

**PUDUMJEE
AGRO INDUSTRIES
LIMITED**

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***Annual Report
2003 – 2004***

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

REGISTRAR & 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.

N O T I C E

The Thirty Ninth 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 6th day of September, 2004 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2004, the Profit & 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. G. N. Agarwal, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S. C. Kedia, 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 the 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 an Ordinary Resolution:

"RESOLVED THAT subject to the consents, approvals and permissions to be obtained from appropriate authorities to the extent applicable or necessary, consent of the Company be and is hereby given pursuant to Section 293(1)(a) of the Companies Act, 1956 or any other applicable legal provisions to the sale/lease or otherwise disposing of the Company's undertaking at Narsinghpur, Madhya Pradesh in any manner whether as a going concern or otherwise at such consideration and on such terms and conditions and with effect from such date as the Board of Directors of the Company may decide (the term "Board" shall include a Committee of Directors constituted for this purpose) AND THAT the Board of Directors be and is hereby authorized to complete the sale/lease/disposal of the said undertaking/Division with such modifications as may be required by any of the concerned authorities or which it may deem to be in the interest of the Company and with full powers to the Board to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in the interest of the Company to implement this resolution".

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to leasing, mortgaging and/or charging by the Board of Directors of the Company of the whole or substantially the whole of the undertaking(s) immovable and movable properties of the Company wheresoever situate, present and future, in connection with the borrowings, loans from Banks, Financial Institutions and other Lenders, together with power to the lenders to takeover the management of the business and concern of the Company in certain events, to or in favour of any Financial Institution, Bank, Mutual Fund, Trustees for any instrument of debt or any other Body Corporate to secure any such borrowings by the Company in Indian Rupees or Foreign currency together with interest, compound/additional interest, commitment charge, premium on pre payment or on redemption, cost, charges, expenses and all other monies payable to such lenders in terms of their respective Loan/Trusteeship Agreement entered in to or to be entered into by the Company in respect of such borrowings, so however that the aggregate of all such borrowings do not exceed Rs. 200 crores (Rupees Two Hundred Crores Only)".

"FURTHER RESOLVED THAT the Board of Directors of the Company (including any Committee of Directors so appointed by the Board) be and is hereby authorized to finalise with such Financial Institutions, Banks, Mutual Funds, Trustees or Other Bodies Corporate for any instrument or the relevant documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT in terms of Securities & Exchange Board of India (SEBI) (De-listing of Securities) Guidelines, 2003, and also guidelines/notifications issued/to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 and the Securities (Contract and Regulations) Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereafter)

PUDUMJEE AGRO INDUSTRIES LIMITED

and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to the Board to, de-list the Company's Equity Shares from The Stock Exchange, Ahmedabad.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to seek voluntary de-listing from The Stock Exchange, Ahmedabad, to take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to de-listing of the equity shares from the aforesaid Stock Exchange and to execute all such deeds, documents, writings as may be necessary, desirable or expedient or as may be deemed fit and for this purpose to delegate the authority and the duty vested in it by virtue hereof to any other person(s) whom the Board may consider suitable, to do the various acts, deeds and things to be done in this behalf".

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 Nos. 6 to 8 are annexed hereto.

The Register of Members and share Transfer Books of the Company will be closed from Wednesday, the 25th day of August, 2004 to Monday, the 6th day of September, 2004, both days inclusive.

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

The business at item Nos. 6 and 7 is to be transacted through the process of Postal Ballot and as such the members entitled to attend and vote at the meeting may for item Nos. 6 and 7, vote by postal ballot and may send their assent or dissent in writing to the Company in the prescribed postal ballot form, which has been sent separately to them.

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 the above said changes to the Registrar and Share Transfer Agents of the Company.

Shareholders who have not so far en-cashed the dividend warrants of earlier years are requested to immediately return the outdated warrants to the Company to enable the Company to issue duplicate warrants/Demand Drafts in lieu thereof.

By Order of the Board of Directors,

Registered Office:
Thergaon, Pune - 411 033
Dated: 26th July, 2004

J. W. Patil
Asstt. Company Secretary

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, 7 & 8 of the Special Business mentioned in the accompanying Notice dated 26th July, 2004 convening the 39th Annual General Meeting.

RESOLUTION NO. 6

The Company was engaged in the production and sale of Oil, and De Oiled cakes at its Agro Division at Narsinghpur, Madhya Pradesh. As a part of restructuring exercise it is proposed to sell/lease or otherwise dispose of the said division since it is not in operation from 9th September, 2001 except for carrying out processing activity for others.

Section 293(1)(a) of the Companies Act, 1956 provides, inter-alia that the Board of Directors of a public company shall not, without the consent of Members of the Company in General Meeting, sell, lease or otherwise dispose of, the whole or substantially the whole of the undertaking of the Company or where the company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking. The Company is seeking the approval of the Members of the Company for the proposed sale/disposal of the Agro Division.

At present there is no person employed at the Agro division and the proposed sale will not affect the interest of employees as provided in the Industrial Disputes Act, 1947.

The Board of directors of the Company accordingly commends the Ordinary Resolution for approval by the Members, by exercising their vote(s) through Postal Ballot. A Postal Ballot Form is sent along with a separate Notice.

Mr. S. M. Jatia, Director of the Company may be deemed to be concerned or interested in the resolution as set out in the Notice pursuant to Section 192A of the Companies Act, 1956 to the extent of shares held by him in the Company.

No other Director is interested in this resolution.

RESOLUTION NO. 7

To meet the capital expenditure and other requirements, the Company may have to obtain in the coming years financial assistance from Financial Institutions/Banks/investing Companies by way of loans, issue of debentures, bonds, other instruments on private placement basis or otherwise as set out in the resolution. The resolution proposes that authority be given to the Board for creation of mortgage, charge, hypothecation of fixed assets of the Company up to a value not exceeding Rs. 200 Crores.

Section 293(1)(a) of the Companies Act, 1956 provides, inter-alia, that the Board of Directors of a Public Company shall not, without the consent of shareholders at a General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Since mortgaging/charging by the Company of its immovable and movable properties may be regarded as disposal of the Company's undertaking, it is necessary that the members authorize the Board of Directors by a resolution under the aforesaid section for the creation of mortgage/charge. The mortgage/charge referred to in the resolution will rank pari passu with the existing mortgage and charges created by the Company in favour of lenders.

The Board of directors of the Company accordingly commends the Ordinary Resolution for approval by the Members, by exercising their vote(s) through Postal Ballot. A Postal Ballot Form is sent along with a separate Notice.

No Director of the Company is interested in this resolution.

RESOLUTION NO. 8

Presently, equity shares of the Company are listed on the Stock Exchanges at Mumbai, Pune, Ahmedabad and National Stock Exchange of India Limited. Owing to the rapid dematerialisation of securities, technological developments and on line trading facilities, the shares of the Company are traded all over India through on line terminals provided by The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE), there is infrequent and small i.e. minuscule trading of the Company's shares on the Stock Exchange Ahmedabad. In view of this, it is proposed to de-list the Company's equity shares from The Stock Exchange, Ahmedabad as stated in the Resolution. No inconvenience will be caused to the shareholders residing in the Ahmedabad region since on line terminals are provided by BSE and NSE in this region. Further, de-listing from this Stock Exchange will help in saving avoidable expenditure and administrative compliances.

The Securities and Exchange Board of India (SEBI) (De-listing of Securities) Guidelines, 2003 requires approval of the members of the Company by a Special Resolution for the purpose. Hence the Resolution.

The Directors commend the resolution for your approval.

No Director of the Company is interested in the proposed resolution.

Registered Office:
Thergaon, Pune - 411 033
Dated: 26th July, 2004

By Order of the Board of Directors,

J. W. Patil
Asstt. Company Secretary

PUDUMJEE AGRO INDUSTRIES LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Thirty Ninth Annual report on the working of the Company for the year ended 31st March, 2004, together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	2003-2004	Previous Year
	Rs. in Lacs	Rs. in Lacs
Gross profit before interest and depreciation	276.44	242.35
Adjusting therefrom interest of	101.45	68.34
And Depreciation of	141.15	146.62
The net profit comes to	33.83	27.39
Adding thereto:		
The balance brought forward from last year of	252.13	224.74
The total comes to	285.96	252.13
Adjusting against this amount the following namely:		
Provision for Taxation of	—	—
Provision for deferred tax of	14.00	—
Dividend on Equity shares of	—	—
And transfer to General Reserve of	—	—
Totalling to	14.00	—
There remains a balance of which the Directors propose to carry forward to next year's accounts.	271.96	252.13

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 judgments 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, 2004 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 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

Since the last quarter of the year under review the market conditions have steadily improved and the Management expects that the current year will show improved results.

The exports of paper and steel showed substantial improvement to the extent of 58% and 25% respectively. Although the Agro Division remained closed, it was restarted in October, 2003 for processing oil and seeds for oilfiers and in this way the Company was able to earn processing charges of Rs. 12.18 lacs during the year under review.

The Company has placed an order for a new M. G. Cylinder for its second Paper Machine at a cost of Rs. 350 lacs, which is expected to be commissioned during December this year. This will help to increase the production on this machine by about 5,500 tonnes per annum.

PUDUMJEE AGRO INDUSTRIES LIMITED

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, 2004.

I. CONSERVATION OF ENERGY :

a) Measures taken :

- Continuous monitoring of electrical energy consumption and evaluation of operating parameters carried out at different sections in specific areas like power reduction in pumps by bypassing deculator, reducing motor speed, providing on/off controller.

b) Proposals :

- Replacement of vacuum pumps, centrifugal pumps by energy efficient pumps.

c) Impact :

There is marginal reduction in the cost of production of goods because of aforesaid measures at (a) and (b) above.

d) Power and Fuel Consumption :

	<u>2003-2004</u>	<u>Previous Year</u>
i) Electricity :		
Purchased:		
- Units (KWH in lacs)	150	133
- Total amount (Rs. In lacs)	563.08	509.11
- Average rate/KWH (Rs.)	3.75	3.82
Own generation -Through Power Generator		
- Units (KWH in lacs)	10.29	—
- Units per ltr. Of fuel oil	3.03	—
- Cost/Unit (Rs.)	6.28	—
ii) Fuel Oil :		
- Quantity (KL)	3998	3980
- Total Amount (Rs. In lacs)	417.34	417.01
- Average rate (Rs. Per KL)	10439	10478
iii) Steam Coal used in Boiler (Grade C or D whichever is available)		
- Quantity (MT)	2147	—
- Total Cost (Rs. In lacs)	38.47	—
- Average Rate (Rs. /MT)	1792	—
iv) Consumption per tonne of paper produced:		
- Electricity (KWH)	1033	1001
- Fuel oil (KL)	0.276	0.299
v) Consumption per tonne of seed throughput		
- Coal (MT)	0.074	—
- Power (KWH)	37	—

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 AND DEVELOPMENT

- | | |
|---|---|
| 1. Specific areas in which R & D Carried out by the Company | (a) Reduction in cost of input chemicals through substitution.
(b) Product quality improvement. |
| 2. Benefits derived as a result Of above R & D | 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) To introduce use of novel chemicals in paper manufacturing.
(c) To Recover useful fibre and reduce fresh water consumption. |
| 4. Expenditure on R & D | (Rs. In lacs) |
| (a) Capital | — |
| (b) Recurring | negligible |
| (c) Total | — |
| (d) Total R & D expenditure as a percentage of turnover | — |

III TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

- | | |
|---|--|
| 1. Efforts in brief made towards technology absorption, adaptation and innovation | (a) Identifying alternate/substitute to bagasse pulp.
(b) Better mix management of waste papers in the manufacture of specialty papers.
(c) Enhance fibre recovery / re-use. |
| 2. Benefits derived as a result of the above efforts. | (a) More usage of waste paper pulp in different grades of paper was achieved.
(b) Reduction in use of imported wood pulp.
(c) 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 achieved higher quantity of exports of paper, steel and other items and the total turnover of exports is Rs. 6,003.15 lacs. The Company is also trying to negotiate export of other commodities and achieve higher exports.
2. Foreign Exchange earned and used were Rs.6003.15 lacs and Rs. 1873.92 lacs respectively.

On behalf of the Board of Directors

Mumbai :
Dated : 29th June, 2004

SHYAM M. JATIA
Chairman

PUDUMJEE AGRO INDUSTRIES LIMITED

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 2003-04—6)
		Directorships	Committee Membership	Committee Chairmanships	
Mr. S. M. Jatia *	CMD/PR	10	-	-	6
Mr. A. S. Dayal	NED/IND	12	-	-	2
Mr. S. M. Contractor	NED/IND	1	-	-	4
Mr. R. C. Saraf *	NED/IND	5	-	-	4
Mr. A. K. Somany	NED/IND	4	2	-	1
Mr. G. N. Agarwal	NED/IND	1	-	-	6
Mr. S. C. Kedia	NED/IND	3	-	-	6

* Attended the Annual General Meeting held on 8th September, 2003

CMD: Chairman & Managing Director, NED: Non Executive Director, IND: Independent Director, PR: Promoter Director

During the year 2003-04, six Board Meetings were held on 24th April, 2003, 27th June, 2003, 30th July, 2003, 24th September, 2003, 29th October, 2003, and 31st January, 2004.

Details of Remuneration paid to Directors during the year ended 31st March, 2004.**Amount in Rupees.**

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr. S. M. Jatia	-	7,80,000	1,92,267	-	9,72,267
Mr. A. S. Dayal	1,000	-	-	-	1,000
Mr. S. M. Contractor	3,000	-	-	-	3,000
Mr. R. C. Saraf	4,500	-	-	-	4,500
Mr. A. K. Somany	500	-	-	-	500
Mr. G. N. Agarwal	7,000	-	-	-	7,000
Mr. S. C. Kedia	3,000	-	-	-	3,000

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 includes 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. G. N. Agarwal and Mr. S. C. Kedia as directors of the Company on their retirement by rotation.

Mr. G. N. Agarwal

Mr. G. N. Agarwal was appointed in the year 2001 as Director of the Company. Mr. Agarwal is a Bachelor of Commerce and Master in Business Administration and has about 10 years of business experience.

He is a Director of Eve Fabrics Pvt. Ltd.

Mr. S. C. Kedia

Mr. S. C. Kedia was appointed as Director in the year 2002. Mr. Kedia is a Bachelor of Science and Bachelor of Law and has about 28 years of Techno-Commercial and Industrial experience.

He is a Director of the following other Companies.

Softex Paper Products Pvt. Ltd.

Web Hosting & Solutions (I) Pvt. Ltd.

Board Procedure:

Board Meetings are held about five to six 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:

As mentioned in the Directors' Report the outlook in respect of the Company's working has improved since the last quarter of the year under review and the Management hopes of achieving improved results during the current year.

The exports of the Company during the year under review were Rs. 271 lacs in case of Paper and Rs. 6,297 lacs in case of Steel as compared to Rs. 171 lacs and Rs. 5,009 lacs respectively in the previous year.

The hearing of the Company's appeal before the Custom, Excise & Service Tax Appellate Tribunal in respect of the Department's claim of Rs. 64.03 crores still continues to be adjourned at the instance of the Department.

During the year under review the Company had, as a means of cost reduction, instituted a Voluntary Retirement Scheme, the cost of which came to Rs. 10.61 lacs. As permitted by the regulations this amount would be written off over five years commencing from the year under review.

The existing internal controls of the Company are quite adequate.

The Company's relations with the labour continue to be cordial.

Committee of Directors:

The Board has constituted a Committee of Directors under the provisions of Section 292 of the Companies Act, 1956 consisting of Messrs S. M. Jatia, S. M. Contractor and G. N. Agarwal.