

PUDUMJEE AGRO INDUSTRIES LIMITED



Annual Report
2005 – 2006

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. JAJODIYA
S. C. KEDIA

BANKERS :

STATE BANK OF INDIA
THE UNITED WESTERN BANK LIMITED
BANK OF INDIA
CENTURION BANK OF PUNJAB LTD.

SOLICITORS :

KANGA & COMPANY

AUDITORS :

KHARE & COMPANY

REGISTERED OFFICE :

THERGAON, PUNE 411 033

REGISTRAR & TRANSFER AGENTS :

SATELLITE CORPORATE SERVICES PRIVATE LTD.
UNIT : PUDUMJEE AGRO INDUSTRIES LTD.
B - 302, SONY APARTMENT,
OPP. ST JUDE HIGH SCHOOL
OFF ANDHERI KURLA ROAD
JARIMARI, SAKINAKA, MUMBAI 400 072.

Demat Stock Code : INE105C01015

EQUITY SHARES LISTED AT :

MUMBAI, PUNE AND NATIONAL STOCK EXCHANGES.



NOTICE

The Fortyfirst 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 Tuesday, the 5th day of September, 2006 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2006, 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. 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 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.

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 Register of Members and share Transfer Books of the Company will be closed from Friday, the 25th day of August, 2006 to Tuesday, the 5th day of September, 2006, both days inclusive.

Mr A. S. Dayal and Mr. A. K. Somany, whose appointment is to be considered by Annual General Meeting as mentioned above do not hold any shares in the Company.

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.

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 encashed 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.

Members may please note that the Registrar and Share Transfer Agents, M/s. Satellite Corporate Services private Limited, have changed their address to B-302, Sony Apartment, Opp. St. Jude High School, Off Andheri Kurla Road, Jarimari, Sakinaka, Mumbai – 400 072 during the year.

By Order of the Board of Directors,

J. W. Patil
Asstt. Company Secretary

Registered Office:
Thergaon, Pune – 411 033
Dated: 22nd June, 2006

DIRECTORS' REPORT TO THE MEMBERS

The Directors present the Forty First Annual report on the working of the Company for the year ended 31st March, 2006, together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	2005-2006 Rs. In Lacs	Previous Year Rs. In Lacs
Gross profit before interest and depreciation	551.62	404.27
Adjusting therefrom interest of	207.29	121.67
And Depreciation of	148.38	136.80
The net profit comes to	195.95	145.80
Adding thereto:		
Income of earlier years of	2.22	1.93
The balance brought forward from last year of	346.87	271.96
Transfer from General Reserve of	100.00	—
Adjusting there-from provision for Impairment of assets	(100.00)	—
The total comes to	<u>545.04</u>	<u>419.69</u>
Adjusting against this amount the following namely:		
Provision for Taxation of	20.00	12.00
Provision for deferred tax of	38.00	41.00
And transfer to General Reserve of	—	19.82
Totalling to	<u>58.00</u>	<u>72.82</u>
There remains a balance of	<u>487.04</u>	<u>346.87</u>
which the Directors propose to carry forward to next year's accounts.		

CONSOLIDATED FINANCIAL STATEMENTS

As required by Listing Agreements with the Stock Exchanges, the Consolidated Financial Statements prepared in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India are attached.

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 departure;
- 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, 2006 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 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 Management's efforts in improving the quality of the papers manufactured by the Company as also reduction in cost has started yielding results which, despite reduction in export of steel, is the main reason for improvement in profitability of the Company.

In view of the global competition which company is facing in some of its products face, the Management is continuing its efforts in improving the quality and reduction in costs.

The assets of Agro Division (whose operations were treated as discontinued), in view of the prevailing circumstances concerning un-viability of the Oil Extraction Plant, are being disposed off pursuant to the resolution passed by the members under Section 293(1)(a) at their Annual General Meeting held on 6th September, 2004. Pending completion of such disposal a provision of Rs.100 lacs has been made in the accounts for impairment of its assets.

The project of building residential complex at Tirupur, Tamilnadu being implemented by Prime Developers, in which the Company is a partner, is progressing satisfactorily whose Phase 1 is expected to be completed by March 2007.

The Directors are pleased to state that long pending litigation in respect of excise matters involving a demand of Rs.64.03 crores, has come to an end by way of dropping the Show Cause cum Demand Notice by the Commissioner who had reheard the matter pursuant to the decision of the Customs, Excise & Service Tax Appellate Tribunal, Mumbai.

The wholly owned subsidiary Company, namely, Pudumjee Hygiene Products Limited, engaged in the business of distribution of converted hygiene products, has been carrying out its activity as planned and has established itself as an important player in the market and, in the opinion of the Directors, has significant potential to be a market leader in the years to come.

DIRECTORS

Messrs A. S. Dayal and A. K. Somany 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 (M.P.), to hold office from the conclusion of ensuing Annual General Meeting until the conclusion of 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 year under review 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.

Place : Mumbai

Dated : 22nd June, 2006

SHYAM M. JATIA

Chairman

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, 2006.

I. CONSERVATION OF ENERGY :

a) Measures taken

- Continuous monitoring of electrical energy consumption and evaluation of operating parameters carried out at different areas. This resulted in replacing pumps by energy efficient pumps, reducing motor speed, replacement of hoods and MG.

b) Proposals

- Replacement of vacuum pumps, centrifugal pumps by energy efficient pumps.
Reduction in motor speed for agitators.

c) Impact of measures at (a) and (b) above on reduction of energy consumption :

There is no significant impact of measures at (a) and (b) above on cost of production.

d) Power and Fuel Consumption

	2005-06	Previous Year
i) Electricity		
Purchased:		
- Units (KWH in lacs)	173.76	155.30
- Total amount (Rs. In lacs)	635.65	557.10
- Average rate/KWH (Rs.)	3.66	3.59
Own generation - Through Power Generator		
- Units (KWH in lacs)	-	1.40
- Units per ltr. Of fuel oil	-	3.18
- Cost/Unit (Rs.)	-	6.41
ii) Steam Coal used in Boiler (Grade 'C' or Grade 'D' whichever is available)		
- Quantity (MT)	10015	1279
- Total Cost (Rs. In lacs)	304.55	40.75
- Average Rate (Rs. /MT)	3041	31.86
iii) Bagasse		
Quantity (MT)	1855	-
Total Cost (Rs. In lacs)	16.51	-
Rate per MT (Rs.)	890	-
iv) Fuel Oil :		
- Quantity (KL)	269	2838
- Total Amount (Rs. In lacs)	34.24	302.10
- Average rate (Rs. Per KL)	12729	10645
v) Consumption per tonne of paper produced:		
- Electricity (KWH)	1047	1092
- Fuel oil (KL)	0.016	0.200
- Steam Coal (MT)	0.603	0.073
- Bagasse (MT)	0.112	-
v) Consumption per tonne of seed throughput		
- Coal (MT)	-	0.059
- Power (KWH)	-	43

As we are a specialty paper mill, the requirement of energy varies widely with the quality of paper being manufactured and this 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) | Process Improvement and Control---stickly control chemicals |
| | | (b) | Use of waste paper and recovered fibers in various grades of paper. |
| | | (c) | Bulk & softness improvement in Crepe Tissue grades. |
| 2 | Benefits derived as a result of above R & D | (a) | Improvement in pulp, backwater and product Quality. |
| | | (b) | Improvement in performance of equipments. |
| | | (c) | Reduction in cost of input chemicals. |
| 3. | Future plan of action | (a) | Use of alternate grades of cheaper waste paper. |
| | | (b) | Increased use of recovered fibers. |
| | | (c) | Use of specialty chemicals and optimization to enhance pulp & paper quality and efficiency of equipments. |
| 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 | | negligible |

III. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

- | | | | |
|----|--|-----|---|
| 1. | Efforts in brief made towards technology absorption, adaptation and innovation | (a) | Use of specialty chemicals to further improve deinked pulp and paper quality. |
| | | (b) | Improved processing different grades of Waste paper. |
| | | (c) | Use of specialty chemicals to improve back water quality. |
| 2. | Benefits derived as a result of the the above efforts | (a) | Cost Reduction. |
| | | (b) | Improved pulp & back water quality. |
| | | (c) | Meeting Customer Quality Demand. |
| 3. | No new technology was imported in last five years. | | |

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- During the year the Company has exported 148 MT of paper and 11,481 MT of steel valued at Rs. 56.06 lacs and Rs.3184 lacs respectively compared to 326 MT of paper and 25,222 MT of steel valued at Rs.123 lacs and Rs.8,265 lacs respectively during 2004-05. The Company is trying to export other commodities and achieve higher exports next year.
- Foreign Exchange earned and used were Rs.3239.97 lacs and Rs.2767.18 lacs, respectively.

On behalf of the Board of Directors,

SHYAM M. JATIA
Chairman

Place : Mumbai
Dated : 22nd June, 2006

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.

Code of Conduct:

In tune with the corporate philosophy stated in the preceding para, the Board of Directors of the Company in its meeting held on 29th October, 2005 laid down a Code of Conduct for all the Board Members and Senior Management Personnel of the Company in terms of the requirements of revised Clause 49. The Code of Conduct is displayed at the Company's website www.pudumjeeagro.com. Affirmation regarding compliance with the Code of Conduct had been obtained from all Board Members and Senior Management Personnel of the Company. As required, a declaration duly signed by the Chairman and Managing Director to the effect is appended.

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 2005-06 -7)
		Directorships in other companies incorporated in India		Committee Membership	Committee Chairmanships	
		Public	Private			
Mr. S. M. Jatia	CMD/PR	3	6	-	-	7
Mr. A. S. Dayal	NED/IND	5	27	1	-	4
Mr. S. M. Contractor	NED/IND	1	-	-	-	7
Mr. R. C. Saraf	NED/IND	4	-	3	-	6
Mr. A. K. Somany	NED/IND	1	1	-	-	1
Mr. G. N. Jajodiya *	NED/IND	-	1	-	-	5
Mr. S. C. Kedia *	NED/IND	-	1	-	-	6

* Attended the Annual General Meeting held on 3rd September, 2005

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

During the year 2005-06, seven Board Meetings were held on 6th May, 2005, 3rd June, 2005, 28th June, 2005, 29th July, 2005, 29th September, 2005, 29th October, 2005 and 25th January, 2006.

Details of Remuneration paid to Directors during the year ended 31st March, 2006.

Amount in Rupees

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr. S. M. Jatia	-	7,80,000	1,80,339	-	9,60,339
Mr. A. S. Dayal	2,000	-	-	-	2,000
Mr. S. M. Contractor	5,000	-	-	-	5,000
Mr. R. C. Saraf	7,000	-	-	-	7,000
Mr. A. K. Somany	500	-	-	-	500
Mr. G. N. Jajodiya	6,000	-	-	-	6,000
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.

Non Executive Directors draw no remuneration except by way of sitting fees for each meeting of Board or Committee thereof attended by them within the limits prescribed by law in this regard.

None of the Non Executive Directors hold any share in the Company.

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.

Mr. A. S. Dayal

Mr. A. S. Dayal was appointed as Director in 1991 and since then he has been reappointed from time to time by rotation. Mr. Dayal is a practicing solicitor and proprietor of A. S. Dayal & Associates. He does not hold any share in the Company. He is member of Audit Committee of Gammon India Ltd.

He is a Director of following Companies:

Reliance Petroleum Limited., Reliance Power Ventures Limited, Reliance enterprises Limited, Actavis Pharma Limited, Gammon India Ltd., Goa Publications Private Limited, SMS Biopharma Private Limited, Harbingers Developers Private Limited, Novation Developers Private Limited, Millenium Developers Private Limited, Arcadia Estates and Developments Private Limited, Avishkar Investments & Trading Private Limited, Dirdh Commercials Private Limited, Pritika Traders Private Limited., Uditi Mercantile Private Limited, Spectrum Informative Services Private Limited, Pavna Agro Farms Private Limited, Prime Tradecom Private Limited, Kardam Commercials Private Limited, Krish Commercials Private Limited, Kshitij Commercials Private Limited, Priyash Commercials Private Limited, Pusti Commercials Private Limited, Nitya Priya Commercials Private Limited, Anumati Mercantile Private Limited, Bahar Trading Private Limited, Bhumika Trading Private Limited. Ekansha Enterprise Private Limited, Eklavya Mercantile Private Limited, Bhavan Mercantile Private Limited, Anadha Trading Private Limited, and Anumati Enterprise Private Limited

Mr. A. K. Somany

Mr. A. K. Somany was appointed as Director in 1991 and since then he has been reappointed from time to time by rotation. Mr. Somany is a well known businessman with over 32 years of experience in business and finance. He does