

PUDUMJEE PULP & PAPER MILLS LIMITED



**Abridged Annual Report
2006 – 2007**

PUDUMJEE PULP & PAPER MILLS LIMITED

DIRECTORS:

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

BANKERS:

STATE BANK OF INDIA
INDUSTRIAL DEVELOPMENT BANK OF INDIA
CENTURION BANK OF PUNJAB LTD.
BANK OF INDIA
THE HONGKONG & SHANGHAI BANKING CORPN.LTD.

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.,
17-24, VITTAL RAO NAGAR,
MADHAPUR,
HYDERABAD 500 081.

DEMAT STOCK CODE:

INE606A01016

EQUITY SHARES ARE LISTED AT:

MUMBAI, PUNE & NATIONAL STOCK EXCHANGES.

NOTICE

The Forty second 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 Saturday, the 1st day of September, 2007 at 9.00 a.m. (ST) to transact the following business:

1. To receive and adopt the audited Balance Sheet as on 31st March, 2007, 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 2006-2007.
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. S.K. Bansal 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 Friday, the 17th day of August, 2007 to Saturday, the 1st day of September, 2007, both days inclusive.

The Dividend, when sanctioned, will be paid on and from 19th September, 2007 to those shareholders whose names stand on the Company's Register of members as holders of the shares on 1st September, 2007. 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 17th August, 2007 as per the details furnished by the Depositories for this purpose. The payment of Dividend will be subject to the provisions of Section 206A of the Companies Act, 1956.

Messrs. V.O. Somani, S.M. Chitnis and S.K. Bansal whose appointment is to be considered by the Annual General Meeting as mentioned above hold 1462, Nil & 4 equity shares of Rs.10/- each of the Company respectively.

Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unclaimed/unpaid for a period of 7 years would be transferred to the Investor Education & Protection Fund (IEPF) constituted by the Central Government and the Shareholders would not be able to claim any amount of the dividend so transferred to the Fund. As such, shareholders who have so far not encashed the dividend warrants of earlier years are requested to immediately return the outdated warrants to the Company or write to us to enable the Company to issue duplicate warrants/Demand Drafts in lieu thereof.

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.

By Order of the Board of Directors,

S.K. BANSAL
SECRETARY

Registered Office:
Thergaon, PUNE 411 033.
Dated : 29th June, 2007.

FINANCIAL HIGHLIGHTS

RS. IN LACS

As At 31st March

PARTICULARS	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Shareholders' Funds	12,795	12,371	12,045	11,693	11,447	11,937	11,535	11,269	10,611	9,969	9,182
Borrowed Funds	6,803	7,038	4,244	5,206	6,815	6,576	7,725	11,037	10,159	6,098	2,266
TOTAL	19,598	19,409	16,289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448
Net Fixed Assets	12,656	11,783	10,517	10,620	11,528	12,329	13,114	13,398	12,915	9,465	5,914
Investments	243	212	212	225	223	303	617	602	607	587	587
Working Capital	6,699	7,414	5,560	6,054	6,511	5,881	5,529	8,306	7,248	6,015	4,947
TOTAL	19,598	19,409	16,289	16,899	18,262	18,513	19,260	22,306	20,770	16,067	11,448
Book value per Equity share Rs.	156	151	147	143	140	146	141	137	129	122	112
Earning per share Rs.	6.55	5.62	6.35	2.82	2.29	6.36	4.83	10.26	10.02	12.36	11.42
Dividend per share Rs.	1.2	1.2	1.2	1.00	1.00	1.50	1.50	2.00	2.00	2.50	2.50

ANNUAL REPORT 2006-2007

DIRECTORS' REPORT TO THE MEMBERS.

The Directors present the 42nd Annual Report on the working of the Company for the year ended 31st March, 2007 together with the statement of Accounts for that year.

FINANCIAL RESULTS

	2006-2007	Previous Year
	Rs. in lacs	Rs. in lacs
The gross profit before interest and Depreciation is	1870.15	1656.81
Reducing therefrom Interest of	333.11	115.50
Depreciation of	886.23	852.36
and Extra-ordinary items of	37.43	37.43
The net profit comes to	613.38	651.52
Adding thereto the Income for earlier years (net) of	1.06	3.07
transfer from Debenture Redemption Reserve of	168.00	167.00
and the balance brought forward from last year of	1594.86	1263.47
The total comes to	2377.30	2085.06
Adjusting against this amount the following, namely:		
Provision for Taxation of	76.00	191.00
Provision (Expense) / Saving for Deferred Taxation of	(140.00)	13.00
Dividend on Equity Shares of	98.40	98.40
Tax on Dividend of	16.72	13.80
And Transfer to General Reserve of	200.00	200.00
Totalling to	531.12	490.20
There remains a balance of	1846.18	1594.86

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, 2007 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.

PUDUMJEE PULP & PAPER MILLS LIMITED**DIVIDEND**

The Directors recommend for your consideration the payment of Dividend for the year ended 31st March, 2007 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 1st September, 2007. 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 17th August, 2007 as per the details furnished by the Depositories for this purpose.

OPERATIONS

During the year under review one of the papermaking machines was shutdown for 110 days for carrying out its modernization, which has since been successfully completed and desired results in terms of quality improvement and higher production are being achieved. Despite protracted shutdown of the machine, due to its increased capacity, the production in the year under review exceeded last year's production.

The benefits arising out of the improved product mix, value addition and cost reduction have been substantially offset by the continuous rise in cost of fuel, power and raw materials. The unfair competition consequent upon unabated imports have made the task of improving margins more difficult. The Management is continuing its efforts to improve the profitability of the Company by way of constant change in product mix, value additions and cost reductions.

The Company is in the process of upgrading its Waste Paper Recycling / De-inking Plant so as to enable it to have more flexibility in raw material usage in the context of its scarce availability and thus achieve reduction in cost.

During the year under review the periodic wage settlement valid for a period of three years with effect from 1st April, 2005 has been signed with the workers Union.

The Company had commenced export of steel products during the last year which have substantially increased to over Rs. 43 crores.

The Company has entered into a Partnership with a Developer of repute for carrying out business of Real Estate development. The plans for the first project have been firmed up and subject to regulatory compliances and statutory clearances becoming available, the construction is expected to begin in the current year.

74 Fixed Deposits amounting to Rs.14,83,000 which had matured for payment as at the close of 31st March, 2007 were not claimed by the deposit holders. Out of this amount 15 deposits of the value of Rs.3,01,000 have been claimed upto 21st June, 2007.

DIRECTORS

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

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 amended 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 : 29th June, 2007.

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.

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 2006-2007 - 5)
		Directorships	Committee Memberships	Committee Chairmanships	
Mr.M.P. Jatia	CMD/PR	7	-	-	5
Mr.V.O.Somani	NED/IND	2	-	-	5
Mr.O.P.Gupta	NED/IND	2	3	2	4
Mr.R.N. Sethna	NED/IND	5	4	1	3
Mr.V.P. Leekha	WTD/IND	1	-	-	5
Mr.A.K. Jatia	NED/PR	5	-	1	5
Mr.S.M. Chitnis	NED/IND	2	-	-	2
Mr.S.K.Bansal	WTD/IND	4	1	-	5

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

Except Messrs. M.P. Jatia, V.O. Somani and S.M. Chitnis, all other Directors had attended last Annual General Meeting held on 4th September, 2006.

During the year 2006-2007 Five Board Meetings were held on the following dates:

-28th April, 2006, 22nd June, 2006, 29th July, 2006, 28th October, 2006 and 30th January, 2007.

Details of remuneration paid to Directors during the year ended 31st March, 2007:

(Figures in Rupees)

Name	Sitting fees	Salaries	Perquisites	Commission	Total
Mr.M.P.Jatia	-	23,40,000	13,96,944	-	37,36,944
Mr.V.O.Somani	47,000	-	-	-	47,000
Mr.O.P.Gupta	36,000	-	-	-	36,000
Mr.R.N. Sethna	16,000	-	-	-	16,000
Mr.A.K.Jatia	46,000	-	-	-	46,000
Mr.V.P. Leekha	-	20,76,000	13,62,888	-	34,38,888
Mr.S.M. Chitnis	21,000	-	-	-	21,000
Mr. S.K. Bansal	-	14,28,000	4,96,416	-	19,24,416

PUDUMJEE PULP & PAPER MILLS LIMITED

- 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, medical expenses, leave travel assistance, club fees, accident insurance, contribution to provident fund etc., but exclude provision for gratuity.
- 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, 2007, 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 respectively.

Appointment of Directors:

Resolutions have been proposed for the re-appointment of Messrs. V.O. Somani, S.M. Chitnis and S.K. Bansal as Directors of the Company on their retirement by rotation.

- Mr.V.O. Somani was appointed as Non-Executive Director in 1974 and since then he has been reappointed from time to time on retirement by rotation.. Mr.Somani has a long and varied business experience of over 46 years especially in the field of business administration and finance. He holds 1462 equity shares of the face value of Rs.10/- each of the Company. He is Director of the following Companies:
Shree Madhu Industrial Estate Ltd., and Evinco Exim Ltd.,
He is not Chairman or member of any other Company's Committees.
- Mr.S.M. Chitnis was appointed as Non-Executive Director in 2001 and since then he has been reappointed from time to time on retirement by rotation. Mr.Chitnis is M.A.LLB., C.A.I.I.B. 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. He does not hold any equity shares of the Company. He is Director of Tanla Solutions Ltd., Hyderabad.
He is not Chairman or member of any other Company's Committees.
- Mr.S.K. Bansal was appointed as Whole-time Director in 2005. Mr.Bansal is a B.Com., ACA, ACS and has a wide and varied experience of about 22 years in Finance & Administration and has been associated with the Company since 1984. He holds 4 equity shares of Rs.10/- each of the Company. He is Director of the following Companies:
Pudumjee Investment & Finance Co.Ltd., Thacker & Co.Ltd., Pudumjee Plant Laboratories Ltd., Pudumjee Hygiene Products Ltd..
He is a member of the Audit Committee of Thacker & Co.Ltd.

BOARD PROCEDURE:

Board Meetings are held about five times a year. Detailed Agenda is sent to each Director well in advance of the meetings. The Directors are briefed at each Board Meeting regarding performance and working by the functional heads. In addition to matters statutorily requiring Board's approval, all major decisions of policy, strategic formulations, capital expenditure, new investments, major accounting policies are considered by the Board.

Management Discussion and Analysis:

The Company operates in the specialty segment which is currently affected adversely due to unfair competition from imports thus severely restricting Company's ability to improve margins. Due to scarce fibre resources in the country, the Company's dependence on import of raw material viz. Market Pulp and Waste Paper for recycling continues. The unabated price rise in respect of fuel, power and raw materials has made the task of improving margins more difficult. Whilst the issue of unfair competitive imports would stand corrected in due course, cost reductions and improvement in price would mitigate the situation address the concerns about input costs.

The modernization of one of the papermaking machines was completed during the year under review and it has started delivering targeted results in terms of quality and increased output. With a view to manage the cost of raw materials, upgradation of Waste Paper Recycling / De-inking Plant is in progress and it shall be completed during the current year. This upgradation would enable the Company a greater flexibility of usage of different waste paper and raw material mix as well as reduction in cost.

As regards the Company's business in Real Estate, it has entered into a Partnership with a reputed Developer for carrying out business of Real Estate development. The plans for the first project have been firmed up and subject to regulatory compliances and clearances becoming available the construction is expected to begin in the current year.

The periodic wage settlement has been signed with the workers Union valid upto 31st March, 2008.

During the last financial year the Company had started export of steel products and this business had satisfactorily progressed during the year under review resulting in a turnover of such exports to about over Rs.43 crores.

The existing internal controls of the Company are periodically reviewed by the Audit Committee and are considered quite adequate.

The Company employs about 500 employees and Company's relations with the labour remain cordial.

Committee of Directors:

(a) The Board has constituted a Committee of Directors under Section 292 of the Companies Act, 1956 consisting of Messrs. M.P. Jatia, A.K. Jatia and S.K. Bansal to deal with the matters relating to investment and Borrowings.

(b) Audit Committee:

The Audit Committee consists of four non Executive Directors, out of which three are independent Directors, namely Messrs. O.P. Gupta (Chairman) (Independent Director), V.O.Somani (Independent Director), S.M. Chitnis (Independent Director) and Mr. A.K. Jatia. The broad terms of reference of this Committee are:

- To review quarterly/half-yearly and annual financial statements.
- To review the Company's financial reporting systems.
- To consider the matter of appointment/re-appointment etc. of Statutory Auditors and their remuneration.
- To review the internal control and audit systems.
- To review the Company's financial and risk management policies;

The Committee had held four meetings during the financial year 2006-2007 viz the first for consideration of Annual Accounts for the year ending 31st March, 2006 on 22nd June, 2006, the second for consideration of quarterly results for the quarter ending 30th June, 2006 on 29th July, 2006, the third for consideration of quarter/half-yearly results for the quarter ending 30th September, 2006 on 28th October, 2006 and the fourth for considering quarterly results for the quarter ending 31st December, 2006 on 30th January, 2007 respectively. Messrs.O.P. Gupta, V.O. Somani and A.K. Jatia attended all the four meetings and Mr.S.M. Chitnis attended two meetings.

The Statutory and Internal Auditors had attended three Audit Committee Meetings.

(c) Shareholders'/Investors' Grievance Committee:

The Committee comprises of Messrs. V.O.Somani (Chairman), A.K. Jatia and S.K. Bansal. Its terms of reference include review of complaints of shareholders/investors, the Company's performance on redressal of complaints and to look into the correspondence with Securities & Exchange Board of India (SEBI) and the Stock Exchanges concerning Investor's Complaints.

Mr.S.K. Bansal, the Company Secretary is the Compliance Officer.

During the year 2006-2007, the Company received 34 complaints from investors. 2 complaints were received through SEBI and 1 complaint was received from Stock Exchange. The complaints received have been replied to and resolved. No complaints are pending for resolution.

As on 31st March, 2007 there were no transfer of shares pending for approval. The transfers are dealt with invariably within one month from their date of lodgement.

PUDUMJEE PULP & PAPER MILLS LIMITED**(d) Remuneration Committee:**

The Remuneration Committee consists of three non Executive Independent Directors namely; Messrs. R.N. Sethna (Chairman), V.O.Somani and Mr.S.M. Chitnis.

The broad terms of reference of this Committee are:

- To review and determine the Company's Policy regarding remuneration payable to Managing and Whole-time Directors;
- To fix their remuneration within the limits laid down under the Companies Act, 1956

One meeting of the Committee was held during the year. All the members have attended the meeting.

General Body Meetings:

The last three Annual General Meetings of the Company were held at the Registered Office of the Company at Thergaon, Pune 411 033 on 3rd September, 2004, 5th September, 2005 and 4th September, 2006 at 9.00 a.m. (ST). One Extra-Ordinary General Meeting was held on 16th December, 2006 at 11.00 a.m. (ST).

Special Resolutions were passed in –

- (i) Annual General Meeting held on 3rd September, 2004 for re-appointing Mr.V.P. Leekha as a Whole-time Director with effect from 1st April, 2004;
- (ii) Annual General Meeting held on 5th September, 2005 for appointing Mr.S.K. Bansal as Whole-time Director with effect from 1st February, 2005 as also for amending Articles of Association of the Company.
- (iii) No special resolution was proposed at the Annual General Meeting held on 4th September, 2006.
- (iv) Extra-ordinary General Meeting held on 16th December, 2006 for approval to the revised remuneration and other benefits payable to the three Whole-time Directors viz. Messrs. M.P. Jatia, V.P. Leekha and S.K. Bansal with effect from 1st April, 2005 and reappointment and remuneration and other benefits payable to the Managing Director with effect from 1st April, 2007.

No special resolution was required to be put through Postal Ballot last year.

No Special Resolution is proposed to be moved at the ensuing Annual General Meeting, through Postal ballot.

Disclosures

- (a) As disclosed in the accompanying accounts, wherever required, full provision has been made relating to transactions with subsidiary and associate Companies.
- (b) There were no instances of non compliance by the Company, nor were any penalties or strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority on any matter relating to capital markets during the last three years.
- (c) No personnel has been denied access to the Audit Committee;
- (d) All the mandatory requirements of the revised Clause 49 of the listing agreement have been complied with as detailed in this annexure "C". Non-mandatory requirements have been complied with in so far as they relate to appointment of remuneration committee and having unqualified financial statements.

Means of Communication

- (a) The Company has published its quarterly and half yearly results giving the required particulars in the "Financial Express"/"Economic Times" and "Loksatta" (Regional Language).
- (b) These results are also posted on Company's website www.pudumjee.com and are also available on SEBI's website www.sebi.gov.in
- (c) The Company has created a dedicated E-mail ID for investor's complaints viz. inv_compl_ppm@pune.pudumjee.com
- (d) The Management Discussion and Analysis is part of the Annual Report of the Directors to the Shareholders of the Company.
- (e) The Code of conduct adopted by the Board of Directors is also posted on Company's aforesaid website.