

PUDUMJEE PULP & PAPER MILLS LIMITED

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***Annual Report
2004 – 2005***

PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS:

M.P. JATIA (Chairman & Managing Director)
V.O. SOMANI
O.P. GUPTA
J.P. SHAW (Expired on 29th October, 2004)
R.N. SETHNA
A.K. JATIA
V.P. LEEKHA
S.M. CHITNIS
S.K. BANSAL (W.e.f. 1st February, 2005)

BANKERS:

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

SOLICITORS:

KANGA & COMPANY

AUDITORS:

KHARE & COMPANY

REGISTERED OFFICE:

THERGAON, PUNE 411 033.

REGISTRAR & TRANSFER AGENTS:

KARVY COMPUTERSHARE PVT.LTD.,
UNIT: PUDUMJEE PULP & PAPER MILLS LTD.,
KARVY HOUSE, 46 AVENUE, 4 STREET NO..1,
BANJARA HILLS,
HYDERABAD 500 034.

DEMAT STOCK CODE:

INE606A01016

EQUITY SHARES ARE LISTED AT:

MUMBAI, PUNE & NATIONAL STOCK EXCHANGES.

PUDUMJEE PULP & PAPER MILLS LIMITED

NOTICE

The Fortieth 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 Monday, the 5th day of September, 2005 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2005, 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 2004-2005.
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.S.M. Chitnis who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. V.P. Leekha 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 seven to eight"

8. To appoint a Director in place of Mr.Surendra Kumar Bansal who was appointed as an 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 and 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.Surendra Kumar Bansal be and is hereby appointed as a Director of the Company".

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

"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.Surendra Kumar Bansal may accept, Mr.Surendra Kumar Bansal be and is hereby appointed as Whole-time Director of the Company for a period of 5 years with effect from 1st February, 2005 AND THAT consent be and is hereby accorded to the following remuneration, payments, benefits and amenities and the terms of appointment of the said Surendra Kumar Bansal with 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, and the Managing Director be in charge 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.
- (b) Remuneration of Rs.75,000/- 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 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 air conditioned railway fare for himself, his wife and dependant children once in a year.

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- (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 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".

10. "RESOLVED THAT pursuant to Section 31 and all other applicable provisions of the Companies Act, 1956, the Article 129(a) of the Articles of Association of the Company be altered by substituting the following Article as Article 129(a) in lieu thereof:

129(a) Each Director shall be paid out of the funds of the Company by way of remuneration for the services rendered by the Director, a fee not exceeding such sum as may be prescribed by law from time to time in this regard, for each meeting of the Board or Committee thereof, attended by the directors as may be decided by the Board".

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 Thursday, the 18th day of August, 2005 to Monday, the 5th day of September, 2005, both days inclusive.

The Dividend, when sanctioned, will be paid on and from 19th September, 2005 to those shareholders whose names stand on the Company's Register of members as holders of the shares on 5th September, 2005. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as at the close of business hours on 18th August, 2005 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 dematerialized form are requested to bring their CLIENT ID and DP ID numbers for easy identification of attendance at the Meeting.

It may be noted that the shares of the Company have been de-listed by it voluntarily from the Stock Exchanges of Delhi, Madras and Calcutta.

It may also be noted that the Registrar and Share Transfer Agent of the Company has been changed with effect from 1st March, 2005 and the new Agent is – M/s Karvy Computershare Private Limited, "Karvy House", 46 Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034.

The Shareholders/investors can approach M/s Karvy Computershare Pvt.Ltd. at any of its service centres throughout the country for any of their queries relating share transfer, dividend etc.

By Order of the Board of Directors,
S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, Pune 411 033.
Dated : 28th June, 2005.

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 to 10 of the Special Business mentioned in the accompanying Notice dated 28th June, 2005 convening the 40th 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 seven to eight.

RESOLUTION NO.8

Mr. S.K. Bansal was appointed as an additional Director of the Company under Article 126 of the Articles of Association with effect from 1st February, 2005. 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.Bansal is B.Com., ACA & ACS and has over 20 years experience in finance and administration.

A notice proposing Mr.Bansal 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.K. Bansal no other Director is interested in this Resolution.

RESOLUTION NO.9

It is proposed to appoint Mr. Surendra Kumar Bansal as Whole-time Director of the Company to be in-charge of all financial, legal and administrative matters and other matters as may from time to time be entrusted to him by the Board of Directors and the Managing Director.

Mr. Bansal is a Bachelor of Commerce, Associate member of the Institute of Chartered Accountants of India and of the Institute of Company Secretaries of India and had joined the Company as Manager – Finance in October, 1984. He has, since then, held various positions in the Company and was Sr. General Manager – Finance and Company Secretary before he was appointed as additional Director. He has over 20 years experience in handling these matters. The Board of Directors are of the opinion that it would be in the interest of the Company to appoint him as Whole-time 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 of the Company.

Except Mr. S.K. Bansal no other Director is interested in this resolution.

RESOLUTION NO.10

The existing Article 129(a) of the Articles of Association as amended in 1985 permits payment to a Director of sitting fee of Rs.1,000/- per meeting of the Board or Committee attended by him. Since then, the Government has liberalized provisions concerning payment of such fees and prescribed in the Rules the maximum sitting fees which a Company can pay. It is, therefore, proposed to amend this Article so as to provide for payment of such fees as may be decided by the Board of Directors from time to time within the limit permitted by law in this regard.

Except Messrs. M.P. Jatia, V.P. Leekha and S.K. Bansal, all the Directors, may be deemed to be concerned or interested in this resolution.

The Company's Memorandum and Articles of Association are open for inspection at the Company's Registered Office on any working day, except Saturday, between the office hours of 2.30 p.m. and 4.30 p.m.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY.

Registered Office:
Thergaon, Pune 411 033.
Dated : 28th June, 2005

FINANCIAL HIGHLIGHTS

PARTICULARS	RS. IN LACS										
										As At 31st March	
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Shareholders' Funds	12045	11,693	11,447	11,937	11,535	11,269	10,611	9,969	9,182	8,471	7,599
Borrowed Funds	4244	5,206	6,815	6,576	7,725	11,037	10,159	6,098	2,266	3,268	2,662
TOTAL	16289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739	10,261
Net Fixed Assets	10517	10,620	11,528	12,329	13,114	13,398	12,915	9,465	5,914	5,723	5,629
Investments	212	225	223	303	617	602	607	587	587	558	458
Working Capital	5560	6,054	6,511	5,881	5,529	8,306	7,248	6,015	4,947	5,458	4,174
TOTAL	16289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739	10,261
Book value of Equity per share Rs.	147	143	140	146	141	137	129	122	112	103	185
Earning per share Rs.	6.35	2.82	2.29	6.36	4.83	10.26	10.02	12.36	11.42	13.12	26.64
Dividend per share Rs.	1.20	1.00	1.00	1.50	1.50	2.00	2.00	2.50	2.50	2.50	2.50

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

The Directors present the 40th Annual Report on the working of the Company for the year ended 31st March, 2005 together with the statement of Accounts for that year.

FINANCIAL RESULTS

	2004-2005	Previous Year
	Rs. in lacs	Rs. in lacs
The gross profit before interest and Depreciation is	1659.27	1564.21
Reducing therefrom Interest of	200.46	321.99
Depreciation of	810.89	825.98
and Extra-ordinary items of	37.43	163.73
The net profit comes to	610.49	252.51
Adding thereto/reducing therefrom the Income/ (Expenditure) for earlier years (net) of	25.41	(0.38)
Transfer from Debenture Redemption Reserve of	403.00	282.00
and the balance brought forward from last year of	1205.32	847.70
The total comes to	<u>2244.22</u>	<u>1381.83</u>
Adjusting against this amount the Following, namely:		
Provision for Taxation of	90.00	21.00
Provision/(Saving) for Deferred Taxation of	(50.00)	63.00
Dividend on Equity Shares of	98.40	82.00
Tax on Dividend of	13.80	10.51
And Transfer to General Reserve of	828.55	—
Totalling to	<u>980.75</u>	<u>176.51</u>
There remains a balance of	1263.47	1205.32

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 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 the financial year on 31st March, 2005 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, 2005 at the rate of Rs.1.20 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, 2005. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares at the close of business hours on 18th August, 2005 as per the details furnished by the Depositories for this purpose.

OPERATIONS

The Company witnessed easing off of depressed market conditions to certain extent which has enabled it to achieve better profitability in the year under review as compared to that of the previous year, as is evident from the Company's statements of accounts, though of late these favourable conditions have come under pressure of competitive imports. The Directors are conscious of the fact and are taking necessary steps in this regard to contain effect of such events, by way of change in product mix, more value addition and cost reduction.

The Company has undertaken a programme to modernize one of the papermaking machines at an aggregate cost of Rs.2650 lacs. Upon completion of this modernization by end of June 2006, the papermaking capacity is expected to increase by about 3,000 MT per annum.

The Co-generation Plant for the requirement of steam has become operational during the year and is functioning satisfactorily.

During the year 34 employees who availed of the Company's offer for Voluntary Retirement were paid an aggregate amount of Rs.90.48 lacs.

139 Fixed Deposits amounting to Rs.20,98,000 which had matured for payment as at the close of 31st March, 2005 were not claimed by the deposit holders. Out of this amount 62 deposits of the value of Rs.10,70,000 have been claimed upto 17th June, 2005.

During the year Gresham Investments & Finance Ltd., a wholly owned subsidiary of Pudumjee Investment & Finance Co.Ltd. (PIFCO) and also of the Company was amalgamated with PIFCO by an order dated 10th December, 2004 of High Court of Bombay.

During the year the equity shares of the Company were voluntarily de-listed by the Company from The Delhi Stock Exchange Association Ltd., Madras Stock Exchange Ltd., and The Calcutta Stock Exchange Association Ltd. The equity shares continue to be listed on the Pune Stock Exchange Ltd., The Mumbai Stock Exchange and The National Stock Exchange of India Ltd.

DIRECTORS

The Directors regret to inform with profound grief, the sad demise of Mr. J.P. Shaw on 29th October, 2004. Late Mr. Shaw, who was Whole-time Director for last about 20 years was associated with the Company for more than four decades. His dedication to work, able guidance and honesty of purpose were a source of innate strength to the Company for which it owes to him an immense debt of gratitude.

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

Mr. S.K. Bansal was appointed as an additional Director with effect from 1st February, 2005. 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. A Resolution has also been proposed for his appointment as Whole-time Director with effect from 1st February, 2005 which the Directors commend for your approval.

DONATIONS

During the year under review, donations amounting to Rs.1,32,699/- were made by the Company, including a donation for providing relief to people affected by "Tsunami Calamity".

PUDUMJEE PULP & PAPER MILLS LIMITED

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 SECTION 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,

MAHABIR PRASAD
CHAIRMAN

Mumbai,
Dated : 28th June, 2005.



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, 2005.

I. CONSERVATION OF ENERGY :

a) Measures taken

- Installed and commissioned coal/bagasse based Co-generation plant.
- Continuous monitoring of electrical energy consumption and evaluation of operating parameters carried out at different sections in specific areas resulting in power reduction in pumps by trimming impellers and replacing with high efficient pumps, in agitators by interlocking with supply pumps and fuel reduction in DG plant by using additive.

b) Proposals

- Modification of steam and condensation system on paper machines for energy saving.
- Replacement of press part for increased productivity, provision of VFC to save power.

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

- Reduction in electrical energy, fuel and steam will lower the cost of production by about Rs. 650 per MT of paper.

d) Power and Fuel Consumption

	2004-05	Previous Year
i) Electricity		
(a) Purchased:		
- Units (KWH in lacs)	188	160
- Total amount (Rs. In lacs)	573.66	526.36
- Average rate/KWH (Rs.)	3.05	3.29
(b) Own generation:		
(i) Through Power Generator		
- Units (KWH in lacs)	320	302
- Units per Ltr. Of Fuel Oil	4.32	4.30
- Cost/unit (Rs.)	2.47	2.44
(ii) Through Steam Turbine		
- Units (KWH in lacs)	0.45	—
- Cost of equivalent power (Rs. In lacs)	1.37	—
(ii) Steam Coal utilized in Boiler		
(Grade 'C' or Grade 'D' whichever is available)		
- Quantity (MT)	1826	—
- Total Amount (Rs. In lacs)	63.12	—
- Average Rate / MT (Rs.)	3457	—
(iii) Fuel Oil :		
- Quantity (KL)	4790	4478
- Total amount (Rs. In lacs)	510.82	468.77
- Average rate (Rs. Per KL)	10664	10468
(iv) Biogas (self generated):		
- Quantity (000' M ³)	—	1230
- Cost of equivalent Fuel (Rs. In lacs)	—	71.27