

PUDUMJEE PULP & PAPER MILLS LIMITED

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***Annual Report
2000– 2001***

PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS :

M. P. JATIA (Chairman & Managing Director)
V. O. SOMANI
O. P. GUPTA
V. K. JATIA (Resigned as Joint Managing Director
w.e.f. 1/4/2001)
J. P. SHAW
K. D. PUDUMJEE
R. N. SETHNA
A. K. JATIA
V.P. LEEKHA
S.M. CHITNIS (Appointed w.e.f. 24/1/2001)

BANKERS :

STATE BANK OF INDIA
THE UNITED WESTERN BANK LTD.
CITIBANK N. A.
HDFC BANK LTD.
CENTURION BANK LTD.
BANK OF INDIA

SOLICITORS :

KANGA & COMPANY

AUDITORS :

KHARE & COMPANY

REGISTERED OFFICE :

THERGAON, POONA 411 033

REGISTRAR & TRANSFER AGENTS :

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

DEMAT STOCK CODE :

INE606A01016

EQUITY SHARES ARE LISTED AT :

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

PUDUMJEE PULP & PAPER MILLS LIMITED**NOTICE**

The Thirtysixth 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 Saturday, the 1st day of September, 2001 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2001, the Profit and Loss Account and the Cash Flow statement for the year ended on that date together with the Reports of the Directors and the Auditors.
2. To declare a dividend for the year 2000-2001.
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. J.P. Shaw who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. R.N. Sethna 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 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 Nine to Ten".

8. To appoint a Director in place of Mr. Shrikant Madan Chitnis who was appointed as additional Director of the Company pursuant to Article 126 of the Articles of Association and holds office only upto the date of this Annual General Meeting by reason of the provisions of Section 260 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 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 Mr. Shrikant Madan Chitnis 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 Resolutions as Special Resolutions:

- A) "RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and subject to such approval(s), sanction(s) as may be necessary, Mr. Mahabirprasad Durgadutt Jatia be and is hereby appointed as Managing Director of the Company for a period of five years with effect from 1st April, 2002 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. Mahabirprasad Jatia with 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 modifications 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 further powers as shall, from time to time, be entrusted to him by the Board of Directors.

ANNUAL REPORT 2000-2001

- b) Remuneration at the rate of Rs. 65,000/- per month including Dearness Allowance.
- c) Payment of commission of an amount computed at 1% 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, the 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 travelling expenses incurred for himself and family.
- g) Leave Travel Assistance to cover air or first class airconditioned railway fare for himself, his wife and dependent children once in a year.
- 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."

- B) "RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and subject to such approval(s), sanction(s) as may be necessary, Mr. Jamshed Pestonji Shaw be and is hereby appointed as Whole-time Director of the Company for a period of five years with effect from 1st April, 2002 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. Jamshed Shaw with 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) He shall, subject to the supervision and control of the Board of Directors and the Managing Director be incharge of finance, legal, commercial and administrative matters and shall perform such other duties and services and exercise such further powers as shall from time to time be entrusted to him by the Board of Directors and the Managing Director.

PUDUMJEE PULP & PAPER MILLS LIMITED

- (b) Remuneration at the rate of Rs. 65,000/- per month including Dearness Allowance.
- (c) Rent free furnished residential accommodation, the 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.
- (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.
- (f) Leave Travel Assistance to cover air or first class airconditioned railway fare for himself, his wife and dependent children once in a year.
- (g) Membership including entrance and other fees for clubs.
- (h) Personal accident insurance premium.
- (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 places of residence at Bombay and Poona 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".

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 Friday, the 17th day of August, 2001 to Saturday, the 1st day of September, 2001, both days inclusive.

The Dividend, when sanctioned, will be paid on and from 11th September, 2001 to those shareholders whose names stand on the Register of Members on 1st September, 2001. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as on 17th August, 2001 as per the details furnished by the Depositories for this purpose. These payments of Dividend will be subject to the 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: 24th May, 2001.

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 24th May, 2001 convening the 36th 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 nine to ten.

RESOLUTION NO. 8.

Mr. S.M. Chitnis was appointed as additional Director of the Company under Article 126 of the Articles of Association with effect from 24th January, 2001. 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 the ensuing Annual General Meeting. Mr. Chitnis is M.A., LL.B CALIB and fellow of the Economic Development Institute of the World Bank. He was formerly the General Manager of the Industrial Development Bank of India and the Managing Director of the Development Bank of Mauritius. He is a consultant to the World Bank.

A notice proposing Mr. Chitnis for appointment to the office of Director at the ensuing Annual General Meeting together with a deposit of Rs. 500 have 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 the members.

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

RESOLUTION NO. 9.

The term of office of Mr. M.P. Jatia as the Managing Director of the Company and of Mr. J.P. Shaw, the Whole-time Director of the Company expires on 31st March, 2002 and the Special Resolutions proposed are for their reappointment for a further period of five years from 1st April, 2002.

Mr. M.P. Jatia

Mr. Jatia has been the Managing Director of the Company since 1984 and has a long and varied business experience of over 44 years. It is under his capable guidance that the Company has achieved substantial progress. As he has crossed the age of 70 the said resolution is proposed as a Special Resolution as required by the Companies Act. The Board of Directors are of the opinion that it would be in the interest of the Company to reappoint 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. According to Article 142(2) of the Articles of Association of the Company, the Managing Director, while he continues to hold this office, shall not be subject to retirement by rotation.

Except Mr. M.P. Jatia and Mr. V.K. Jatia and Mr. A.K. Jatia, who are his relatives, no other Director is interested in this resolution.

Mr. J.P. Shaw

Mr. Shaw has been a Whole-time Director of the Company since 1985. He is a Bachelor of Commerce and an Associate Member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India and has experience of over 45 years in handling matters concerning finance, corporate law and administration. Since he has crossed the age of 70 the said resolution is proposed as a Special Resolution as required by the Companies Act. The Board of Directors are of the opinion that it would be in the interest of the Company to reappoint Mr. Shaw as the Whole-time Director on terms and conditions mentioned in the proposed resolution in the accompanying notice and commend the resolution for your approval.

Except Mr. J.P. Shaw no other Director is interested in this resolution.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, Poona 411 033.
Dated: 24th May, 2001.

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

The Directors present the 36th Annual Report on the working of the Company for the year ended 31st March, 2001 together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	2000 - 2001 Rs.	Previous Year Rs.
The gross profit before interest and depreciation is	21,10,37,709	26,36,89,895
Reducing therefrom Interest of	8,20,43,454	9,71,28,683
and Depreciation of	8,62,20,329	7,94,03,023
The net profit comes to	4,27,73,926	8,71,58,189
Adding thereto the Income (net) of earlier years of	5,63,871	—
and the balance brought forward from last year of	8,31,25,599	6,04,66,822
The Total comes to	12,64,63,396	14,76,25,011
Adjusting against this amount the following, namely :		
Expenditure for earlier years (Net)	—	1,45,412
Provision for Taxation of	32,00,000	30,00,000
Dividend on Equity Shares of	1,23,00,000	1,64,00,000
Tax on Dividend of	12,54,600	18,04,000
Transfer to Debenture Redemption Reserve of	5,25,00,000	3,62,50,000
And Transfer to General Reserve of	50,00,000	69,00,000
Totalling to	7,42,54,600	6,44,99,412
there remains a balance of	5,22,08,796	8,31,25,599

which the Directors propose to carry forward to next year's accounts.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm

- that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements 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 the financial year on 31st March, 2001 and of the profit of the Company for that period;
- that 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
- that the Directors have prepared the annual accounts on a going concern basis.

DIVIDEND

The Directors recommend for your consideration the payment of Dividend for the year ended 31st March, 2001 at the rate of Rs. 1.50 per share. If approved, the Equity Dividend will, subject to the provisions of Section 206A of the Companies Act, 1956, be paid to those shareholders whose names stand on the Register of Members on 1st September, 2001. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as on 17th August, 2001 as per the details furnished by the Depositories for this purpose.

ANNUAL REPORT 2000-2001**OPERATIONS**

The recession in the Paper Industry continues unabated. The increase in the international pulp prices and the unfavourable exchange ratio put a severe strain on the margins during the year under review. Recently there has been a fall in the pulp prices and this may help to improve the working of the Company during the current year. Besides there are large imports of cheap specialty papers especially from South East Asia which the Company has to compete with.

During the year the Company had acquired the entire share capital of Darjeeling Pulp & Paper Limited. It, therefore, became a wholly owned subsidiary of the Company.

159 Fixed Deposits amounting to Rs. 12,14,000 which had matured for payment as at the close of 31st March, 2001 were not claimed by the deposit holders. Out of this amount 34 deposits of the value of Rs. 3,29,000 have been claimed upto 16th May, 2001.

DIRECTORS

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

Mr. V.K. Jatia resigned as Joint Managing Director of the Company with effect from 1st April, 2001 but continues to be a member on the Board. Your Directors place on record their appreciation of his contribution to the growth of the Company.

Mr. S.M. Chitnis was appointed as additional Director with effect from 24th January, 2001. According to the provisions of Section 260 of the Companies Act, 1956 he will cease to hold the office on the date of the ensuing Annual General Meeting. The Directors commend for your approval the Ordinary Resolution proposed for his re-appointment.

The term of office of Mr. M.P. Jatia, the Managing Director of the Company and of Mr. J.P. Shaw, the Whole-time Director expires on 31st March, 2002. The special resolutions proposed for their re-appointment are commended for your approval.

DONATIONS

During the year under review, donations amounting to Rs. 1,36,124/- were made by the Company.

AUDITORS

The Directors report with deep regret the sad demise of Mr. M.T. Khare, the senior Partner of Khare & Co. the auditors of the Company, on 7th September, 2000. They wish to place on record their sincere appreciation of the very valuable service rendered by him since the inception of the Company.

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.

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 and marked Annexures "A" and "B" respectively.

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 "C".

On behalf of the Board of Directors,

Bombay,
Dated : 24th May, 2001.

MAHABIR PRASAD
Chairman

PUDUMJEE PULP & PAPER MILLS 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, 2001.

I. CONSERVATION OF ENERGY :

- a) Measure taken :
Optimisation of manufacturing operations including time based interlocks to control idle running of equipments.
Improvement of plant power factor to 0.98
- b) Proposals :
Power conditioning for reduction of harmonics to improve quality of power distribution system.
Process optimization to improve power consumption on Paper Machine Vacuum system.
Study for installation of automatic power factor control system for fine regulation for further improvement.
- c) Impact of measures at (a) and (b):
There has been a marginal reduction because of aforesaid in cost of production of goods.

(d) Power and Fuel Consumption :

	<u>2000 - 2001</u>	<u>Previous Year</u>
(i) Electricity :		
(a) Purchased :		
- Units (KWH in lacs)	146	64
- Total Amount (Rs. in lacs)	762.90	430.31
- Average Rate/KWH (Rs.)	5.23	6.72
(b) Own Generation		
Through Power Generator		
Units (KWH in lacs)	438	471
Units per Litre of Fuel Oil	4.30	4.38
Cost/unit (Rs.)	2.21	1.82
(ii) Fuel Oil :		
- Quantity (KL)	5798	4498
- Total Amount (Rs. in lacs)	551.51	357.20
- Average Rate (Rs. per KL)	9512	7941
(iii) Biogas (self generated) :		
- Quantity (000 M ³)	2727	3124
- Total Cost	—	—
- Average Rate	—	—
- Cost of equivalent Fuel (Rs. in lacs)	143.60	126.88
(iv) Steam Generated		
(from Waste Heat Recovery Boiler-WHRB)		
— Quantity (MT)	15215	14020
— Total Cost (Rs. in lacs)	—	—
— Average Rate / MT (Rs.)	—	—
— Cost of Equivalent Fuel (Rs. lacs)	112.74	87.60
(v) Consumption per tonne of Paper Produced :		
- Electricity (KWH)	2054	2310
- Fuel Oil (K. Ltrs.)	0.204	0.194
- Biogas (000 M ³)	0.096	0.135
- Steam from WHRB (MT)	0.535	0.605

ANNUAL REPORT 2000-2001

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 utilized for the different grades and at different times.

II. RESEARCH & DEVELOPMENT :

1. Specific areas in which R&D carried out by the Company :
 - (a) Fibre recovery from waste sludge through fibre fractionation study
 - (b) Improvement in process control.
 - (c) Product quality improvement
 - (d) Water conservation through increased reuse of process water
2. Benefits derived as a result of the above R & D :
 - (a) Cost Reduction
 - (b) Product quality up-gradation.
 - (c) Improved environmental practices.
3. Future plan of action :
 - (a) Study of adaptation of new pulping technology with chemical recovery
 - (b) Study in use of specialty paper chemicals.
 - (c) Optimisation of environmental management system in manufacturing operations.
 - (d) Mill wide process water quality improvement through optimization of Biocides for slime control.
4. Expenditure on R&D :

	<u>Rs. in Lacs</u>
(a) Capital	12.81
(b) Recurring	33.50
(c) Total	<u>46.31</u>
(d) Total R&D Expenditure as a percentage of turnover	<u>0.31%</u>

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief made towards technology absorption, adaptation and innovation. :
 - i) Use of recycled water
 - ii) Optimisation and stabilization of waste Paper pulp usage in various grades of papers
 - iii) Developmental work and plant trials towards change from acid sizing to neutral sizing.
2. Benefits derived as a result of the above efforts. :
 - i) Reduction in fresh water requirement.
 - ii) Substitution of wood pulp by increased use of deinked pulp in various grades of Paper.
3. No new technology was imported in last five years.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. During the year the Company has exported 171 MT of Paper valued at Rs. 94.31 lacs as compared to 167 MT and Rs. 83 lacs respectively in the year 1999-2000. There is increased demand for export of our products and the Company hopes to do better during the next financial year.
2. Foreign exchange earned and used were Rs. 94.31 lacs and Rs.3755.54 lacs respectively.

On behalf of the Board of Directors,

Bombay,
Dated : 24th May, 2001.

MAHABIR PRASAD
Chairman