

PUDUMJEE PULP & PAPER MILLS LIMITED

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***Annual Report
1998– 1999***

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

R. N. SETHNA

R. R. BHANDARI

A. K. JATIA

BANKERS :

STATE BANK OF INDIA

THE UNITED WESTERN BANK LTD.

CITIBANK N. A.

BANK OF NOVA SCOTIA

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

EQUITY SHARES ARE LISTED AT :

MUMBAI, PUNE, DELHI, CALCUTTA, MADRAS & NATIONAL
STOCK EXCHANGE

PUDUMJEE PULP & PAPER MILLS LIMITED**NOTICE**

The Thirtyfourth 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 Tuesday, the 17th day of August, 1999 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the Directors' Report for the year 1998-1999, the audited Balance Sheet as on 31st March, 1999 and the Profit and Loss Account for the year ended on that date.
2. To declare a dividend for the year 1998-1999.
3. To appoint a Director in place of Mr.V. O. Somani, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. R. N. Sethna who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. J. P. Shaw 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 an ordinary resolution:

"RESOLVED THAT the number of Directors for the time being in office be increased from eight to nine".

8. To appoint a Director in place of Mr.Arun Kumar Mahabirprasad Jatia who was appointed as a Director by the Board on 26th June, 1998 to fill the casual vacancy caused by the resignation of Mr.G. Binani and holds office upto the date of this Annual General Meeting by reason of the provisions of Section 262 of the Companies Act, 1956 but being eligible offers himself for reappointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the 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 Mr.Arun Kumar Mahabirprasad Jatia be and is hereby appointed as Director of the Company".

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 provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows:

- (a) After interpretations given for "Ordinary Resolution" and "Special Resolution" but before the "Singular Number" in Article 2, the following further interpretation shall be inserted:

"Member"

"Member" means the duly registered holder from time to time of the shares of the Company of any class and includes every person whose name is entered as a beneficial owner in the records of the Depository, but does not include the bearer of a share warrant of the Company issued in pursuance of Section 114 of the Act.,

- (b) Insert the following Heading and Article as Article 21A after the existing Article 21.

21A

DEMATERIALISATION OF SECURITIES

The provisions of this Article shall apply only in respect of Securities held in Depository mode and the provisions of the other Articles shall be construed accordingly.

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"Beneficial Owner"	:	"Beneficial Owner" shall mean the beneficial owner as defined in Clause (a) of Sub-section 1 of Section 2 of the Depositories Act, 1996.
"Depository"	:	"Depository" shall mean a Depository as defined under Clause (e) of Sub-section 1 of Section 2 of the Depositories Act, 1996,
"Depositories Act, 1996"	:	"Depositories Act, 1996" shall include any Statutory modification(s) or re-enactment(s) thereof, for the time being in force,
"Security"	:	"Security" means such security as may be specified by Securities and Exchange Board of India (SEBI) established under Securities and Exchange Board of India Act, 1992.
Power to dematerialise and rematerialise Securities	:	Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares, debentures and other securities, re-materialise its shares, debentures and other securities held in the Depositories Mode and/or offer securities in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder.
Options for investors	:	Every person subscribing to or holding securities of the Company shall have the option to receive security certificates in accordance with provisions of the other Articles or to hold the Securities with a Depository. Such a person who is the beneficial owner of the securities may/can any time opt out of the Depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
	:	If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of security, and on the receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.
	:	The Board of Directors shall have the power to fix a fee payable by the investor to the Company for the Services of Dematerialising and or Rematerialising of the Company's Securities as they in their discretion may determine.
Securities in Depositories to be in fungible form.	:	All the Securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B; 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the beneficial owners.
Rights of Depositories and Beneficial Owners	:	<ol style="list-style-type: none"> Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner. Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

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- c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities of a member in respect of his securities which are held by a Depository.

Service of documents :

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs or in such other manner as may be practicable.

Transfer of Securities

Nothing contained in section 108 of the Act or these articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records, of a Depository.

In the case of transfer of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply.

Distinctive numbers of Securities held in a Depository.

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to the Securities held with a Depository. Every forfeited or surrendered share held in a material form shall continue to bear the number by which the same was originally distinguished.

Register and index of beneficial owners.

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles".

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 above mentioned items 7 to 9 are annexed hereto.

The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 3rd day of August, 1999 to Tuesday, the 17th day of August, 1999, both days inclusive.

Dividends that may be declared will be made payable from 20th September, 1999 to those members whose names stand on the Company's Register of Members as holders of the shares on 17th August, 1999, 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: 29th May, 1999.

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 to 9 of the Special Business mentioned in the accompanying Notice dated 29th May, 1999 convening the 34th Annual General Meeting.

RESOLUTION NO. 7.

Section 258 of the Companies Act, 1956 requires the sanction of the members by an Ordinary Resolution for increasing the number of Directors within the limit fixed by the Company's Articles of Association. It is, therefore, necessary to pass a formal resolution increasing the number of Directors for the time being in office from eight to nine.

RESOLUTION NO. 8.

On 26th June, 1998 Mr. Arun Kumar Mahabirprasad Jatia was appointed as a Director of the Company by the Board to fill the casual vacancy caused by the resignation of Mr. G. Binani. Under provisions of Section 262 of the Companies Act, 1956 and the provisions of the Company's Articles of Association he holds the office only upto the date of the ensuing Annual General Meeting. Mr. A. K. Jatia (who is a relative of Mr. M. P. Jatia and Mr. V. K. Jatia) is a B.S. (Financial & Business Administration) with over 15 years experience in business, finance and international trade. The Ordinary Resolution in this behalf is therefore commended for the approval of the members. A notice proposing Mr. Jatia for appointment to the office of Director at the ensuing Annual General Meeting together with a deposit of Rs.500 has been received by the Company from a member as required by Section 257 of the Companies Act, 1956.

Except Mr. M. P. Jatia and Mr. V. K. Jatia no other Director is interested in this resolution.

RESOLUTION NO. 9.

On the enactment of the Depositories Act, 1996, some of the provisions of Companies Act, 1956 have been amended to facilitate the implementation of the Depository system. The Depository system of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a Company. It is therefore proposed that the Company's Articles of Association be suitably altered as set out in the Resolution No.9 to reflect the provisions introduced by the Depositories Act, 1996 so as to enable the Company to join the Depository system at a future date and to spell out the rights of the beneficial owners of the securities in such a system.

The Directors commend the Resolution for approval. None of the Directors is interested in the Resolution. A copy of Memorandum and Articles of Association of the Company is available for inspection by the Members of the Company at its Registered Office between 2 P.M. and 4 P.M. on any working day.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, Poona 411 033.
Dated: 29th May, 1999.

PUDUMJEE PULP & PAPER MILLS LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

The Directors present the 34th Annual Report on the working of the Company for the year ended 31st March, 1999 together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	1998 - '99 Rs.	Previous Year Rs.
The gross profit before interest and depreciation is	24,73,25,633	20,19,54,721
Reducing therefrom interest of	9,42,78,299	3,03,05,832
and Depreciation of	6,36,01,822	4,13,05,809
The net profit comes to	8,94,45,512	13,03,43,080
Adding thereto the balance brought forward from last year of	4,07,11,310	4,02,18,230
The Total comes to	13,01,56,822	17,05,61,310
Adjusting against this amount the following, namely :		
Provision for Taxation of	73,00,000	2,90,00,000
Provision for Tax on Dividend	16,40,000	20,50,000
Transfer to Debenture Redemption Reserve of	3,62,50,000	20,00,000
Dividend on Equity Shares of	1,64,00,000	2,05,00,000
And transfer to General Reserve of	81,00,000	7,63,00,000
Totalling to	6,96,90,000	12,98,50,000
There remains a balance of which the Directors propose to carry-forward to next year's accounts.	6,04,66,822	4,07,11,310

DIVIDEND

The Directors recommend for your consideration the payment of Dividend for the year ended 31st March, 1999 at the rate of Rs.2.00 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 17th August, 1999.

OPERATIONS

During the year under review the market continued to be sluggish. The large imports of paper into India continued unabated, which resulted in lower prices and pressure on the margins. The heavy burden of depreciation, interest and loss in foreign exchange on ECB loan further reduced the profits.

The tissue paper making machine and power plant commenced commercial production during the year.

98 Fixed Deposits amounting to Rs. 7,38,000/- which had matured for payment as at the close of 31st March, 1999 were not claimed by the Depositholders. Out of this amount, 12 deposits of the value of Rs. 2,70,000/- have been claimed upto 19th May, 1999.

DIRECTORS

Messrs. V. D. Somani, R. N. Sethna and J. P. Shaw retire by rotation and being eligible offer themselves for reappointment.

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On 26th June, 1998, Mr. A. K. Jatia (who is a relative of Mr. M. P. Jatia and Mr. V. K. Jatia) was appointed as Director of the Company by the Board to fill the casual vacancy caused by the resignation of Mr. G. Binani. Under provisions of Section 262 of the Companies Act, 1956 he holds the office upto the date of the ensuing Annual General Meeting. His appointment as Director under Section 257 of the Companies Act, 1956 has been proposed and your Directors commend it for your approval.

DONATIONS

During the year under review, donations amounting to Rs. 12,400/- 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 : 29th May, 1999.

MAHABIR PRASAD
Chairman

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PUDUMJEE PULP & PAPER MILLS LIMITED**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, 1999.****I. CONSERVATION OF ENERGY :**

- a) Measure taken :
Installation of (i) a 6.4 MW DG Set and (ii) a waste heat recovery steam generator using waste heat from the DG exhaust gases.
- b) Proposals :
Installation of a boiler using bagasse pith which is a waste material as fuel.
- c) Impact of measures at (a) and (b): (i) maintenance of steady production and reduction in wastage of raw material due to stable and regular power supply at a lower cost resulting in benefit of about Rs. 700 lacs per annum and (ii) generation of steam of about 5 tonnes per hour resulting in benefit of about Rs. 100 lacs per annum due to installation of pith boiler.

(d) Power and Fuel Consumption :

	<u>1998 -'99</u>	<u>Previous Year</u>
(i) Electricity :		
(a) Purchased :		
- Units (KWH in lacs)	396	512
- Total Amount (Rs. in lacs)	1625.87	1937.47
- Average Rate/KWH (Rs.)	4.11	3.78
(b) Own Generation		
Through Power Generator		
Units (KWH in lacs)	128	—
Units per Litre of Fuel Oil	4.42	—
Cost/unit (Rs.)	1.25	—
(ii) Fuel Oil :		
- Quantity (KL)	5447	6041
- Total Amount (Rs. in lacs)	304.15	379.23
- Average Rate (Rs. per KL)	5584	6278
(iii) Biogas (self generated) :		
- Quantity (000 M ³)	2649	2700
- Total Cost	—	—
- Average Rate	—	—
- Cost of equivalent Fuel (Rs. in lacs)	81.88	98.52
(v) Consumption per tonne of Paper Produced :		
- Electricity (KWH)	2333	2232
- Fuel Oil (K. Ltrs.)	0.243	0.263
- Biogas (000 M ³)	0.118	0.118

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.

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1. Specific areas in which R&D : (a) Use of secondary fibre in place of virgin pulp for production carried out by the Company. of high quality specialty papers.
2. Benefits derived as a result of : (a) Usage of deinked pulp to be produced by the Company the above R & D for manufacture of specialty papers.
(b) Reduction in cost.
(c) Eco-friendly process.
3. Future plan of action : (a) Improvement in product quality
(b) Development of new grades.
(c) Improvement in environment
4. Expenditure on R&D :

	Rs. in Lacs
(a) Capital	0.20
(b) Recurring	32.82
(c) Total	<u>33.02</u>
(d) Total R&D Expenditure as : a percentage of turnover	<u>0.27%</u>

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief made towards technology absorption, adaptation and innovation.
 - i) Upgradation of Effluent Treatment Plant - Old clarifiers have been upgraded to high rate thickeners.
 - ii) Installation of Pressure Quartz Filters for complete removal of waste solids for recycling the water.
 - iii) Production of hygienic and sanitary tissues on new high speed high-tech machine.
2. Benefits derived as a result of the above efforts.
 - i) Recycling of nearly 80% of excess white water and back water discharge from paper machines.
 - ii) Production of high quality hygienic and sanitary tissues of international standards made possible
3. No new technology was imported in last five years.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. In pursuance of its intensive efforts the company has been receiving many export enquiries and it has therefore been able to export trial consignments to some countries. However due to its dependence on imported raw materials to match international quality standards, it lacks in price competitiveness. However the efforts are continuing and it expects good response for export of products manufactured on the new machine.
2. Foreign exchange earned and used were Rs. 49.82 lacs and Rs.5473.66 lacs respectively.

On behalf of the Board of Directors,

Bombay,
Dated : 29th May, 1999.**MAHABIR PRASAD**
Chairman