

PUDUMJEE PULP & PAPER MILLS LIMITED

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Annual Report
1997– 1998



PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS :

M. P. JATIA (*Chairman & Managing Director*)

V. O. SOMANI

O. P. GUPTA

V. K. JATIA (*Joint Managing Director*)

J. P. SHAW

K. D. PUDUMJEE

G. BINANI (Resigned w. e. f. 15-6-1998)

R. N. SETHNA

K. M. Bhole (Nomination withdrawn w. e. f. 28-2-1998)

R. R. BHANDARI

ARUN KUMAR JATIA (Appointed w. e. f. 26-06-1998)

BANKERS :

STATE BANK OF INDIA

THE UNITED WESTERN BANK LTD.

CITIBANK N. A.

BANK OF NOVA SCOTIA

ANZ GRINDLAYS BANK plc.

HDFC BANK LTD.

SOLICITORS :

KANGA & COMPANY

AUDITORS :

KHARE & COMPANY

REGISTERED OFFICE :

THERGAON, POONA 411 033

REGISTRAR & TRANSFER AGENT :

TATA CONSULTANCY SERVICES,
UNIT : PUDUMJEE PULP & PAPER MILLS LTD.,
'LOTUS' HOUSE, 6, SIR VITHALDAS THACKERSEY MARG,
BOMBAY - 400 020

PUDUMJEE PULP & PAPER MILLS LIMITED

NOTICE

The Thirtythird Annual General Meeting of the Shareholders of **Pudumjee Pulp & Paper Mills Limited** will be held at the Registered Office of the Company at Thergaon, Poona 411 033 on Thursday, the 27th day of August, 1998 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the Directors' Report for the year 1997-1998, the audited Balance Sheet as on 31st March, 1998 and the Profit and Loss Account for the year ended on that date.
2. To declare the dividend for the year 1997-1998.
3. To appoint a Director in place of Mr.K.D. Pudumjee who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr.O.P. Gupta who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. R.R.Bhandari who retires by rotation and is eligible for reappointment.
6. 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 (Special Resolution).

SPECIAL BUSINESS

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

"RESOLVED THAT the Equity Shares of the Company be delisted from The Stock Exchanges at Calcutta, Delhi and Madras and that the Board of Directors of the Company be and is hereby authorised to take all steps for such delisting and to do all acts, deeds and things including execution of documents as may be deemed fit and necessary for this purpose".

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

- a) "RESOLVED THAT pursuant to applicable provisions of the Companies Act, 1956, any statutory modification(s) or reenactment thereof, for the time being in force and subject to such other 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 (hereinafter referred to as the "Board" which term shall include any Committee(s) which the Board may constitute to exercise the powers granted by this resolution), the consent of the Company be and is hereby accorded to the Board to buy-back, acquire, purchase from time to time the equity shares from the existing holders of equity shares of the Company in such proportion and manner as may be permitted by law, either through negotiation or arrangement or otherwise, from out of its free reserves or out of the share premium account of the Company or from such funds of the Company as are permitted to be used for the purpose or out of the proceeds of any issue made by the Company specifically for the purpose, on such terms, conditions and in such manner as may be prescribed by law, provided that the aggregate of the Equity Shares so bought back shall not exceed 10% of the paid-up capital of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters including settling of any questions or difficulties that may arise and to take all such steps as it may, in its absolute discretion, deem necessary, fit or proper to give effect to this resolution.

RESOLVED FURTHER THAT nothing contained herein above shall confer any right on any holder of Equity Shares to offer or any obligation on the Company or the Board to buy back any equity shares".

- b) "RESOLVED THAT pursuant to Section 31 and all other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by inserting the following Article after existing Article 11:

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- 11A. Notwithstanding anything contained in Article 11 above and subject to enabling enactment in this regard and subject to such conditions, consents and approvals as may be necessary for the purpose, the Company shall have power to buy-back its own shares whether or not there is any consequent reduction of capital and to make payment out of share premium account or reserves or proceeds of fresh issue of Capital, or such funds of the Company as are permitted to be used for the purpose. The Company shall also have power, to the extent permitted by law, to re-issue the shares so bought back."

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 Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the abovementioned items 7 and 8 are annexed hereto.

The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 11th day of August, 1998 to Thursday, the 27th day of August, 1998, both days inclusive.

Dividends that may be declared will be made payable from 28th September, 1998 to those members whose names stand on the Company's Register of Members as holders of the shares on 27th August, 1998, subject to provisions of Section 206A of the Companies Act, 1956.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, Poona 411 033.
Dated: 26th June, 1998.

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PUDUMJEE PULP & PAPER MILLS 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.7 and 8 of the Special Business mentioned in the accompanying Notice dated 26th June, 1998 convening the 33rd Annual General Meeting.

RESOLUTION NO.7

The Equity shares of the Company are listed on six Stock Exchanges across the Country. It has been observed that on the Stock Exchanges at Calcutta, Delhi & Madras have virtually no trading in equity shares for the last many years. Hence it is proposed to delist the equity shares of the Company from the said three Stock Exchanges. However the shares of the Company will continue to be listed on The Stock Exchange, Bombay, National Stock Exchange of India Ltd., Bombay and Pune Stock Exchange Ltd., Poona (the Regional Stock Exchange). It will be seen from the above that on the proposed delisting the shareholders are not likely to be put to inconvenience by this delisting.

The resolution is commended for the approval of members. None of the Directors of the Company is concerned or interested in this resolution.

RESOLUTION NO.8(a)

The Companies Act, 1956, presently, does not allow the buy-back of the Company's own shares. The Companies Bill, 1997 however has sought to lay down the operative provisions to regulate the buy back of shares by Companies. Hence it is felt that, in the near future, the law may provide for such buy-back. It is therefore, proposed to have an enabling provision to buy-back not exceeding 10% of aggregate paid up equity shares from the existing shareholders either from the open market or from the holders of odd lots or in any other manner as may be permitted by law.

The buy back of shares as aforesaid would be completed in 15 months period from the date of enactment of the relevant provisions and would involve investing of an amount which would not be less than the market value of shares of the Company bought back and shall be met out of free reserves and/or the share premium account and/or out of other funds permitted by law for the purpose and/or out of the proceeds of fresh issue specifically made for the purpose.

The Directors are of the opinion that should such provisions be enacted, the buy back will be in the interest of the Company. The proposed Resolutions are aimed at facilitating the Company to buy back its shares as soon as it is legally permissible.

The Resolution is commended for the approval of shareholders.

None of the Directors of the Company is concerned or interested in this Resolution.

RESOLUTION NO.8(b)

As stated aforesaid the Companies Bill, 1997 had incorporated certain provisions for permitting Companies, within certain regulatory framework, to buy-back their own shares. It will be necessary to make an enabling provision in the Articles of Association so that as and when any legislation is passed/amended permitting such a course of action, the proposal of buy-back can be implemented when necessary.

The resolution is commended for the approval of the members. None of the Directors is concerned or interested in this resolution.

The Articles of Association of the Company are available for inspection by members on all working days between 2 p.m. and 4 p.m.

By order of the Board of Directors,

S.K.BANSAL
SECRETARY

Registered Office:
Thergaon, Poona 411 033.
Dated: 26th June, 1998.

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DIRECTORS' REPORT TO THE MEMBERS

The Directors present the 33rd Annual Report on the working of the Company for the year ended 31st March, 1998 together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	1997 - '98 Rs.	Previous Year Rs.
The gross profit before interest and depreciation is	19,04,11,436	21,54,81,942
Reducing therefrom Interest of	1,87,62,547	3,35,80,191
and Depreciation of	4,13,05,809	3,98,44,875
The net profit comes to	13,03,43,080	14,20,56,876
Adding thereto the balance brought forward from last year of	4,02,18,230	3,01,61,354
The Total comes to	17,05,61,310	17,22,18,230
Adjusting against this amount the following, namely :		
Provision for Taxation of	2,90,00,000	4,84,50,000
Provision for Tax on Dividend	20,50,000	20,50,000
Transfer to Debenture Redemption Reserve of	20,00,000	30,00,000
Dividend on Equity Shares of	2,05,00,000	2,05,00,000
And transfer to General Reserve of	7,63,00,000	5,80,00,000
Totalling to	12,98,50,000	13,20,00,000
There remains a balance of	4,07,11,310	4,02,18,230
which the Directors propose to carry-forward to next year's accounts.		

DIVIDEND

The Directors recommend for your consideration the payment of Dividend for the year ended 31st March, 1998 at the rate of Rs.2.50 per share. If approved, the Equity Dividend will, subject to the provisions of Section 206A of the Companies Act, 1956, be paid to the shareholders whose names are registered in the books of the Company at the close of business on 27th August, 1998.

OPERATIONS

The recessionary trend in the Paper Industry continues unabated and the margins are under severe pressure due to increase in costs consequent upon the Rupee devaluation, increase in customs duty, etc. Besides, competition from increased imports of paper has reduced the realisation.

The imported second hand paper making machinery has been installed and trial runs are in progress.

115 Fixed Deposits amounting to Rs. 9,73,000/- which had matured for payment as at the close of 31st March, 1998 were not claimed by the Depositholders. Out of this amount, 35 deposits of the value of Rs. 4,67,000/- have been claimed upto 19th June, 1998.

PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS

Messrs. K.D. Pudumjee, O.P.Gupta and R.R. Bhandari retire by rotation and being eligible offer themselves for reappointment.

During the year The Industrial Credit & Investment Corporation of India Limited has withdrawn the Nomination of Mr. K.M. Bhole from the Board. Your directors place on record their appreciation of his contribution to the Company.

Mr. G. Binani resigned as Director of the Company on 15th June, 1998. The Board wishes to place on record its appreciation of the valuable service rendered by him during his tenure on the Board.

On 26th June, 1998 Mr. Arun Kumar Jatia (who is a relative of Mr. M.P. Jatia and Mr. V.K. Jatia) was appointed as Director in place of Casual Vacancy caused by resignation of Mr. G. Binani. Mr. A.K. Jatia is a B.S. (Financial and Business Administration) with over 14 years experience in Business, Finance and International trade.

DONATIONS

During the year under review, donations amounting to Rs. 50,800/- were made by the Company.

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. In accordance with the provisions of Section 224A of the Companies Act, 1956, the appointment would require a Special Resolution.

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

Statements giving details as required by the aforesaid provisions of the Companies Act, 1956 are annexed hereto.

On behalf of the Board of Directors,

Bombay,
Dated : 26th June, 1998.

MAHABIR PRASAD
Chairman

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ANNEXURE TO DIRECTORS' REPORT

A. 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, 1998.

I. CONSERVATION OF ENERGY :

- (a) Installation of a new Economizer and an automatic blow down system with heat recovery for our boilers.
- (b) Installation of (i) a 6.4 MW D.G. Set alongwith a waste heat recovery boiler using waste heat from the D.G. exhaust and (ii) a boiler using Bagasse Pith, which is a waste material.
- (c) Impact of measures at (a) and (b) is by way of (i) 2% saving in fuel and (ii) generation of 2 tonnes per hour of steam. However there is no significant impact on the cost of production of goods.
- (d) Power and Fuel Consumption :

	<u>1997 -'98</u>	<u>Previous Year</u>
(i) Electricity :		
(a) Purchased :		
- Units (KWH in lacs)	512	516
- Total Amount (Rs. in lacs)	1937.47	1800.88
- Average Rate/KWH (Rs.)	3.78	3.49
(b) Own Generation	Nil	Nil
(ii) Fuel Oil :		
- Quantity (KL)	6041	6934
- Total Amount (Rs. in lacs)	379.23	432.54
- Average Rate (Rs. per KL)	6278	6238
(iii) Biogas (self generated) :		
- Quantity (000 M ³)	2700	2429
- Total Cost	—	—
- Average Rate	—	—
- Cost of equivalent Fuel (Rs. in lacs)	98.52	88.08
(iv) Pearl coke used in Lime Kiln :		
- Quantity (MT)	—	436
- Total cost (Rs. in lacs)	—	17.13
- Average rate (Rs./MT)	—	3929
(v) Consumption per tonne of Paper Produced :		
- Electricity (KWH)	2232	2272
- Fuel Oil (K. Ltrs.)	0.263	0.305
- Biogas (000 M ³)	0.118	0.107
- Pearl coke (MT)	—	0.019

Note : 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 utilised for the different grades and at different times.

PUDUMJEE PULP & PAPER MILLS LIMITED**II. RESEARCH & DEVELOPMENT :**

1. Specific areas in which R&D : (a) Development of special quality security papers
carried out by the Company. incorporating visible and invisible coloured security fibres.
(b) Production of Pulp from agricultural wastes using eco-
friendly extraction process.
2. Benefits derived as a result of : (a) Potential of replacement of imported paper due to
the above R & D development of special quality security papers.
(b) Likely reduction in pollution associated with Pulp Mills due
to development of eco-friendly process.
3. Future plan of action : (a) Installation of a Demonstration Plant having a capacity of 4
tonnes a day for producing pulp from agricultural waste by
using an eco-friendly extraction process.
4. Expenditure on R&D : Rs. in Lacs

(a) Capital	0.30
(b) Recurring	27.57
(c) Total	27.87
(d) Total R&D Expenditure as : <u>0.21%</u> a percentage of turnover	

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief made towards technology absorption, adaptation and innovation. • Installation of two centrifugal decanters for concentrating solid waste from E.T.P.
2. Benefits derived as a result of the above efforts. • The decanters will help in easy disposal of solid waste from Effluent Treatment Plant and also recover fibre which was previously going as waste, for producing Board.
3. No new technology was imported in last five years.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. The Company is negotiating with one of the international companies for export of its grades of papers. Trial orders have been received from them and consequently the Company envisages to do better this year on export front.
2. Foreign exchange earned and used were Rs. 3.87 lacs and Rs.6227.85 lacs respectively.

On behalf of the Board of Directors,

Bombay,
Dated : 26th June, 1998.**MAHABIR PRASAD**
Chairman