

**PUDUMJEE
AGRO INDUSTRIES
LIMITED**

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Annual Report
2002 – 2003

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

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, PUNE 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), MUMBAI - 400 093.

Demat Stock Code : INE105C01015

EQUITY SHARES LISTED AT :

MUMBAI, PUNE, AHMEDABAD
AND NATIONAL STOCK EXCHANGE.

NOTICE

The Thirty Eighth Annual General Meeting of the Shareholders of **Pudumjee Agro Industries Limited** will be held at the Registered Office of the Company at Thergaon, Pune 411 033 on Monday, the 8th day of September, 2003 at 9.00 a. m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2003, 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. A. S. Dayal, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. A. K. Somany, who retires by rotation and is eligible for re-appointment.
4. 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.
5. To appoint Auditors under Section 228 of the Companies Act, 1956 for auditing Accounts of 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 a Special Resolution :

"RESOLVED THAT the consent of the Shareholders of the Company be and is hereby accorded, pursuant to provisions of Section 149 (2A) of the Companies Act, 1956 and other applicable provisions, if any, of the said Act for the commencement of the business as specified in sub-clauses 23, 25, 50 and 51 of the Object Clause III of the Memorandum of Association 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 OF THE COMPANY.

The proxy in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before commencement of the meeting.

The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the above mentioned item No. 6 is annexed hereto.

The Register of members and Share Transfer Books of the Company will be closed from Tuesday, the 26th day of August, 2003 to Monday, the 8th day of September, 2003, both days inclusive.

Members who hold shares in dematerialised form are requested to bring their CLIENT ID AND DP ID numbers for easy identification of attendance at the meeting.

Members holding shares in dematerialised form are requested to intimate any change in their address, bank details etc. to their respective DPs and those holding shares in physical form are to intimate above said changes to the Registrar and Share Transfer Agents of the Company.

Shareholders who have not so far encashed the dividend warrants are requested to immediately return the outdated warrants to the Company to enable the Company to issue duplicate warrants/Demand Drafts in lieu thereof.

Registered Office :
Thergaon, Pune 411 033.
Dated : 27th June, 2003.

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 No. 6 of the Special Business mentioned in the accompanying Notice dated 27th June, 2003 convening the 38th Annual General Meeting.

RESOLUTION NO. 6

Section 149(2A) of the Companies Act, 1956 requires that approval of the shareholders be obtained by a Special Resolution for commencing business mentioned in the objects clause of the Memorandum of Association.

In order to diversify the business activities of the Company, this resolution has been proposed for approval of the shareholders. It would enable the Company to do trading activity as mentioned in Clauses 23 and 25 of the Memorandum of Association as also to undertake business of Construction / Real Estate as mentioned in Clauses 50 and 51 of the Memorandum of Association.

The Directors commend this resolution for your approval.

None of the Directors of the Company is interested in the proposed resolution.

Copy of the Memorandum of Association and Articles of Association of the Company is available for inspection at the Registered office of the Company on all working days between 2.00 p.m. and 4.00 p.m.

By order of the Board of Directors,

Registered Office :

Thergaon, Pune 411 033.

Dated : 27th June, 2003.

J. W. PATIL

ASSTT. COMPANY SECRETARY



DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Thirty Eighth Annual Report on the working of the Company for the year ended 31st March, 2003, together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	<u>2002-2003</u> Rs. in Lacs	<u>Previous Year</u> Rs. in Lacs
Gross profit before interest and depreciation	242.35	248.33
Adjusting therefrom Interest of	68.34	3.97
And Depreciation of	146.62	144.19
The net profit comes to	27.39	100.17
Adding thereto:		
The income of earlier years of	—	3.21
The Balance brought forward from last year of	224.74	189.36
The Total comes to	<u>252.13</u>	<u>292.74</u>
Adjusting against this amount the following, namely :		
Provision for Taxation of	—	7.00
Provision for deferred tax of	—	41.00
And transfer to General Reserve of	—	20.00
Totalling to	<u>—</u>	<u>68.00</u>
There remains a balance of which the Directors propose to carry-forward to next year's accounts.	<u>252.13</u>	<u>224.74</u>

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that

- i in the preparation of annual accounts, the applicable accounting standards have been followed and there have not been any material departures;
- ii 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, 2003 and of the profit of the company for that period;
- iii 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;
- iv the directors have prepared the annual accounts on a going concern basis.

OPERATIONS

Due to depressed market conditions, increase in cost of inputs, especially fuel oil and severe unfair competition from imports, the margins continued to be under heavy pressure which resulted in a small loss in the Paper Division.

The Operation of Agro Division continued to remain closed.

The hearing of the Company's appeal before the Central Excise Gold (Control) Appellate Tribunal in respect of the Department's claim of Rs. 64.03 corers still continues to be adjourned at the instance of the Department.

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The Directors have proposed diversification of the activities of the Company into trading and construction/real estate and the resolutions proposed for these purposes are commended for your approval.

DIRECTORS

Messrs A. S. Dayal and A. K. Somani retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

Members are requested to appoint Auditors to hold office from the conclusion of ensuing Annual General 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 ensuing Annual General 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 as amended to date.

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,

Mumbai,
Dated : 27th June, 2003

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, 2003.

I. CONSERVATION OF ENERGY :

- (a) Measures taken : Continuous monitoring of electrical and thermal energy consumption and evaluation of operating parameters carried out at different sections. Capacitor banks were installed during the year.
- (b) Proposals : Pumps Impeller Trimming.
- (c) Impact : There has been marginal reduction in cost of production of goods because of aforesaid measures.
- (d) Power and Fuel Consumption :

	<u>2002-2003</u>	<u>Previous Year</u>
(i) Electricity :		
Purchased :		
- Units (KWH in lacs)	133.00	161.00
- Total amount (Rs.in lacs)	509.11	653.09
- Average rate/KWH (Rs)	3.82	4.05
(ii) Fuel Oil :		
- Quantity (KL)	3980	4818
- Total amount (Rs.in lacs)	417.01	411.77
- Average rate (Rs. per KL)	10478	8546
(iii) Consumption per tonne of paper produced :		
- Electricity (KWH)	1001	1023
- Fuel (KL)	0.299	0.305

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.

II. RESEARCH & DEVELOPMENT :

1. Specific areas in which R&D carried out by the Company :
- Process improvement and control.
 - Evaluation of recycled Fibre and its utilization.
 - Reduction in cost of input chemicals through process improvement and substitution.
2. Benefits derived as a result of the above R & D :
- Improvement in product quality and performance.
 - Improved Cost effectiveness in paper production.
3. Future plan of action :
- To develop new products keeping in view changed market needs.
 - To introduce use of paper chemicals to enhance quality.
 - To recover useful fibre and conserve fresh water.

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4. Expenditure on R&D	:	Rs. in lacs
(a) Capital	:	—
(b) Recurring	:	1.43
(c) Total	:	<u>1.43</u>
(d) Total R&D expenditure as a percentage of turnover	:	0.015%

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief made towards technology absorption, adaptation and innovation :
 - Establish use of low cost waste paper through improved processing.
 - Development of new process to facilitate pulping of 'difficult to use' waste papers.
 - Enhance fibre recovery/reuse.
2. Benefits derived as a result of the above efforts. :
 - 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 470 MT of paper valued at Rs. 170 lacs and 23160 MT steel valued at Rs. 4368 lacs, as compared to 172 MT of paper valued Rs. 63 lacs and 2596 MT steel valued at Rs. 422 lacs respectively during the year 2001-'02. There has been a good demand for export of our products and the Company hopes to do better during the next financial year.
2. Foreign Exchange earned and used were Rs. 4538.76 lacs and Rs. 1145.62 lacs respectively.



On behalf of the Board of Directors,

Mumbai,
 Date: 27th June, 2003

SHYAM M. JATIA
 Chairman



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 2002-03—5)
		Directorships	Committee Membership	Committee Chairmanships	
Mr. S. M. Jatia*	CMD/PR	9	—	—	5
Mr. A. S. Dayal	NED/IND	13	—	—	5
Mr. S. M. Contractor	NED/IND	1	—	—	5
Mr. R. C. Saraf *	NED/IND	5	—	—	3
Mr. A. K. Somany	NED/IND	4	2	—	1
Mr. G. N. Agarwal	NED/IND	—	—	—	5
Mr. S.C. Kedia	NED/IND	3	—	—	4

* Attended the Annual General Meeting held on 2nd September 2002

CMD : Chairman & Managing Director, NDE : Non Executive Director

IND : Independent Director, PR : Promoter Director

During the year 2002-2003, five Board Meetings were held on 27th May, 2002, 27th June, 2002, 29th July 2002, 28th October 2002, and 30th January, 2003

Details of Remuneration paid to Directors during the year ended 31st March, 2003

Amount in Rupees.

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr. S. M. Jatia	—	7,80,000	1,19,870	—	8,99,870
Mr. A. S. Dayal	2,500	—	—	—	2,500
Mr. S. M. Contractor	4,000	—	—	—	4,000
Mr. R. C. Saraf	3,500	—	—	—	3,500
Mr. A. K. Somany	500	—	—	—	500
Mr. G. N. Agarwal	6,000	—	—	—	6,000
Mr. S.C. Kedia	2,000	—	—	—	2,000

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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 managing 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. A. S. Dayal and Mr. A. K. Somany as directors of the Company on their retirement by rotation.

a) Mr. A. S. Dayal

Mr. A. S. Dayal was appointed in the year 1991 as Director of the Company and since then he has been reappointed from time to time. Mr. Dayal is a practicing solicitor and proprietor of A. S. Dayal & Associates.

He is Director of following other companies

- Millennium Developers Private Ltd.
- Reliance Assam Petrochemicals Ltd.
- Kanoria Securities & Financial Services Ltd.
- Goa Publications Pvt. Ltd.
- Reliance Enterprises Ltd.
- Dupont Sportswear Ltd.
- Reliance Telecom Ltd.
- Gammon India Ltd.
- Reliance Power Ventures Ltd.
- Reliance General Insurance Ltd.
- Reliance Salgaocar Power Company Ltd.
- Vallabhdas Dayal & Sons Clearing Agents Pvt. Ltd.
- SMS Biopharma Pvt. Ltd.

b) Mr. A. K. Somany

Mr. A.K. Somany was appointed as Director in the year 1991 and since then he has been reappointed from time to time by rotation. Mr. Somany is a well known businessman with over 29 years of experience in business and finance.

He is Director of the following other Companies:

- Soma Textiles & Industries Ltd.
- Krishna Glass Ltd.
- Pee Vee Textiles Ltd.
- Somany Evergreen Knits Ltd.

Board Procedure :

Board Meetings are held about four to five times a year. Detailed Agenda is sent to each Director well in advance of the meetings. The Directors are briefed at each Board Meeting regarding performance and working by the functional heads. In addition to matters statutorily requiring Board's approval, all major decisions of policy, strategic formulations, capital expenditure, new investments, major accounting policies are considered by the Board.

Management Discussion and Analysis :

The Company has to face the unfair competition from imported pulp. To partially offset this the industry had requested the Government to levy specific import duty instead of advalorem duty as at present, which request is yet to be accepted by the Government. This unfair competition combined with the depressed market conditions and increase in costs had resulted in substantially lower margins during the year. The Management is attempting to address this issue by suitably changing the product mix and formulating appropriate marketing strategy.

The Management also proposes to undertake diversification of activities into trading and real estate/construction business to reduce Company's dependence on the Paper business and also to improve overall margins.