to	<u>2,92,74,234</u>	<u>1,89,36,564</u>
Adjusting against this amount the following, namely :		
Provision for Taxation of	7,00,000	—
Provision for deferred tax of	41,00,000	—
And transfer to General Reserve of	20,00,000	—
Totalling to	<u>68,00,000</u>	<u>—</u>
There remains a balance of	<u>2,24,74,234</u>	<u>1,89,36,564</u>
which the Directors propose to carry-forward to next year's accounts.		

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed and there have not been any material departures;
- the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year on 31st March, 2002 and of the profit of the company for that period;
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- the directors have prepared the annual accounts on a going concern basis.

OPERATIONS

The recession in the Paper Industry continues unabated. Due to recession the Company has reduced its production cost by internal means and earned a profit as compared to loss in the previous year.

During the current year the manufacturing activities of Agro Division at Narsinghpur were discontinued with effect from 9th September, 2001.

PUDUMJEE AGRO INDUSTRIES LIMITED**DIRECTORS**

Messrs S. M. Contractor and R. C. Saraf retire by rotation and being eligible, offer themselves for re-appointment.

Mr. S.C. Kedia was appointed as an additional Director with effect from 27th May, 2002. According to the provisions of Section 260 of the Companies Act, 1956 he will cease to hold office on the day of the ensuing Annual General Meeting. The Directors commend for your approval the proposed Ordinary Resolution for his appointment.

AUDITORS

Members are requested to appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Members are also requested to appoint Auditors as provided under section 228 of the Companies Act, 1956 for auditing the Accounts of the Agro Division of the Company at Narsinghpur, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

STATEMENTS UNDER SECTIONS 217(1)(e) AND 217(2A)

Statement giving details as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 is attached and marked Annexure 'A'.

During the current year no employee had drawn remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance in accordance with the guidelines of the Securities & Exchange Board of India and Clause 49 of the Listing Agreements with the Stock Exchanges is attached and marked Annexure 'B'

On behalf of the Board of Directors,

Bombay ,
Dated : 27th June, 2002

SHYAM M. JATIA
Chairman



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ANNEXURE "A" TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2002.

I. CONSERVATION OF ENERGY :

- (a) Measures taken : Optimisation of manufacturing operations including time based interlocks to control idle running of equipments.
: Replacement of water ring vacuum pumps with efficient pump.
: Provision of suitable size of pump impellers to avoid throttled valve operation of the pumps.
- (b) Proposals : Study for power conditioning system for reduction of harmonics to improve quality of power distribution system.
: Replacement of old AC motors with energy efficient motors.
: Study and implementation of thermocompressor system on paper machine.
- (c) Impact : There has been no significant reduction because of aforesaid in the cost of production of goods.

(d) Power and Fuel Consumption :

	2001-2002	Previous Year
(i) Electricity :		
(a) Purchased :		
- Units (KWH in lacs)	161.00	146.00
- Total amount (Rs.in lacs)	653.09	611.31
- Average rate/KWH (Rs)	4.05	4.20
(b) Own generation :		
- Through Power Generator Unit (KWH)	—	—
- Units per ltr. of fuel Oil (KWH)	—	—
- Cost/Unit (Rs.)	—	—
(ii) (a) Steam :		
- Quantity (MT)	—	—
- Total cost (Rs. in lacs)	—	—
- Average rate (Rs. per MT)	—	—
(b) Fuel Oil :		
- Quantity (KL)	4818	5239
- Total amount (Rs.in lacs)	411.77	497.99
- Average rate (Rs. per K.L.)	8546	9506
(iii) Diesel Oil :		
- Quantity (Ltrs.)	—	—
- Total cost (Rs.in lacs)	—	—
- Average Rate per ltr (Rs.)	—	—
(iv) Steam Coal used in Boiler:		
- Quantity (MT)	—	—
- Total cost (Rs.in lacs)	—	—
- Average rate (Rs./MT)	—	—
(v) Consumption per tonne of paper produced :		
- Electricity (KWH)	1023	996
- Steam (MT)	—	—
- Fuel (KL)	0.305	0.359

NOTE : As the requirement of energy varies widely with the quality of products being made, it would fluctuate annually depending upon the product mix and the raw material mix being utilized for the different grades and at different times.

PUDUMJEE AGRO INDUSTRIES LIMITED**II. RESEARCH & DEVELOPMENT :**

- | | | | |
|----|---|---|---|
| 1. | Specific areas in which R&D. carried out by the Company | : | (a) Process improvement and control.
(b) Product quality improvement.
(c) Evaluation of recycled Fibre and its utilization. |
| 2. | Benefits derived as a result of the above R & D | : | (a) Improvement in product quality and performance.
(b) Improved Cost effectiveness in paper production. |
| 3. | Future plan of action | : | (a) To increase utilization of waste paper pulp to the maximum extent possible.
(b) Introduce use of new chemicals in paper manufacturing.
(c) Recovering useful fibre and conservation of fresh water. |
| 4. | Expenditure on R&D | : | <u>Rs. in lacs</u> |
| | (a) Capital | : | — |
| | (b) Recurring | : | 13.44 |
| | (c) Total | : | <u>13.44</u> |
| | (d) Total R&D expenditure as a percentage of turnover | : | 0.19% |

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- | | | | |
|----|--|---|---|
| 1. | Efforts in brief made towards technology absorption, adaptation and innovation | : | <ul style="list-style-type: none"> • Development of a new process to facilitate use of "difficult to use" waste papers. • Establishing fibre recovery/reuse system. |
| 2. | Benefits derived as a result of the above efforts. | : | <ul style="list-style-type: none"> • Use of higher of waste paper pulp in different grades of paper was achieved. • Reduction in use of imported wood pulp. • Better understanding of quality aspects of various waste paper grades available in international market. |
| 3. | No new technology was imported in last five years. | : | |

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- | | |
|----|--|
| 1. | During the year the Company has exported goods, paper and steel valued at Rs. 485.46 lacs as compared to Rs. 59.36 lacs during the previous year. There has been a good demand for export of our products and Company expects to do better during the next financial year. |
| 2. | Foreign Exchange earned and used were Rs.485.46 lacs and Rs. 1274.48 lacs respectively. |

On behalf of the Board of Directors,

SHYAM M. JATIA
Chairman

Bombay,
Dated : 27th June, 2002

ANNEXURE " B" TO DIRECTORS' REPORT

CORPORATE GOVERNANCE DISCLOSURES

As required by clause 49 of the Listing Agreements of the Stock Exchanges and guidelines issued by Securities & Exchange Board of India, the Company has complied with all the requirements of the Code of Corporate Governance.

The Company's Philosophy on Code of Governance

Essentially the Company's Philosophy on Corporate Governance envisages transparency with integrity in all its dealings with its stakeholders, including shareholders, employees, lenders and others.

Board of Directors

The Board has a strength of seven directors. The Board consists of eminent persons with considerable professional expertise and experience.

All Directors, except Mr. S.M. Jatia, who is Chairman and Managing Director, are non executive independent directors on the Board.

Name.	Category	No. of other Directorships & Committee Memberships/Chairmanships held			Attendance Particulars (No. of Board Meetings held in 2001-02=4)
		Directorships	Committee Membership	Committee Chairmanships	
Mr. S. M. Jatia*	CMD/PR	9	—	—	3
Mr. A. S. Dayal	NED/IND	13	—	—	3
Mr. S. M. Contractor	NED/IND	1	—	—	3
Mr. R. C. Saraf	NED/IND	5	2	—	3
Mr. A. K. Somany	NED/IND	4	—	—	1
Mr. Gautam Agarwal*	NED/IND	—	—	—	3
Mr. S.C. Kedia **	NED/IND	—	—	—	—

* Attended the Annual General Meeting held on 3rd September, 2001

** Appointed on 27th May, 2002

CMD : Chairman & Managing Director, NED: Non-Executive Director,

IND : Independent Director, PR: Promoter Director.

During the year 2001-02 four Board Meetings were held on 29th June, 2001, 27th July, 2001, 27th October, 2001, and 29th January, 2002.

Details of Remuneration paid to Directors during the year ended 31st March, 2002**Amount in Rupees.**

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr. S. M. Jatia	—	7,80,000	1,41,121	—	9,21,121
Mr. A. S. Dayal	1,500	—	—	—	1,500
Mr. S. M. Contractor	3,000	—	—	—	3,000
Mr. R. C. Saraf	4,000	—	—	—	4,000
Mr. A. K. Somany	500	—	—	—	500
Mr. Gautam Agarwal	3,500	—	—	—	3,500

PUDUMJEE AGRO INDUSTRIES LIMITED

Mr. S. M. Jatia is entitled to commission @ 4% of the profits of the Company. However due to inadequacy thereof no commission was paid during the year.

Perquisites include housing with electricity, gas, etc., medical expenses, leave travel assistance, club fees, accident insurance premium and contribution to provident fund etc., There are no severance fees, Stock Options and notice period in case of the executive director.

The appointment of Mr. S. M. Jatia is for five years with effect from 1st April, 2002.

Appointment of Directors:

Resolutions have been proposed for re-appointment of Mr. S. M. Contractor and Mr. R. C. Saraf as directors of the Company on their retirement by rotation and appointment of Mr. Subhash Chandra Kedia as Director of the Company.

a) Mr. S. M. Contractor

Mr. S. M. Contractor was appointed in the year 1990 as Director of the Company and since then he has been reappointed from time to time. He is a qualified Engineer and has vast and varied industrial experience. He is a Director of F. Pudumjee Investment & Finance Co. Ltd.

b) Mr. R. C. Saraf

Mr. R.C. Saraf was appointed as Director in the year 1990 and since then he has been reappointed from time to time by rotation. He is a businessman of repute and has experience in business and administration. He is a Director of the following Companies:

- Rajendra Mechanical Industries Ltd.
- Remi Process Plant & Machinery Ltd.
- Rajendra Electrical Industries Ltd.
- Remi Metals Gujarat Ltd.
- Kanoria Plaschem Ltd.

c) Mr. Subhash Chandra Kedia

Mr. Subhash Chandra Kedia was appointed as additional Director by the Board of Directors in May, 2002. His appointment is proposed pursuant to the requirements of Section 257 of the Companies Act. Mr. Kedia is a Bachelor of Science and Bachelor of Laws and has Techno Commercial and industrial experience of over twenty six years.

Management Discussion and Analysis :

The liberalization policy has resulted in heavy imports of cheap paper and this has caused recessionary trends in the industry. However the Company has reduced its production cost and earned a profit of Rs. 100.17 lacs as compared to loss of Rs. 165.82 lacs in the previous year.

The Company's Paper Division is a medium sized unit (employing 175 employees) and had certain benefits under the excise structure as compared with the larger paper mills. These benefit have been removed and competition of larger paper mills constitutes a threat to the company's working.

The manufacturing activities of Agro Division at Narsinghpur have been discontinued.

The hearing of the Company's appeal before the Central Excise Gold (Control) Appellate Tribunal against the demand of Rs. 64.03 crores raised by the Excise Department is expected to be heard in current year.

The existing internal control of the Company is quite adequate. The Company's relations with the labour continues to be normal.