

Gujarat Propack Limited

Propack

FILMS

**Annual Report
and Accounts 1999-2000**

Gujarat Propack Limited

BOARD OF DIRECTORS

JAYARAMDAS M. PATEL
Chairman

ROHIT J. PATEL

Y. C. AMIN

NIHCHAL H. ISRANI

S. H. JUNNARKAR

PRANAV B. PATEL

R. P. PAREKH
(Nominee of ICICI)

BHARAT H. PATEL
Managing Director

KHURSHID N. PATELL
Executive Director

**CHIEF GENERAL MANAGER
(COMMERCIAL) & COMPANY SECRETARY**
N. L. MOORJANI

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, 2000.

FINANCIAL RESULTS:

	Year ended 31.03.2000	(Rs. in Lacs) Year ended 31.03.1999
Your Company has during the Year ended 31st March, 2000 earned an Operating Profit of	1301.27	1229.02
Add : Profit on sale of Fixed assets	--	117.25
(Less) / Add Impact of valuation in closing stock as per Revised mandatory Accounting Standard 2	(236.23)	246.25
	1065.04	1592.52
From which has to be deducted:		
Interest and Finance Cost	1520.77	1517.48
Depreciation	430.94	425.33
Leaving a Profit / (Loss) of	(886.67)	(350.29)
Provision for Taxation	0.50	1.00
Leaving a Net Profit / (Loss) of	(887.17)	(351.29)
Balance brought forward from Previous Year	--	96.21
	(887.17)	(255.08)
Excess / (Short) Provision in respect of earlier years		
Depreciation	--	5.16
Expenses	8.64	(1.56)
Provision for Taxation	3.76	(6.36)
	(874.77)	(257.84)
Add : Amount transferred from General Reserve	(874.77)	(257.84)
Total amount available for appropriation	--	--

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, 2000.

OPERATIONS

The production for year under review was 10036 tonnes (including trial production) as against 10196 tonnes in the previous year. During the year, both Karjan & Baska Plants operated at the optimum capacity.

The excess capacity in the industry continued to adversely affect sales realization which was further compounded by frequent fluctuations in the price of main Raw material viz. polypropylene.

CURRENT YEAR

During February 2000 your Company completed a Project for

up-gradation and modernisation of the Karjan Plant which has resulted in increased production by about 2000 TPA. Besides reducing manufacturing cost it will make it possible for your Company to offer certain differentiated films for the first time in the Indian market. The benefits of this investment will accrue during the current year.

As expected, the supply / demand situation in BOPP Film industry has shown signs of improvement. Coupled with improved market conditions and increased production capacity, your Company's working for the first three months of the current year has shown marked improvement over the same period of previous year.

There is likelihood of further increase in production and improvement in product-mix due to which your Company is confident of showing substantially improved results during the current financial year.

FUTURE PROSPECTS

With BOPP Film industry growing steadily and the food processing industry requiring improved packaging material to extend shelf life of its products, there is a bright future for the BOPP Film industry.

Your Company has over the years developed a deep understanding of the Indian market which along with steady business policies has helped to build a strong relationship with its customers. It is this strength which will help your Company to fully exploit the improved supply/demand situation.

EXPORTS

During the year under review, your Company was able to increase export volumes over the previous year. As our products have been well received in foreign markets, we expect exports volume to grow in the current year.

RESEARCH & DEVELOPMENT

To maintain its market leadership position, your Company is constantly making investments in R & D. As a result of these efforts, a number of new products were developed during the year under review, some of these have already been marketed while others need stabilisation after which they will be offered for commercial use.

PREFERENTIAL ISSUE

During the year under review, your Company issued and allotted 26,00,000 Equity Shares at a price of Rs. 12/- per share (Nominal value of Rs. 10/- + Premium of Rs. 2/- per share) aggregating to Rs. 312 lacs to the Promoters and their associates in terms of the Special resolution passed by the Shareholders at the EOGM held on 26th February, 2000.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Shri Y. C. Amin and Shri N. H. Israni 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 were 15 unclaimed deposits aggregating to Rs. 1,59,000/-.

INSURANCE

The Company's assets have been adequately insured.

Gujarat Propack Limited

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.

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.

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 June, 2000.

ANNEXURE I

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, 2000.

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. 954.17 lacs.
- (ii) Total Foreign Exchange earned : Rs. 326.37 lacs.

ANNEXURE II

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF 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, 2000.

EMPLOYED THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION FOR THE FINANCIAL YEAR IN THE AGGREGATE OF NOT LESS THAN RS. 6,00,000/-

Name : Patel B.H.; Age (Years) : 55; Designation : Managing Director; Remuneration Gross Rs. : 9,62,302/-; Qualification(s) : Dip. Printing Tech. U.K.; Experience Years : 35; Date of Commencement of Employment : 1.4.1987; Last Employment and position held before joining the Company : Vijay Flexible Containers Limited, Managing Director.

Name : Patell K. N.; Age (Years) : 56; Designation : Executive Director; Remuneration Gross : Rs. 8,37,344/-; Qualification(s) : B. A., L.L.B., M.B.A.; Experience Years : 29; Date of Commencement of Employment : 1.1.1987; Last Employment and position held before joining the Company : Vijay Flexible Containers Limited, General Manager (Operations)

Name : Balaji V.; Age (Years) : 43; Designation : Executive Vice President, Remuneration Gross : Rs. 6,45,387/-; Qualification(s) : Msc. (Appl. Chem); Experience Years : 20; Date of Commencement of Employment : 1.2.1986; Last Employment and position held before joining the Company : M.M. Rubber Company Ltd., Asst. Manager Technical.

NOTES: 1. Nature of employment and other terms and conditions of service of Shri B. H. Patel, Managing Director and Shri K. N. Patell, Executive Director, are governed by contract.

2. The gross remuneration shown above comprises Salary, Commission, House Rent/Maintenance Allowance, Monetary value of perquisites as per the Income Tax Rules, 1962, Company's contribution to Provident Fund, Superannuation Fund, Gratuity fund and Leave Travel Assistance and Reimbursement of Medical Expenses.

On behalf of the Board of Directors

Mumbai, 28th June, 2000.

J.M. PATEL
CHAIRMAN

Gujarat Propack Limited

Report of the Auditors

To
The Members,

We have audited the attached Balance Sheet of GUJARAT PROPACK LIMITED, as at 31st March, 2000 and also the Profit and Loss Account of the Company 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 Central Government 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.
3. In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with;
 - (a) Notes no. 5(a), 5(b) and 5(c) regarding change in accounting of leave encashment, export benefit and method of valuation of stock respectively and their effect on the accounts.
 - (b) Note no. 7 regarding non availability of the information regarding outstanding liability of Small Scale Industries,
and read together with other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present 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, 2000.
 - 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 June, 2000.

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 programme of physically 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. During the year the company has not verified its fixed assets.
- (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. 5(c) of "Notes to the Accounts" to conform to the mandatory Accounting Standard 2- Valuation of Inventory. This has resulted into increase in loss to the extent of Rs. 246.25 lacs.
- (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 (a)) 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 (1B) 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.

Gujarat Propack Limited

- (xv) In our opinion and according to the information and explanations given to us, the Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.
- (xvi) The maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.
- (xvii) The Company is regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- (xviii) According to the information and explanation given to us, there were no amounts outstanding as at the last day of the financial year in respect of undisputed Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.

- (xix) According to the information and explanation given to us and on the basis of records of the company examined by us, no personal expenses have been debited to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (xx) The Company is not a Sick Industrial Company within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

For A. J. SHAH & CO.
Chartered Accountants

P. A. SHAH
Partner

Mumbai, 28th June, 2000.

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Gujarat Propack Limited

Balance Sheet

as at 31st March, 2000

	Schedule	As at 31.3.2000 (Rs. in Lacs)	As at 31.3.1999 (Rs. in Lacs)
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	779.46	519.46
Reserves & Surplus	2	829.00	1651.77
		1608.46	2171.23
Loan Funds :			
Secured Loans	3	5775.29	5749.24
Unsecured Loans	4	548.06	1068.69
		6323.35	6817.93
		7931.81	8989.16
APPLICATION OF FUNDS :			
Fixed Assets			
Gross Block	5	9567.52	9080.58
Less : Depreciation		2392.98	1965.21
Net Block		7174.54	7115.37
Add: Capital Work-in-Progress		2.82	4.32
		7177.36	7119.69
Investments	6	0.01	0.01
Current Assets, Loans & Advances :			
Inventories	7	1584.40	1919.71
Sundry Debtors	8	1334.50	1347.85
Cash & Bank Balance	9	277.87	170.95
Loans & Advances	10	415.91	424.44
		3612.68	3862.95
Less : Current Liabilities & Provisions	11	2949.67	2090.41
Net Current Assets		663.10	1772.54
Miscellaneous Expenditure :	12	91.43	96.92
		7931.81	8989.16
Notes to the Accounts	17		

As per our report of even date

For A.J. SHAH & CO.
Chartered Accountants

P.A. SHAH
Partner

Mumbai, 28th June, 2000.

N. L. MOORJANI
Company Secretary

J. M. PATEL

Y. C. AMIN

B. H. PATEL

Chairman

Director

Managing Director

Mumbai, 28th June, 2000