

PUDUMJEE PULP & PAPER MILLS LIMITED

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Annual Report
2002 – 2003

PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS :

M. P. JATIA (Chairman & Managing Director)
V. O. SOMANI
O. P. GUPTA
J. P. SHAW
R. N. SETHNA
A. K. JATIA
V.P. LEEKHA
S.M. CHITNIS

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, PUNE 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 Thirtieth Annual General Meeting of the Shareholders of **Pudumjee Pulp & Paper Mills Limited** will be held at the Registered Office of the Company at Thergaon, Pune 411 033 on Friday, the 5th day of September, 2003 at 9.00 a.m. (ST) to transact the following business :

1. To receive and adopt the audited Balance Sheet as on 31st March, 2003, 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 2002-2003.
3. To appoint a Director in place of Mr. S.M. Chitnis, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. V.O. Somani 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.

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 Register of members and Share Transfer Books of the Company will be closed from Wednesday, the 20th day of August, 2003 to Friday, the 5th day of September, 2003, both days inclusive.

The Dividend, when sanctioned, will be paid on and from 17th September, 2003 to those shareholders whose names stand on the Company's Register of Members as holders of the shares on 5th September, 2003. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as on 20th August, 2003 as per the details furnished by the Depositories for this purpose. The payment of Dividend will be subject to the provisions of Section 206 A of the Companies Act, 1956.

Members who hold shares in dematerialised form are requested to bring their CLIENT ID and DP ID numbers for easy identification of attendance at the Meeting.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, Pune 411 033.
Dated: 27th June, 2003.

FINANCIAL HIGHLIGHTS

PARTICULARS	RS. IN LACS										
	2003	2002	2001	2000	1999	1998	1997	1996	1995	As At 31st March 1994	1993
Shareholders' Funds	11,447	11,937	11,535	11,269	10,611	9,969	9,182	8,471	7,599	6,606	5,660
Borrowed Funds	6,815	6,576	7,725	11,037	10,159	6,098	2,266	3,268	2,662	2,853	2,511
TOTAL	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739	10,261	9,459	8,171
Net Fixed Assets	11,528	12,329	13,114	13,398	12,915	9,465	5,914	5,723	5,629	4,377	2,770
Investments	223	303	617	602	607	587	587	558	458	196	115
Working Capital	6,511	5,881	5,529	8,306	7,248	6,015	4,947	5,458	4,174	4,886	5,286
TOTAL	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739	10,261	9,459	8,171
Book value of Equity per Share Rs.	140	146	141	137	129	122	112	103	185	161	138
Earning per share Rs.	2.29	6.36	4.83	10.26	10.02	12.36	11.42	13.12	26.64	24.58	15.61
Dividend per share Rs.	1.00	1.50	1.50	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50

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

The Directors' present the 38th Annual Report on the working of the Company for the year ended 31st March, 2003 together with the Statement of Accounts for that year.

FINANCIAL RESULTS

	2002 - 2003 Rs. in Lacs	Previous Year Rs. in Lacs
The gross profit before interest and depreciation is	1,599.32	1,908.55
Reducing therefrom Interest of	530.03	505.30
and Depreciation of	865.58	858.34
The net profit comes to	203.71	544.91
Adding thereto the Income (net) of earlier years of	1.45	2.55
transfer from Debenture Redemption Reserve of	641.00	—
and the balance brought forward from last year of	193.55	522.09
The Total comes to	1,039.71	1,069.55
Adjusting against this amount the following, namely :		
Provision for Taxation of	16.00	23.00
Provision for Deferred Taxation of	83.50	278.00
Dividend on Equity Shares of	82.00	123.00
Tax on Dividend of	10.51	—
Transfer to Debenture Redemption Reserve of	—	392.00
And Transfer to General Reserve of	—	60.00
Totalling to	192.01	876.00
there remains a balance of	847.70	193.55

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 the annual accounts, the applicable accounting standards have been followed and there has not been any material departure;
- 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, 2003 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.

ANNUAL REPORT 2002-2003**DIVIDEND**

The Directors recommend for your consideration the payment of Dividend for the year ended 31st March, 2003 at the rate of Re. 1.00 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 5th September, 2003. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as on 20th August, 2003 as per the details furnished by the Depositories for this purpose.

OPERATIONS

Due to depressed market conditions, increasing cost of inputs and severe unfair competition from imports, the margins continue to be under heavy pressure. The Company proposes to strengthen its effluent treatment plant by installing additional machinery to the tune of about Rs. 1.5 crores which will go into operation before the end of this year.

173 Fixed Deposits amounting to Rs. 19,15,000 which had matured for payment as at the close of 31st March, 2003 were not claimed by the deposit holders. Out of this amount 73 deposits of the value of Rs. 9,89,000 have been claimed upto 16th June, 2003.

DIRECTORS

Messrs. S.M. Chitnis, V.O. Somani and R.N. Sethna retire by rotation and being eligible offer themselves for re-appointment.

DONATIONS

During the year under review, donations amounting to Rs. 67,000/- were made by the Company.

AUDITORS

Members are requested to appoint Auditors to hold office from the conclusion of the ensuing Annual General 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,

Mumbai,
Date : 27th June, 2003

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, 2003.

I. CONSERVATION OF ENERGY :

a) Measures taken :

Continuous monitoring of electrical and thermal energy consumption and evaluation of operating parameters carried out at different sections. Following were the specific areas :

- Power reduction in pumps, pulper, agitators by trimming impellers, fluiglide coating of pumps providing on-off controller, reducing rpm and sequential operation.
- Digester pipe line modified for water and power saving.
- Use of fuel additive and burning fuel oil and lube oil sludge for reduced fuel oil consumption.
- Replacement of blades of ventilation fan with FRP blades, substitute fuel oil preheating with steam.
- Installation of scale blaster, standard motors replaced by energy efficient motors.

b) Proposals

- Replacement of overcapacity pumps and provision of VFD.
- Replacement of hood blower, standard motors by energy efficient motors.
- Provision of control unit to the centralized compressor.

c) Impact of measures at (a) and (b) :

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

- Reduction in (i) electrical energy by about 3800 kwh/day.
- (ii) fuel consumption by 1000 ltr/day and 112 kgs/day.

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

- Estimated reduction in electrical energy by 5000 kwh/day.

(d) Power and Fuel Consumption :

	2002 - 2003	Previous Year
(i) Electricity :		
(a) Purchased :		
- Units (KWH in lacs)	75.00	118.00
- Total Amount (Rs. in lacs)	467.18	668.98
- Average Rate/KWH (Rs.)	6.23	5.67
(b) Own Generation		
Through Power Generator		
Units (KWH in lacs)	402.00	443.00
Units per Litre of Fuel Oil	4.30	4.31
Cost/unit (Rs.)	2.39	1.97
(ii) Fuel Oil :		
- Quantity (KL)	4282	4654
- Total Amount (Rs. in lacs)	447.02	388.08
- Average Rate (Rs. per KL)	10440	8339
(iii) Biogas (self generated) :		
- Quantity (000' M ³)	1499	2708
- Total Cost	—	—
- Average Rate	—	—
- Cost of equivalent Fuel (Rs. in lacs)	86.63	125.00

(iv) Steam Generated

(from Waste Heat Recovery Boiler)

— Quantity (MT)	11374	13411
— Total Cost (Rs. in lacs)	—	—
— Average Rate / MT (Rs.)	—	—
— Cost of Equivalent Fuel (Rs. lacs)	90.20	84.89

(v) Consumption per tonne of Paper Produced :

— Electricity (KWH)	2357	2280
— Fuel Oil (K. Litres.)	0.212	0.189
— Biogas (000' M ³)	0.074	0.110
— Steam from WHRB (MT)	0.562	0.545

e) Reasons for variation in the consumption of power and fuel from standards and previous year :

- 1) Furnace oil used instead of LSHS resulted in increased consumption of fuel/kwh in DG set.
- 2) Improved power factor from 0.97 to 0.99 resulted in reduced electrical distribution loss from 4.1% to 3.77%.
- 3) Electrical consumption reduced from savings under point (a) above.
- 4) Lower overall paper production during the year resulted in higher consumption of fuel oil and electrical energy/unit paper production.
- 5) 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) New specialty paper products development.
 - Decor papers, tissue products, abrasive craft, security papers, bible paper.
 - (b) Improvement in process control
 - re-pulping of waste paper
 - (c) Product quality improvement.
 - (d) Water conservation through re-use of process water.
 - (e) Waste Water treatment - lignin/colour removal process development.
 - (f) Additional features - Security papers.
2. Benefits derived as a result of the above R & D :
 - (a) Reduction in cost of inputs & substitute in chemicals
 - (b) Introduction of new products in the market.
 - (c) Upgraded product quality.
 - (d) Improved environmental practices.
 - (e) Increased use of recycled fibres.
3. Future plan of action :
 - (a) Adopt tertiary treatment of waste water.
 - (b) To develop new paper products as per customer/market requirements.
 - (c) Introduce/conduct plant trials of specialty paper chemicals for cost reduction.
 - (d) Higher utilization of lower cost secondary fibres through improved processing, de-inking and bleaching.
 - (e) Continued improvement in product quality.
 - (f) Mill wide process water quality improvement.

PUDUMJEE PULP & PAPER MILLS LIMITED

4. Expenditure on R&D	:	Rs. in Lacs
(a) Capital	:	3.45
(b) Recurring	:	52.22
(c) Total	:	55.67
(d) Total R&D Expenditure as a percentage of turnover	:	0.49%

III. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief made towards technology absorption, adaptation and innovation. : (a) Identifying & evaluating substitute market virgin pulps for use in specific grades of specialty paper.
(b) Recycled fibre fractionation and study of separated fractions for use in different paper grades
(c) Development of waste paper re-pulping process.
(d) Identifying substitute paper chemicals.
2. Benefits derived as a result of the above efforts : (a) Improvement in product quality.
(b) Introduction of new products in the market.
(c) Further improvement in reuse and recycle of recovered fibres, fillers and water in the process.
3. No new technology was imported in last five years.

IV. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. During the year the Company has exported 86.93 MT of paper valued at Rs. 51.60 lacs as compared to 78.70 MT valued at Rs. 42.19 Lacs respectively during the year 2001-2002. There has been a good 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. 51.60 lacs and Rs.3485.34 lacs respectively.

On behalf of the Board of Directors,

Mumbai,
Dated : 27th June, 2003.

MAHABIR PRASAD
Chairman

ANNEXURE "B" TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2003.

Name & Age (Years)	Designation/ Nature of duties	Remuneration		Qualification & Experience (Years)	Date of Commencement of employment	Last employed	
		Gross Rs.	Net Rs.			Name of the organisation	Position held
Mr. Pathak T.K.D.* (61)	Sr. Gen. Manager (Operations)	17,58,168	13,87,538	Inter Science (46)	19.11.1964	Pudumjee Paper Mills Pvt. Ltd.	Production Trainee

Notes : (1) Gross remuneration as shown above includes salary, bonus, Company's contribution to Provident and Superannuation Funds and Value of medical and other facilities but excludes provision for gratuity. Net remuneration is arrived at after deduction of Income Tax.
(2) * Retired thus partly employed during the year.

On behalf of the Board of Directors,

Mumbai
Dated : 27th June, 2003

MAHABIR PRASAD
Chairman

ANNEXURE "C" TO DIRECTORS' REPORT

CORPORATE GOVERNANCE DISCLOSURES

The Directors present their Report on Corporate Governance as required by SEBI guidelines and listing agreements.

Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance envisages transparency with integrity in all its dealings with its stakeholders including shareholders, employees, lenders and others.

Board of Directors

The Board of Directors is composed of 2 Promoter Directors (one of whom is the Chairman and Managing Director), two Whole-time Directors and the rest Non Executive Independent Directors. The Managing Director conducts the day to day management of the Company subject to the supervision and control of the Board of Directors and is assisted by the two Whole-time Directors. The composition of the Board of Directors is given hereunder:

Name	Category	No. of other Directorships & Committee Memberships / Chairmanships held			Attendance Particulars (No. of Board Meetings held in 2002-2003 - 5)
		Directorships	Committee Memberships	Committee Chairmanships	
Mr. M.P. Jatia	CMD/PR	10	—	—	5
Mr. V.O. Somani	NED/IND	4	—	—	4
Mr. O.P. Gupta*	NED/IND	6	5	3	3
Mr. J.P. Shaw*	WTD/IND	7	—	—	5
Mr. R.N. Sethna*	NED/IND	7	5	3	3
Mr. V.P. Leekha*	WTD/IND	1	—	—	2
Mr. A.K. Jatia*	NED/PR	9	—	—	4
Mr. S.M. Chitnis	NED/IND	1	—	—	5

CMD : Chairman & Managing Director; WTD : Whole-time Director; NED : Non-Executive Director; IND : Independent; PR : Promoter.

* Attended last Annual General Meeting.

During the year 2002-2003 five Board Meetings were held on the following dates:

- 27th May, 2002, 28th June, 2002, 29th July, 2002, 28th October, 2002 & 30th January, 2003.