

PUDUMJEE PULP & PAPER MILLS LIMITED

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Annual Report
2005 – 2006



FINANCIAL HIGHLIGHTS

										RS. IN LACS	
PARTICULARS	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Shareholders' Funds	12,371	12,045	11,693	11,447	11,937	11,535	11,269	10,611	9,969	9,182	8,471
Borrowed Funds	7,038	4,244	5,206	6,815	6,576	7,725	11,037	10,159	6,098	2,266	3,268
TOTAL	19,409	16,289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739
Net Fixed Assets	11,783	10,517	10,620	11,528	12,329	13,114	13,398	12,915	9,465	5,914	5,723
Investments	212	212	225	223	303	617	602	607	587	587	558
Working Capital	7,414	5,560	6,054	6,511	5,881	5,529	8,306	7,248	6,015	4,947	5,458
TOTAL	19,409	16,289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448	11,739
Book value of Equity per share Rs.	151	147	143	140	146	141	137	129	122	112	103
Earning per share Rs.	5.62	6.35	2.82	2.29	6.36	4.83	10.26	10.02	12.36	11.42	13.12
Dividend per share Rs.	1.20	1.20	1.00	1.00	1.50	1.50	2.00	2.00	2.50	2.50	2.50

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

The Directors present the 41st Annual Report on the working of the Company for the year ended 31st March, 2006 together with the statement of Accounts for that year.

FINANCIAL RESULTS

	2005-2006	Previous Year
	Rs. in lacs	Rs. in lacs
The gross profit before interest and Depreciation is	1656.81	1659.27
Reducing therefrom Interest of	115.50	200.46
Depreciation of	852.36	810.89
and Extra-ordinary items of	37.43	37.43
The net profit comes to	651.52	610.49
Adding thereto/reducing there-from the Income/ (Expenditure) for earlier years (net) of	3.07	25.41
transfer from Debenture Redemption Reserve of	167.00	403.00
and the balance brought forward from last year of	1263.47	1205.32
The total comes to	2085.06	2244.22
Adjusting against this amount the Following, namely:		
Provision for Taxation of	191.00	90.00
Provision (Saving) for Deferred Taxation of	(13.00)	(50.00)
Dividend on Equity Shares of	98.40	98.40
Tax on Dividend of	13.80	13.80
And Transfer to General Reserve of	200.00	828.55
Totalling to	490.20	980.75
There remains a balance of	1594.86	1263.47

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, 2006 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, 2006 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 4th September, 2006. 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, 2006 as per the details furnished by the Depositories for this purpose.

OPERATIONS

Some of the products of the Company face intense pressure of competitive imports primarily because of spiralling cost of fuel, power and raw materials. Despite this adversity the Company had been able to maintain its profit as was achieved last year. The Directors are conscious of the fact that such competitive imports may continue and therefore are taking necessary steps to contain effect of such events by way of change in product mix, value additions and cost reduction.

The Company's programme to modernize one of its papermaking machines, which was progressing as per schedule has been temporarily interrupted by the workers Union resulting in stoppage of production on that machine with a view to exert pressure on the Management to accept their demand of rise in pay beyond what is offered by the management for a wage settlement due with effect from 1st April, 2005. The Directors are hopeful of an early resolution of the impasse. Further the Company is in the process of installation of a Waste Paper Recycling cum De-inking Plant at a cost of about Rs.11 crores with a view to achieve more flexibility in raw material usage and thereby to reduce cost.

Your Company intends to commence business of Real Estate development initially by developing the Company's land of about 49,000 sq.mtrs at Thergaon, Pune jointly with another developer of repute, for which purpose plans are under consideration, for constructing residential and / or commercial units thereon, subject to all regulatory compliances.

The Directors are pleased to state that long pending litigation in respect of excise matters involving a demand of Rs.102.41 crores has come to an end as the Commissioner has dropped the Show Cause cum Demand Notice who had reheard the matter pursuant to the decision of the Customs, Excise & Service Tax Appellate Tribunal, Mumbai.

The Company has contributed an amount of Rs.5.30 crores being Company's contribution for the construction of dam on the river from which it draws water thus entitling it to continue to draw water at a concessional rate thereby resulting in withdrawal of demand by the Irrigation Department for their past claims.

128 Fixed Deposits amounting to Rs.20,71,000 which had matured for payment as at the close of 31st March, 2006 were not claimed by the deposit holders. Out of this amount 33 deposits of the value of Rs.6,25,000 have been claimed upto 12th June, 2006.

DIRECTORS

Messrs. O.P. Gupta, Rusi N. Sethna and A.K. Jatia retire by rotation and being eligible offer themselves for re-appointment.

DONATIONS

During the year under review, donations amounting to Rs.16,000/- 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 SECTION 217(1)(e) AND 217(2A)

Statement giving details as required by the aforesaid provisions of the Companies Act, 1956 is annexed hereto and marked Annexure "A".

During the year under review no employee had drawn remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules, 1975 as amended to date.

REPORT ON CORPORATE GOVERNANCE

The report on Corporate Governance in accordance with the guidelines of the Securities & Exchange Board of India and amended Clause 49 of the Listing Agreements with the Stock Exchanges is attached and marked Annexure "B".

On behalf of the Board of Directors,

Mumbai,
Dated : 22nd June, 2006.

MAHABIR PRASAD
CHAIRMAN

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, 2006.

I CONSERVATION OF ENERGY:

a) Measures taken

- Continuous monitoring of electrical energy consumption and of operating parameters especially in following areas:
Trimming impellers and Replacing high efficient pumps Installing variable feed controller in central compressors Replacement of blades of cooling tower fan with FRP blades

b) Proposals

Insulation of bare/spoiled steam pipe lines

Installation of steam coils to replace DG HFO Booster unit electrical heaters.

Provision of dedicated compressor for high head users and Gravity line for ETP distribution tank.

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

- There is no significant impact of measures at (a) and (b) above on cost of production.

d) Power and Fuel Consumption :

	2005-06	Previous Year
i) Electricity		
(a) Purchased		
- Units (KWH in lacs)	211	188
- Total Amount (Rs. in lacs)	663.03	573.66
- Average Rate/KWH (Rs.)	3.14	3.05
(b) Own Generation:		
(i) Through Power Generator		
Units (KWH in lacs)	306	320
Units per Ltr. Of fuel oil	4.27	4.32
Cost/Unit (Rs.)	3.34	2.47
(ii) Through Steam Turbine		
Units (KWH in lacs)	14.31	0.45
Cost of equivalent power (Rs. In lacs)	44.92	1.37
ii) Steam Coal utilized in Boiler		
(Grade 'C' or Grade 'D' whichever is available)		
Quantity (MT)	11259	1826
Total Amount (Rs. In lacs)	378	63.12
Average Rate / MT (Rs.)	3357	3457
iii) Bagasse utilized in Boiler		
Quantity (MT)	9430	—
Total Amount (Rs. In Lacs)	81.42	—
Average Rate / MT (Rs.)	863	—
iv) Fuel Oil		
- Quantity (KL)	784	4790
- Total Amount (Rs. In lacs)	111.85	510.82
- Average Rate (Rs. Per KL)	14267	10664

	2005-06	Previous Year
v) Steam (Self generated)		
(From waste heat recovery boiler)		
- Quantity (MT)	9526	9535
- Cost of equivalent fuel (Rs. In lacs)	58.03	73.34
vi) Consumption per tonne of paper produced :		
- Electricity (KWH)	2329	2225
- Fuel Oil (KL)	0.034	0.210
- Steam from WHRB (MT)	0.418	0.417
- Steam Coal	0.494	0.080
- Bagasse (MT)	0.413	—

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 different grades and at different times.

II RESEARCH AND DEVELOPMENT :

- 1 Specific Areas in which R & D carried out by the Company
 - (a) Development of new grades of papers to meet customers demands/needs.
 - (b) Improvement in quality of existing paper products
 - (c) Cost Reduction by use of enzyme in waste paper pulping.
 - (d) Bio refining of pulp for conservation of energy
- 2 Benefits derived as a result of Above R & D
 - (a) Up-gradation in quality of existing products.
 - (b) Cost reduction due to use of specific specialty chemicals.
- 3 Future Plan of action
 - (a) Higher utilization of waste paper pulp, chemicals.
 - (b) Introduction of additional security features in paper produced.
 - (c) Identifying new specialty chemicals to reduce the input cost.
 - (d) Reuse of paper mill sludge.
- 4 Expenditure on R & D (Rupees in Lacs)

(a) Capital	1.63
(b) Recurring	47.12
(c) Total	48.75
(d) Total R & D expenditure as a percentage of Turnover	0.38%

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III TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

- 1 Efforts in brief made towards Technology absorption, adaptation and innovation
 - (a) Development of improved paper products.
 - (b) Minimization of river water intake
 - (c) Development of security fibers for better security features.
 - (d) Identifying new chemical, enzymatic de-inking and dual polymers for DIP back water clarification for improving ink removal efficiency and sticky removal.
- 2 Benefits derived as a result of the above efforts
 - (a) Improved de-inked pulp quality.
 - (b) Reduction in fresh water consumption.
 - (c) Introduction of additional security features.
- 3 No new technology was imported in last five years.

IV FOREIGN EXCHANGE EARNINGS AND OUTGO:

- 1 During the year the Company has exported 188.53 MT of paper and 186.29 MT of steel valued at Rs. 130.11 lacs and Rs. 53.78 lacs respectively compared to 190.53 MT of paper valued at Rs. 126.18 lacs during 2004-'05. There has been a good demand for our products and the Company expects to do better during the next financial year.
- 2 Foreign Exchange earned and used were Rs. 183.89 lacs and Rs. 4496.25 lacs, respectively.

On behalf of the Board of Directors,

Mumbai,
Dated : 22nd June, 2006.

MAHABIR PRASAD
CHAIRMAN

ANNEXURE "B" 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.

Code of Conduct:

In tune with the corporate philosophy stated in the preceding para, the Board of Directors of the Company in its meeting held on 29th October, 2005 laid down a Code of Conduct for all the Board Members and Senior Management personnel of the Company in terms of the requirement of revised clause 49. The Code of Conduct is displayed at the Company's website www.pudumjee.com. Affirmation regarding compliance with the Code of Conduct had been obtained from all Board members and Senior Management personnel of the Company. As required, a declaration duly signed by the Chairman and Managing Director to the effect is appended.

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 2005-2006 - 6)
		Directorships	Committee Memberships	Committee Chairmanships	
Mr.M.P. Jatia	CMD/PR	9	-	-	6
Mr.V.O.Somani	NED/IND	3	-	-	6
Mr.O.P.Gupta	NED/IND	3	3	3	4
Mr.R.N. Sethna	NED/IND	6	4	2	6
Mr.V.P. Leekha	WTD/IND	1	-	-	6
Mr.A.K. Jatia	NED/PR	5	-	1	6
Mr.S.M. Chitnis	NED/IND	2	-	-	5
Mr.S.K.Bansal	WTD/IND	4	1	-	6

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

All the Directors had attended last Annual General Meeting held on 5th September, 2005.

During the year 2005-2006 Six Board Meetings were held on the following dates:

-16th April, 2005, 28th June, 2005, 28th July, 2005, 5th September, 2005, 29th October, 2005 and 25th January, 2006.

Details of remuneration paid to Directors during the year ended 31st March, 2006: (Amount in Rupees)

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr.M.P.Jatia	-	780,000	730,342	726,596	2,236,938
Mr.V.O.Somani	27,000	-	-	-	27,000
Mr.O.P.Gupta	15,000	-	-	-	15,000
Mr.R.N. Sethna	19,000	-	-	-	19,000
Mr.A.K.Jatia	26,000	-	-	-	26,000
Mr.V.P. Leekha	-	924,000	472,383	-	1,396,383
Mr.S.M. Chitnis	20,000	-	-	-	20,000
Mr. S.K. Bansal	-	900,000	256,216	-	1,156,216

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- Mr.M.P. Jatia is entitled to commission at 1% of the profits of the Company.
- Perquisites include housing/house rent allowance with electricity, gas, etc., medical expenses, leave travel assistance, club fees, accident insurance, contribution to provident and superannuation funds, payment of gratuity etc.,
- Severance fees, stock options and notice period are not applicable in case of Executive Directors. The appointments of Messrs M.P. Jatia is for a period of five years with effect from 1st April, 2002, of Mr.V.P. Leekha is for five years with effect from 1st April, 2004 and of Mr.S.K. Bansal is for five years with effect from 1st February, 2005.
- Non Executive Directors draw no remuneration except by way of sitting fees for each meeting of Board or Committee thereof attended by him, within the limits prescribed by law in this regard..
- Mr.A.K. Jatia is relative of Mr.M.P. Jatia.
- Messrs. V.O. Somani, O.P. Gupta, R.N. Sethna, A.K. Jatia and S.M. Chitnis held 1462, 750, 1024, 407,209 and Nil equity shares of Rs.10/- each of the Company's shares respectively.

Appointment of Directors:

Resolutions have been proposed for the re-appointment of Messrs. O.P. Gupta, Rusi N. Sethna and A.K. Jatia as Directors of the Company on their retirement by rotation.

- a) Mr.O.P. Gupta was appointed as Non-Executive Director in 1982 and since then he has been reappointed from time to time on retirement by rotation. Mr.Gupta is the Ex-Chairman of Punjab National Bank. He holds 750 equity shares of the face value of Rs.10/- each of the Company He is Director of the following Companies:

Mangalam Cement Ltd., Rishi Roop Rubber (International) Ltd., and Apollo International Ltd.,

He is member of the following other Company's Committees:

Apollo International Ltd.	- Audit Committee (Chairman);
Rishi Roop Rubber (International) Ltd.	- Audit Committee (Member);
Mangalam Cement Ltd.	- Audit Committee (Chairman)
	Remuneration Committee (Chairman)
	Shareholders/Investors Grievance Committee (Member)
	Share Transfer Committee (Member)

- b) Mr.Rusi N. Sethna was appointed as Non-Executive Director in 1992 and since then he has been reappointed from time to time on retirement by rotation. Mr.Sethna is an eminent Solicitor with a wide and varied experience especially in the field of Corporate Law. He holds 1024 equity shares of Rs.10/- each of the Company. He is a partner in the firm of Maneksha & Sethna and of Romer Dadachandji Sethna & Co., and Director of the following Companies:

The Great Eastern Shipping Co.Ltd., Citurgia Biochemicals Ltd., Modern Industries Ltd., Chalet Hotels Ltd., HSBC Agency (India) Pvt.Ltd., and National Peroxide Ltd.

He is member of the following other Company's Committees:

The Great Eastern Shipping Co.Ltd.	- Member of Audit Committee and Remuneration Committee.
Citurgia Biochemicals Ltd.	- Audit Committee (Chairman);
Modern Industries Ltd.	- Shareholders Grievance Committee (Member)
National Peroxide Ltd.	- Remuneration Committee (Member)
	Audit Committee (Chairman)

- c) Mr.A.K. Jatia was appointed as Non-Executive Director in 1998 and thereafter he was reappointed from time to time on retirement by rotation. Mr.Jatia is a B.S. (Financial and Business Administration) with over 21 years experience in Business and Finance. He holds 407,209 equity shares of Rs.10/- each of the Company. He is Director of the following Companies:

Pudumjee Investment & Finance Co.Ltd., Thacker & Co.Ltd., Chem-Mach Pvt.Ltd., Ubiquitous Trading Pvt.Ltd., and Winterpark Investments & Finance Pvt.Ltd.

He is member of the following other Company's Committees:

Thacker & Co.Ltd.	- Chairman of Audit Committee.
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