

Gujarat Propack Limited



Propack

FILMS

**Annual Report
and Accounts 1998-99**

Gujarat Propack Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the members of GUJARAT PROPACK LIMITED will be held at Plot 359-B, Baska Village, Taluka : Halol, Dist : Panchmahal, Gujarat, on Saturday, the 25th September 1999 at 11.00 A.M. to transact the following business.

1. To receive, consider and adopt the profit & Loss Account for the year ended 31st March, 1999, the Balance Sheet as at 31st March, 1999 and the Reports of the Board of Directors and the Auditors.
2. To appoint a Director in place of Shri J. M. Patel, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri R. J. Patel, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT Shri S. H. Junnarkar for whose appointment a notice has been received from a shareholder of the Company in pursuance of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation."
6. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to Section 293(1) (a) and other applicable provisions, if any of the Companies Act, 1956, to the Board of Directors of the Company, mortgaging and/or charging on such terms and conditions and at such time or times and from time to time and in such form and manner as it may deem fit, the whole or substantially whole of the Company's any one or more undertakings or all the undertakings, including the present and/or future properties whether movable or immovable comprised therein in any favour of trustees to

be appointed by the Board for the holders of Convertible and/or Non Convertible Debentures and/or Foreign Currency Convertible bonds and/or Non Convertible bonds or any such instrument creating debts or in favour of any bank/s or institution/s or bodies corporates or any other person or persons with respect of any loans whether rupee or in foreign currency of the aggregate nominal value not exceeding Rs. 100 Crores (Rupees One Hundred Crores Only) with powers to the trustees or other person/s which may be appointed to take over the management of the business and concerns of the Company in certain events and upon the other terms and conditions to be decided upon by the Board of Directors of the Company, in accordance with the relevant statutory provisions and the guidelines issued thereunder together with interest thereon, additional interest, cumulative interest, remuneration of trustees and to holders of instruments in terms of the issue of the said instruments such securities to rank pari passu with mortgages and/or charges already created or to be created in future by the Company or in such other manner as may be agreed to, between the concerned parties.

Registered Office :	By order of the Board of Directors
Plot No. 359-B	
Baska Village	
Taluka : Halol	R. Ganesh
Dist : Panchmahal	C. G. M. (Finance) &
Gujarat 389 350	Company Secretary.
Mumbai, 19th August, 1999.	

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY, WHO NEED NOT BE A MEMBER TO ATTEND AND VOTE ON HIS/HER BEHALF. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books shall remain closed from 15th September 1999 to 25th September 1999, both days inclusive.
3. Members are requested to notify immediately, changes in their address, if any, to the Company's Registered office, quoting their folio numbers so that communications are correctly despatched.

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NOTES :

4. The amount of unclaimed dividend for and upto the financial year 1993-94, has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said financial years may claim the same by submitting an application in Form II to The Registrar of Companies, Gujarat State, ROC Bhavan, Opp. Rupal Park, Nr. Ankur Bus Stand, Naranpura, Ahmedabad 380 013.

Members who have not encashed the dividend warrants so far, for any subsequent years are requested to encash their dividend warrants immediately.

5. To avoid multiple communications, dividend warrants, etc. please intimate the Company for consolidation if any, of the shares held under more than one folio number by you singly or jointly with others in the same sequence. Please also send relevant Share Certificates for the said purpose.
6. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of items of Special business is annexed hereto.

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956.

ITEM NO. 5

Item No. 5 of the Agenda relates to appointment of Shri S. H. Junnarkar as Director of the Company whose period of office shall be liable to determination by the retirement of Directors by rotation.

Shri S. H. Junnarkar was appointed as Additional Director of the Company by the Board of Directors at their meeting held on 10th November 1998. Shri S. H. Junnarkar holds the office of Director upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956.

A notice from a shareholder under Section 257 of the Companies Act, 1956 has been received by the Company intending to propose Shri S. H. Junnarkar as Director of the Company retiring by rotation. Shri S. H. Junnarkar is a solicitor by profession. Your Board is of the opinion that his legal knowledge and experience would be of great value to the Company. His appointment is, therefore, commended for approval.

Except for Shri S. H. Junnarkar, none of the Directors of the Company are concerned or interested in this resolution.

ITEM NO. 6

The Company is in the process of negotiation with the Financial Institutions/Banks for restructuring its borrowings and is also negotiating fresh loans/borrowings for its capital expenditure plans and long terms working capital requirements by way of Rupee term loans, Foreign Currency loans, Debentures, Bonds and/or such other instruments. As per the usual terms and conditions, the financial institutions / banks require the charge on movable/immovable properties of the Company to secure such financial arrangements to be created immediately. To create charge on the assets of the Company, it is necessary to authorise the Board of Directors for mortgaging/charging the properties of the Company in favour of the lenders upto a sum not exceeding Rs. 100 Crores from time to time. This limit is proposed in line with the borrowing powers of the Board of Directors of the Company under Section 293(1) (d) of the Companies Act, 1956.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public Company shall not without the consent of such public Company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since the mortgaging by the Company of its movable and or immovable properties in favour of the said financial institutions/bank together with the right to take over the management of the business and concern of the Company in certain events of default may be regarded as disposal of the Company's properties/undertakings, it is therefore, necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

The Board of Directors commends the resolution for acceptance of the members.

None of the Directors of the Company are concerned or interested in this resolution.

Registered Office :
Plot No. 359-B
Baska Village
Taluka : Halol
Dist : Panchmahal
Gujarat 389 350
Mumbai, 19th August, 1999.

By order of the Board of
Directors

R. Ganesh
C. G. M. (Finance) &
Company Secretary.

Gujarat Propack Limited

BOARD OF DIRECTORS

JAYARAMDAS M. PATEL
Chairman

ROHIT J. PATEL

Y. C. AMIN

NIHCHAL H. ISRANI

S. H. JUNNARKAR

PRANAV R. PATEL

R. P. PAREKH
(Nominee of ICICI)

BHARAT H. PATEL
Managing Director

KHURSHID N. PATELL
Executive Director

**CHIEF GENERAL MANAGER
(FINANCE) & COMPANY SECRETARY**
R. GANESH

BANKERS

STATE BANK OF INDIA

AUDITORS

A.J. SHAH & CO.
Chartered Accountants

SOLICITORS

KANGA & CO.

REGISTERED OFFICE & BASKA PLANT :

PLOT 359-B, BASKA VILLAGE,
TAL : HALOL, DIST : PANCHMAHAL,
GUJARAT 389 350.

KARJAN PLANT :

VEMARDI ROAD
NAVI JITHARDI VILLAGE
NEAR INOX, OFF. N. H. NO. 8
TAL. KARJAN, DIST. VADODARA
GUJARAT - 391 240.

ADMINISTRATIVE OFFICE :

NEPTUNE TOWERS,
PRODUCTIVITY ROAD,
VADODARA
GUJARAT - 390 005.

Gujarat Propack Limited

DIRECTORS REPORT

To

The Members,

Your Directors have pleasure in presenting their Annual Report together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS:

	Year ended 31.03.1999	(Rs. in Lacs) Year ended 31.03.1998
Your Company has during the Year ended 31st March, 1999 earned an Operating Profit of	1592.52	866.11
From which has to be deducted:		
Interest and Finance Cost	1517.48	556.45
Depreciation	425.33	205.91
Leaving a Profit / (Loss) of	(350.29)	103.75
Provision for Taxation	1.00	12.00
Leaving a Net Profit / (Loss) of	(351.29)	91.75
Balance brought forward from Previous Year	96.21	221.37
	(255.08)	313.12
Excess / (Short) Provision in respect of earlier years		
Depreciation	5.16	1.46
Expenses	(1.56)	8.79
Provision for Taxation	(6.36)	--
	(257.84)	323.37
Add : Amount Transferred from General Reserve	257.84	--
Total Amount available for appropriation which has been appropriated as under:	--	323.37
Proposed Dividend	--	38.33
Corporate Dividend Tax	--	3.83
Debenture Redemption Reserve	16.67 *	175.00
General Reserve	(16.67)*	10.00

Balance carried forward: -- 96.21

* Transferred from General Reserve to Debenture Redemption Reserve.

PROPOSED DIVIDEND

In view of the operating results for the year under review, your Directors propose to skip the Dividend for the year ended 31st March, 1999.

OPERATIONS

The production of BOPP film for the year under review was 10196 tonnes as against 8817 tonnes (including trial production) in the previous year. During the year the new Plant at Karjan operated at optimum capacity and the quality was well received in the market.

The excess capacity in the industry continued to affect sales realization for BOPP Film. The problem was further compounded by erratic behaviour of price of polypropylene, the company's main raw material.

CURRENT YEAR

Despite continuing excess supply over demand of BOPP Film, your Company is confident of turning out improved results during the current financial year. The expected improvement will result from further cost reduction efforts as well as through new products just developed and under development. The Company has re-entered the export market in the last quarter of 1998-99 and expects to consolidate its position in the market during the current year.

FUTURE PROSPECTS

BOPP Industry in India is growing steadily at around 20% per annum which is reflected in the growth in sales achieved by the Company during the last two years. With the continued growth at the same rate, the industry capacity in the country is expected to be fully utilized by 2000-01 leading to better sales realization.

Your Company is committed to packaging and more specifically to BOPP Film Industry. This is amply reflected by constant, timely and appropriate investment it has made in additional capacities since its inception in 1987. This has helped in maintaining its leadership position in the industry. With its three compact BOPP Lines and well balanced finishing equipment, it is able to service the most demanding requirements of its very wide customer base spread all over India.

The demand for BOPP Film falls into two broad categories, the commodity type and differentiated films for specific end use type. As the processed food consumption increases in the country, your Company will gain from better product mix and resultant higher price realization for its differentiated films.

Based on such solid foundation and growing demand from Fast Moving Consumer Goods (FMCG) Industry, your Company is committed to grow in the coming years.

RESEARCH & DEVELOPMENT

The investment in Research & Development is a continuous and integral process in your Company. Besides developing new products / applications of BOPP Film, continued efforts resulted in producing very thin film for metalisation, which help source reduction and make environmentally more friendly packaging. Further, during the year your Company developed wrinkle free film for cigarette overwrap for better shelf appeal and improved gloss and transparency of its packaging grade film. There are a number of other products under development creating new options through innovations.

AWARDS FOR INNOVATION IN PACKAGING

Your Directors are pleased to inform that in its constant quest for innovating and providing better packaging solutions to customers, two of its new products received national recognition by way of "Indiastar 98" for BOPP based Shrink Film and Cold Twist Wrap Film.

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The Cold Twist Wrap Film of the company also received "Asiastar 98" and finally the most coveted recognition the "Worldstar 98"

DIRECTORS

Shri S. H. Junnarkar has been appointed as Additional Director on the Board of the Company with effect from 10th November 1998, and will hold office of Director upto the date of the forthcoming Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri J. M. Patel and Shri R. J. Patel retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

FIXED DEPOSITS

At the close of the year, there was one unclaimed deposits aggregating to Rs. 15,000/-.

INSURANCE:

The Company's assets have been adequately insured.

PARTICULARS REQUIRED AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956:

A statement giving information as per Section 217 (1) (e) read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure I forming part of this Report.

PARTICULARS OF EMPLOYEES:

A statement giving particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure II forming part of this Report. However, as per the

provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report & Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

PERSONNEL:

Industrial relations continued to be cordial. Your Directors place on record their appreciation to all the employees for their co-operation.

AUDITORS:

The Auditors of the Company M/s. A.J. Shah & Company retire at this Annual General Meeting and are eligible for reappointment. You are requested to appoint Auditors to hold office until the conclusion of next Annual General Meeting and fix their remuneration.

Note Nos. 3(a), 3(b) and 3(c) referred to in the Auditors' Report are self explanatory and do not call for further explanation under Section 217 (3) of the Companies Act, 1956.

ACKNOWLEDGEMENT:

Your Directors wish to place on record their appreciation for the valuable support and co-operation received from the Company's Bankers, Financial Institutions, Central Government and Government of Gujarat.

On Behalf of the Board of Directors

J.M. PATEL

Chairman

Mumbai, 28th May, 1999.

ANNEXURE 1

STATEMENT PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 & THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

A: CONSERVATION OF ENERGY:

Considering the importance of saving energy consumption, Company has been taking necessary steps from time to time to conserve energy wherever possible.

B: TECHNOLOGY ABSORPTION:

The technical know-how agreement of the Company related only to the extent of import of drawings for machinery and there had been no import of technology. The Company is not using any imported technology inputs in its manufacturing operations.

C: FOREIGN EXCHANGE EARNINGS & OUTGO:

- (i) Total Foreign Exchange used : Rs. 1467.91 lacs.
- (ii) Total Foreign Exchange earned : Rs. 87.95 lacs.

Gujarat Propack Limited

Report of the Auditors

To
The Members,

We have audited the Balance Sheet of GUJARAT PROPACK LIMITED, as at 31st March, 1999 and also the Profit and Loss Account for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as were considered appropriate and as per the information and explanations given to us, we give in the annexure a statement on the matters specified in paragraph 4 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above.
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books;
 - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act 1956, to the extent applicable, except stated otherwise.
3. In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the Notes to the accounts thereon, subject to the following :
 - (a) The Company has changed its method of valuation of Raw Material, Stores, Spares, packing material, work-in process and Finished Goods. This has resulted into reduction in the Loss for the year to the extent of Rs. 246.25 lacs, as stated in the notes 1(E) (a), 1(E) (b), 5(A) and 5(B).
 - (b) Provision for accrued liability for leave encashment (amount not quantified) required to be made according with the requirements of Accounting Standard 15 regarding "Accounting for retirement

benefits in the Financial Statement of Employers" has not been made in the accounts as stated in note no. 1 (F) (c) and 1 (I) (a).

- (c) Information regarding outstanding liability of Small Scale Industries, required to be disclosed as per Notification No. GSR 129(E) dated 22nd February, 1999 issued by the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, has not been given for want of details as stated in Note no. 8 (A) and 8 (B).

give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

- (i) in the case of the Balance Sheet of the state of affairs of the company, as at 31st March, 1999.
- and
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For A. J. SHAH & CO.
Chartered Accountants

P. A. SHAH
Partner

Mumbai, 28th May, 1999.

Gujarat Propack Limited

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph (1) thereof)

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The company has physically verified its fixed assets as per the programme of verification at an interval of 3 years, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. Discrepancies noticed on such verification were not material.
- (ii) None of the fixed assets have been revalued during the year.
- (iii) As explained to us, the stocks of finished goods, stores and spares and raw materials have been physically verified by the management at reasonable intervals during the year other than certain items lying with third parties in respect of which confirmations have been obtained.
- (iv) In our opinion, the procedure of physical verification of the aforesaid stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) In our opinion, the discrepancies noticed on physical verification of the aforesaid stocks, as compared to the book records, were not material and the same have been properly dealt with in the books of account.
- (vi) On the basis of our examination, we are of the opinion that the valuation of the aforesaid stocks is fair and proper in accordance with the normally accepted accounting principles. The Company has changed the basis of valuation of its inventory as compared to the preceding year as stated in Note No. 1(E) and 5 of "Notes to the Accounts". This has resulted into reduction in loss to the extent of Rs. 246.25 lacs, as stated in para 3(a) of this report.
- (vii) The Company has taken unsecured loans, from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of the said loans are not prima-facie prejudicial to the interest of the Company. As explained to us, there are no companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- (viii) Other than a Loan granted to an employee (as stated in note no. 6) who was subsequently appointed as Executive Director, the Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us there are no companies under the same management as defined under sub-section (1-B) of the Companies Act, 1956.
- (ix) Loans and advances in the nature of loans have been given only to the employees and they are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable.
- (x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- (xi) In our opinion and according to the information and explanations given to us, the transactions of purchase of materials and sale of goods, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prices at which the transactions for similar goods have been made with other parties.
- (xii) As explained to us, the Company has a procedure for determination of unserviceable or damaged raw materials, stores and finished goods. The necessary adjustments for the loss in respect thereof have been made in the accounts.
- (xiii) In our opinion and as per the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder with regard to the deposits accepted from the public.
- (xiv) In our opinion the Company is maintaining reasonable records for the sale and disposal of the realisable scrap. According to the information and explanations given to us, the Company has no by-products.