

PUDUMJEE AGRO INDUSTRIES LIMITED

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Annual Report
2006 – 2007

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
J. P. SEMWAL - (Appointed w.e.f. 01.02.2007)

BANKERS :

STATE BANK OF INDIA
IDBI 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 ARE LISTED AT :

MUMBAI, PUNE AND NATIONAL STOCK EXCHANGES.

N O T I C E

The Forty Second 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 3rd day of September, 2007 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2007, 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. Jajodiya, 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 a Director in place of Mr. S. M. Contractor, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting, until the conclusion of the 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 seven to eight".

7. To appoint a Director in place of Dr. Jaiprakash Semwal, 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 re-appointment 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 Dr. Jaiprakash Semwal 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 pursuant to the applicable provisions of the Companies Act, 1956 and subject to such approval(s), sanction(s) as may be necessary and subject to such modification(s) as may be required and which Dr. Jaiprakash Semwal may accept, Dr. Jaiprakash Semwal be and is hereby appointed as Wholetime Director of the Company for a period of five years with effect from 1st February, 2007 AND THAT consent be and is hereby accorded to the following remuneration, payments, benefits and amenities and the terms of appointment of the said Dr. Jaiprakash Semwal with a power to the Board of Directors to alter and vary from time to time, at its discretion the remuneration and other terms so however that they do not exceed the permissible limits laid down under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force, namely:

- a) He shall, subject to the supervision and control of the Board of Directors, perform such services and duties and exercise such powers as from time to time, be entrusted to him by the Board of Directors and the Managing Director.
- b) Remuneration at the rate of Rs. 65,000/- per month including dearness allowance.
- c) Rent free furnished residential accommodation, Company paying or reimbursing all rents, rates, taxes and other expenses for the upkeep and maintenance of his residential accommodation at a cost not exceeding Rs. 30,000/- per month or an allowance in lieu thereof.
- d) Expenses on electricity, gas, water and furnishing, of the residential accommodation.
- e) Actual medical expenses including hospitalization, nursing home charges, surgical charges, insurance premium and travelling expenses incurred for himself and family.

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- f) Leave travel assistance to cover air or first class air conditioned railway fare for himself, his wife and dependant children once in a year.
- g) Personal accident insurance premium.
- h) Membership including entrance and other fees for clubs.
- i) Participation in the Provident Fund and Pension/Superannuation Schemes.
- j) Gratuity as per the Company's rules applicable to its Executive Staff Members.
- k) i) Annual leave with full pay and other benefits for a period of one month with benefit of encashment of unutilized leave.
- ii) Sick and casual leave as per Company's rules applicable to its Executive staff members.
- l) Maintenance of telephone at his place of residence at the entire cost of the Company.
- m) Exclusive free use of a motor car for the business of the Company as well as for his personal use with full maintenance charges in respect thereof such as Chauffeur's salary, garage rent, fuel, repairs, insurance, taxes, overhauling charges, etc. at the entire cost of the Company.

PROVIDED THAT in the event of absence or inadequacy of profits in any year the said remuneration as stated in clause (b) above together with the payments, benefits and amenities shall nevertheless be paid or allowed as minimum remuneration for such year".

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

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and subject to such approval(s), sanction(s) as may be necessary and subject to such modification(s) as may be required and which Mr. Shyam Mahabirprasad Jatia may accept, Mr. Shyam Mahabirprasad Jatia be and is hereby appointed as Managing Director of the Company for a period of five years with effect from 1st April, 2007 AND THAT consent be and is hereby accorded to the following remuneration, payments, benefits and amenities and the terms of appointment of the said Mr. Shyam Mahabirprasad Jatia with a power to the Board of Directors to alter and vary from time to time at its discretion the remuneration, commission and other terms so however that they do not exceed the permissible limits laid down under the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof for the time being in force, namely:

- a) The Managing director shall, subject to the supervision and control of the Board of Directors, be in overall charge of the Company's activities and in particular attend to all matters concerning production planning, manufacture, finance, marketing and administration and shall perform such other duties and services and exercise such other powers as shall, from time to time, be entrusted to him by the Board of Directors.
- b) Remuneration of Rs. 75,000/- per month including dearness allowance.
- c) Payment of commission of an amount computed at four percent of the net profits of the Company as determined in accordance with the Companies Act, 1956 SO HOWEVER THAT such remuneration and commission together with the value of perquisites does not exceed the limits prescribed under that Act.
- d) Rent free furnished residential accommodation, Company paying or reimbursing all rents, rates, taxes and other expenses for the upkeep and maintenance of his residential accommodation or an allowance in lieu thereof.
- e) Expenses on electricity, gas, water and furnishing, of the residential accommodation.
- f) Actual medical expenses including hospitalization, nursing home charges, surgical charges, insurance premium and traveling expenses incurred for himself and family.
- g) Leave travel assistance to cover air or first class air conditioned railway fare for himself, his wife and dependant children once in a year.

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- h) Membership including entrance and other fees for clubs.
- i) Personal accident insurance premium.
- j) Participation in the Provident Fund and Pension/Superannuation Schemes.
- k) Gratuity as per the Company's rules applicable to its Executive Staff Members.
- l) i) Annual leave with full pay and other benefits for a period of one month with benefit of encashment of unutilized leave.
- ii) Sick and casual leave as per Company's rules applicable to its Executive staff members.
- m) Maintenance of telephone at the entire cost of the Company at his place of residence.
- n) Exclusive free use of a motor car for the business of the Company as well as for his personal use with full maintenance charges in respect thereof such as Chauffeur's salary, garage rent, fuel, repairs, insurance, taxes, overhauling charges, etc. at the entire cost of the Company.

PROVIDED THAT in the event of absence or inadequacy of profits in any year the said remuneration as stated in clause (b) above together with the payments, benefits and amenities shall nevertheless be paid or allowed as minimum remuneration for such year".

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 Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the above mentioned item Nos. 6 to 9 are annexed hereto.

The Register of Members and share Transfer Books of the Company will be closed from Friday, the 24th day of August, 2007 to Monday, the 3rd day of September, 2007, both days inclusive.

Dr. J. P. Semwal, Mr G. N. Jajodiya, Mr. S. C. Kedia, and Mr. S. M. Contractor whose appointments are to be considered by Annual General Meeting as mentioned above do not hold any shares in the Company. Mr. S. M. Jatia holds 1,61,655 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.

By Order of the Board of Directors,

J. W. Patil

Asstt. Company Secretary

Registered Office:

Thergaon, Pune - 411 033

Dated: 29th June, 2007

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 9 of the Special Business mentioned in the accompanying Notice dated 29th June, 2007 convening the 42nd 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 resolution increasing number of Directors for the time being in office from seven to eight.

RESOLUTION NO. 7

Dr. J. P. Semwal was appointed as an additional director of the Company under Article 126 of the Articles of Association with effect from 1st February, 2007. Under the provisions of section 260 of the Companies Act, 1956 and the provisions of the said Article he holds office only upto the date of this Annual General Meeting. Dr. Semwal is Ph.D, MBA, Paper Tech and has experience of over 33 years in Paper Industry

A Notice proposing Dr. Jaiprakash Semwal 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 members.

Except Dr. J. P. Semwal, no other Director is interested in this resolution.

RESOLUTION NO. 8

At the meeting of the Board of Directors held on 30th January, 2007 Dr. J. P. Semwal was appointed as Additional Director of the Company. It is proposed to appoint him as Wholetime director of the Company. Dr. Semwal is Ph.D, MBA, Paper Tech and has experience of over 33 years in Paper Industry. The Board of Directors are of the opinion that it would be in the interest of the Company to appoint him as Wholetime Director on the terms and conditions mentioned in the resolution in the accompanying notice, which terms and conditions have the approval of the remuneration committee. The Special Resolution is commended for the approval of the members.

Except Dr. J. P. Semwal, no other Director is interested in this resolution.

RESOLUTION NO. 9

The term of office of Mr. S. M. Jatia as the Managing Director of the Company has expired on 31st March, 2007. The Board has appointed him as managing director for a further period of five years, subject to the approval of shareholders in General Meeting. A Special Resolution is proposed for his reappointment for a period of five years with effect from 1st April, 2007.

Mr. Jatia has been the Managing Director of the Company since 1984 and has a long and varied business experience of over 33 years. The Board of Directors are of the opinion that it would be in the interest of the Company to appoint Mr. Jatia as its Managing Director on terms and conditions as mentioned in the proposed resolution in the accompanying notice and commend the resolution for your approval. These terms and conditions have the approval of the remuneration committee. According to Article 142(2) of the Articles of Association of the Company, the Managing Director, while he continuous to hold this office, shall not be subject to retirement by rotation.

Except Mr. S. M. Jatia, no other Director is interested in this resolution.

By Order of the Board of Directors;

J. W. Patil

Asstt. Company Secretary

Registered Office:

Thergaon, Pune – 411 033

Dated: 29th June, 2007

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DIRECTORS' REPORT

The Directors present the Forty Second Annual report on the working of the Company for the year ended 31st March, 2007, together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	2006-2007	Previous Year
	Rs. In Lacs	Rs. In Lacs
Gross profit before interest and depreciation	415.28	551.62
Adjusting therefrom interest of	85.10	207.29
And Depreciation of	107.68	148.38
The net profit comes to	222.50	195.95
Adding thereto:		
Income of earlier years of	0.38	2.22
The balance brought forward from last year of	487.04	346.87
Transfer from General Reserve of	—	100.00
Adjusting therefrom provision for Impairment of assets	—	(100.00)
The total comes to	<u>709.92</u>	<u>545.04</u>
Adjusting against this amount the following namely:		
Provision for Taxation of	66.00	20.00
Provision for deferred tax of	7.00	38.00
Totalling to	<u>73.00</u>	<u>58.00</u>
There remains a balance of	636.92	487.04

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 departures;
- 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, 2007 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

During the year under review production and sale of Paper has increased by over 10% resulting in increase in

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turnover to Rs.7728 lacs as against Rs.6430 lacs in the preceding year. This has been the outcome of the investments made on speeding up the Paper Machines. Despite continuous rise in cost of fuel, power and raw materials and also reduction in export of steel, the Company has been able to maintain its profitability through judicious improvement in product mix and selection of suitable raw materials.

The Company is continuing its efforts to improve the quality of paper and achieve cost reduction wherever possible. With this in view, investment of about Rs.3 crores in Waste Paper Processing Plant has been undertaken which would enable more flexibility in raw material usage.

Substantial assets of Agro Division have been disposed off as a result of which the Division has now ceased to exist. The Accounts include a loss of Rs.96 lacs (net of provision of Rs.100 lacs which was made in the last year for impairment of these assets) in respect of such disposal.

The first phase of the project of building residential complex at Tirupur, Tamilnadu being implemented by Prime Developers in which the Company is a Partner, is under completion and handing over of possession of completed flats to buyers has already begun.

The wholly owned subsidiary of the Company, namely, Pudumjee Hygiene Products Limited engaged in the business of distribution of hygiene products has been carrying out its activity successfully. The Company has been able to carve a niche in the market for itself and has a significant potential to be a leader in the years to come.

DIRECTORS

Messrs G. N. Jajodiya, S. C. Kedia and S. M. Contractor retire by rotation and being eligible, offer themselves for re-appointment.

Dr. J. P. Semwal was appointed as an Additional Director with effect from 1st February, 2007. According to the provisions of section 260 of the Companies Act, 1956 he will cease to hold office on the day of ensuing Annual General Meeting. A resolution has also been proposed for his appointment as Wholetime Director with effect from 1st February, 2007, which the Directors commend for your approval.

The term of office of Mr. S. M. Jatia, the Managing Director of the Company has expired on 31st March, 2007. The special resolution proposed for his reappointment with effect from 1st April, 2007 is commended for your approval.

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.

As stated above the Agro division of the Company at Narsinghpur, Madhya Pradesh has ceased to exist and therefore, it is not necessary to re-appoint branch auditors for the same.

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 : 29th June, 2007

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, 2007.

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, refiner by optimum capacity refiner.

b) Proposals

- Replacement of vacuum pumps.
- Provision of VFD for pumps.

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

	<u>2006-07</u>	<u>Previous Year</u>
i) Electricity		
Purchased:		
- Units (KWH in lacs)	184.97	173.76
- Total amount (Rs. In lacs)	884.76	635.65
- Average rate/KWH (Rs.)	4.78	3.66
ii) Steam Coal used in Boiler		
(Grade 'C' or Grade 'D' whichever is available)		
- Quantity (MT)	9769	10015
- Total Cost (Rs. In lacs)	333.32	304.55
- Average Rate / MT (Rs.)	3412	3041
iii) Bagasse		
Quantity (MT)	5023	1855
Total Cost (Rs. In lacs)	50.60	16.51
Rate per MT (Rs.)	1007	890
iv) Fuel Oil :		
- Quantity (KL)	751	269
- Total Amount (Rs. In lacs)	132.78	34.24
- Average rate (Rs. Per KL)	17680	12729
v) Consumption per tonne of paper produced:		
- Electricity (KWH)	983	1047
- Fuel oil (KL)	0.040	0.016
- Steam Coal (MT)	0.519	0.603
- Bagasse (MT)	0.267	0.112

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.

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II. RESEARCH AND DEVELOPMENT

- | | | | |
|---|--|-----|--|
| 1 | Specific areas in which R & D carried out by the Company | (a) | Product Quality Improvement to match global Quality products. |
| | | (b) | Process Improvement : optimization of sticky control in recycled fibre pulp. |
| | | (c) | Development of new shades in specialty papers. |
| | | (d) | Cost Reduction in input chemicals. |
| 2 | Benefits derived as a result of above R & D | (a) | Improvement in product Quality and performance. |
| | | (b) | Improved market acceptability. |
| | | (c) | Reduction in cost of input chemicals. |
| 3 | Future plan of action | (a) | Improving pulp brightness of deinked pulp. |
| | | (b) | Improved fibre recovery from waste paper and water usage. |
| | | (c) | Exploration and implementation of ink removal technologies. |
| | | (d) | Further improvement in waste water treatment. |
| 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:

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

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- 1 During the year the Company has exported 244 MT of paper and 146 MT of steel valued at Rs. 102.15 lacs and Rs.39.22 lacs respectively compared to 148 MT of paper and 8588 MT of steel valued at Rs.56.06 lacs and Rs.3,183.91 lacs respectively during 2005-06. The Company is continuing to try to export the products under global competitive conditions The Company is also attempting the exports of other commodities.
- 2 Foreign Exchange earned and used were Rs.141.37 lacs and Rs. 2326.40 lacs, respectively.

On behalf of the Board of Directors,

Place : Mumbai
Dated : 29th June, 2007

SHYAM M. JATIA
Chairman