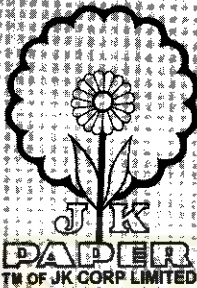
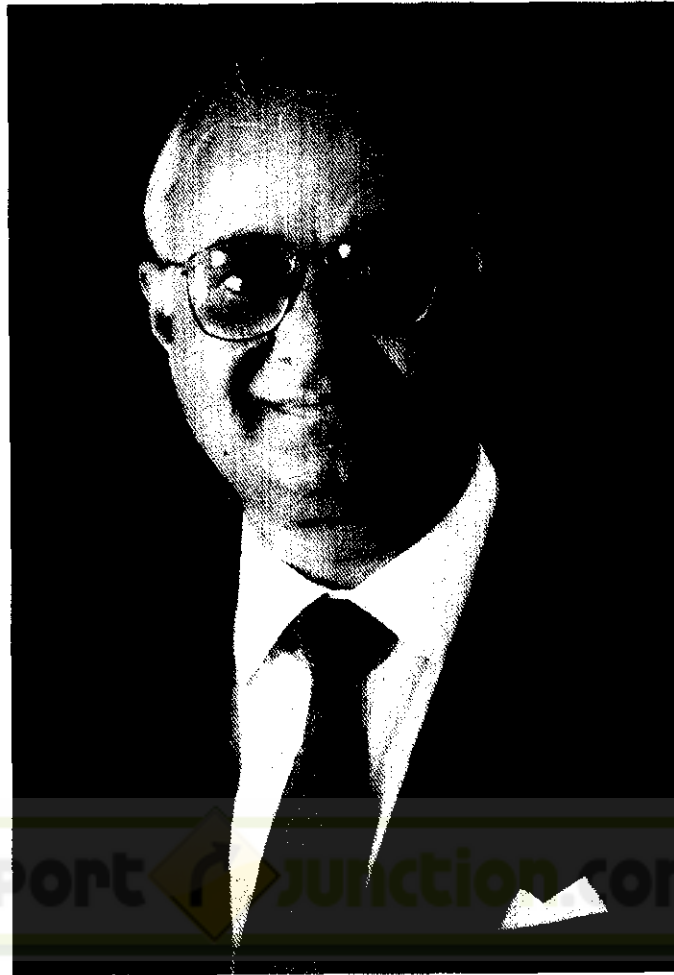


38th ANNUAL REPORT 1998-99



The Central Pulp Mills Limited



"The Central Pulp Mills Limited is an excellent example of revival and turnaround in a short period. I am happy that it has been able to wipe out the entire accumulated losses of over Rs. 87 Crores at the time of takeover by JK Management. This has been possible because of the expertise provided by JKs in management, strategy, technology and marketing, besides strong financial support. It is gratifying that this has been achieved despite a highly competitive business environment coupled with a severe downturn in the Paper Industry for the last three years.

I am confident that with improved outlook for the industry as reflected in the better offtake and improved prices, the Company shall be able to register substantially better results in the current year.

I would like to acknowledge the hard and dedicated work put in by all employees of the CPM in this achievement."

Hari Shankar Singhania
Chairman

Board of Directors

Hari Shankar Singhania Chairman

B.T. Sridharan

Harsh Pati Singhania

Rajiv Memani

Shailendra Swarup

Om Prakash Goyal President & Director

Report  junction.com

Company Secretary

Brijesh K. Daga

Auditors

S.S. Kothari & Co.,
Chartered Accountants
New Delhi

Registered Office

P.O. Central Pulp Mills
Fort Songadh - 394 660
Dist. Surat, (Gujarat).

Bankers

State Bank of India
Bank of Maharashtra
Canara Bank

Directors' Report

To the Members,

The Directors have pleasure in presenting the Annual Report and the audited Accounts of the Company for the year ended 30th June 1999.

FINANCIAL RESULTS

	Rupees in Crores	
	1998-99	1997-98
Sales and other income	122.66	123.25
Profit before interest, lease rent & depreciation	19.62	20.30
Profit before depreciation	8.06	8.55
Net Profit	4.24	5.01
Less - Prior period expenses (Excise duty)	-	0.80
	<u>4.24</u>	<u>4.21</u>

Directors are pleased to inform that during the year, the Company has been able to wipe out the accumulated losses pertaining to pre-takeover period (i.e. upto May 1992).

During the first three quarters of the year under review, Paper Industry continued its down cycle and was affected by intense competition, both in the domestic and international markets. Lower domestic demand growth together with pressure from imports, led to further depression in selling prices, where as there was increase in the cost of major inputs. This adversely affected profitability. The last quarter, however, witnessed a better market outlook with improvement in offtake and net sales realisation. In this context, the financial results of the Company are considered satisfactory.

By the Union Budget of February 1999, the import duty on paper was increased by 5% to 38.5%. However, concessional import duty of 5.5% on Newsprint and Light Weight Coated Paper (LWC) continues, due to which substantial imports of paper continued, adversely affecting the domestic paper market.

PERFORMANCE REVIEW

During the year under review, production of Paper stood at 43,440 tonnes as against 41,036 tonnes in the previous year. Sales were maintained at 43,943 tonnes (Previous year 43,961 tonnes) and finished goods stocks were significantly lower at 508 tonnes due to better market penetration of your Company's products. With optimisation of Pulp production, surplus pulp is being sold in the market. The Company continued to lay greater emphasis on achieving higher production at lower cost. Major cost cutting measures undertaken during the year included increase in captive power generation, reduction of power and coal consumption and better working capital management. This has helped the Company in reducing to some extent the impact of cost increases.

During the year, the Company also improved the quality of its Paper by increasing its brightness and enlarged its marketing network. As already reported, under an arrangement with JK Corp Limited, the Company manufactures and markets its products viz. Maplitho, Copier, Parchment, Base, Ledger Paper etc. under the reputed brand and logo of "JK Paper", fulfilling the specified quality parameters. Your Company was able to sustain its operations and remain profitable in the difficult conditions prevailing during most part of the year, on account of enhanced brand image coupled with aggressive marketing and better customer service.

PROJECTS UNDERTAKEN

Installation of B M Gauge equipments to achieve higher levels of efficiency and reduction of wastages was completed and these have been commissioned on both the Paper Machines, in February 1999. Benefits of this have started flowing in now.

To mitigate higher cost of power and to achieve self-sufficiency, the Company has taken up a Project for installation of 12 MW Turbo Generator Set at an outlay of Rs.18 Crores. Orders for supply of the Turbine have been placed and the Project is scheduled for commissioning before June 2000. This is expected to significantly

increase the profitability of the Company in the coming years.

AWARDS

With a deep sense of satisfaction, the Directors report that during the year, the Company received the prestigious award for "Energy Conservation" for the year 1997, from the Indian Paper Makers Association, in a recognition of its outstanding performance in the field of Energy Conservation.

Your company also received the awards for "Outstanding Export Performance in Chemical Industry" and "Outstanding Achievement in Productivity" of the Southern Gujarat Chamber of Commerce and Industry.

SOCIAL FORESTRY

The Company continued its thrust on augmenting availability of raw material at reasonable cost for the years to come through Social Forestry Programmes. Over 17 lakh high quality seedlings of eucalyptus have been distributed during the year. With the encouraging response of the farmers in growing hardwood plantations on marginal and waste lands, it is proposed to increase distribution to 25 lakh seedlings during the current year. This will not only benefit the Company but also enable the farmers to improve their incomes by productive use of otherwise waste lands and contribute in restoring ecological balance of the region.

DIRECTORS

Shri Shailendra Swarup and Shri Rajiv Memani retire by rotation and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

AUDITORS

Messrs. S.S. Kothari & Co., Chartered Accountants, the Auditors of the Company, retire and are eligible for re-appointment for the year 1999-2000. The observations of the Auditors in their Report on Accounts read with the relevant notes, are self-explanatory.

CONSERVATION OF ENERGY ETC.

Conservation of energy is an on going process in the Company. Following measures were taken during the year to reduce power consumption:

- (a) Variable frequency drives were installed and commissioned for high power consuming fans and pumps to run at optimum RPM to conserve electrical energy.
- (b) Replacement of inefficient/oversize pump and motors with efficient and optimum size pumps and motors.
- (c) Impeller diameter of identified pumps have been trimmed to optimum size to reduce electrical energy consumption.
- (d) Energy saver and electronic ballast in lighting circuits were installed.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (a) Quality Control System based on DCS has been installed and commissioned for PM-I and PM-II for monitoring and controlling Basis weight and Moisture of paper as well as for monitoring thickness of paper. This has resulted in producing paper of consistent quality resulting in better customer satisfaction.
- (b) Brightness of the pulp has been improved from 82.5° PV to 84.5° PV and reversion of brightness has been minimised by using Hydrogen Peroxide.
- (c) Trials of Neutral sizing agent were successfully carried out.
- (d) Trials of MICR Cheque Paper were taken and samples sent to BIS for certification.
- (e) Installation of consistency regulator at the inlet of Double Disc Refiner has minimised variation of freeness of stock.
- (f) Use of special amine in boiler feed water has resulted in reduction of boiler blow-down and purer quality of steam. This has helped significantly in reducing outage time due to

turbine washing and higher generation of power.

EXPORT, FOREIGN EXCHANGE EARNINGS & OUTGO

	<u>Rs./lacs</u>
(a) Foreign Exchange earned (Export Sales-FOB value)	512.12
(b) Foreign Exchange outgo	231.94

HUMAN RESOURCE DEVELOPMENT

Human Resource function continues to be a key focus area of the Company. Systems have been developed to bring about greater transparency, fairness and openness amongst the employees at all levels and to generate in them a feeling of participative management. Through several training and development programmes, skills and competence of employees are being developed and built. The Company has also initiated programme on Total Productive Maintenance (TPM). 140 posts of workmen have been reduced by Manpower Rationalisation.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975, regarding employees, is given in the enclosed statement forming part of the report.

ACKNOWLEDGEMENTS

Your Directors wish to thank and acknowledge the continued co-operation and assistance received from its Bankers, Financial Institutions, Government Authorities, Shareholders and the Promoter Companies. The Directors value the patronage and the confidence reposed in the Company by the suppliers, dealers and above all the valued customers. The Directors also appreciate the dedicated and sincere services of the employees at all levels, which have greatly contributed to the Company sustaining its operations during these difficult times.

On behalf of the Board

New Delhi
The 27th August 1999.

H.S. SINGHANIA
Chairman

The Central Pulp Mills Limited

Auditors' Report

To The Members,
THE CENTRAL PULP MILLS LIMITED

We have audited the attached Balance Sheet of **THE CENTRAL PULP MILLS LIMITED** as at 30th June 1999, and the Profit and Loss Account annexed thereto for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988, issued by the Central Government under Section 227 (4A) of the Companies Act 1956 and as per the information and explanations given to us during the course of our audit and on the basis of such checks and verifications as were considered appropriate, we give our comments in the annexure on the matters specified in the said order to the extent applicable to the Company.
2. Attention is invited to Note No. B-19, Schedule 17, regarding non-provision of diminution in value of long term investments as in the opinion of the management, such diminution is temporary in nature. The impact on the profits for the period, if any, is not determinate.
- 3 (i) The amount of Rs. 101.39 lacs receivable from a company whose case is pending before Board for Industrial & Financial Reconstruction of India (BIFR) has been considered as good and no provision has been made (Refer Note No. B-11 of Schedule 17). Had provisions been made, Reserves & Surplus and current assets would have been lower by the aforesaid sum.
- (ii) Provision for additional liability on account of foreign exchange fluctuation of Rs. 470.43 lacs (approx.) as at 30.06.99 on the import of materials of earlier years has not been made (Refer Note No. B-7 of Schedule 17). Had the

liability been provided, the Reserves and Surplus would have been lower by Rs. 470.43 lacs and current liabilities would have been higher by the same amount.

- (iii) The parties with whom the Company had entered into Memorandum of Understanding in the pre-takeover period for procurement of inputs and for providing finance for operations are reported to have made payment to the suppliers and to have collected payments from the customers on behalf of the Company. Some of the amounts so paid and collected are subject to confirmation from the original parties. Net amount payable/receivable from these parties is also subject to reconciliation/verification and settlement of disputes.

Subject to 3 above, we further report that :

- (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) The Balance Sheet and the Profit and Loss Account dealt with by this Report are in agreement with the Books of Account.
- (c) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the books.
- (d) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the mandatory Accounting Standards, specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act 1956.
- (e) In our opinion and to the best of our information and according to the explanations given to us by the management, the said Accounts read

together with the Accounting Policies and Notes on Accounts thereon, 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 Balance Sheet, of the state of affairs of the company as at 30th June 1999 and
- (ii) In case of the Profit and Loss Account, of the Profit for the year ended on that date.

For S.S. KOTHARI & CO.,
Chartered Accountants

New Delhi
The 27th August 1999

ATUL SEKSARIA
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph - 1 of our Report of even date on the Accounts of THE CENTRAL PULP MILLS LIMITED for the Accounting Year ended on 30th June 1999).

- (i) The Company is maintaining records of fixed assets showing particulars including quantitative details and location thereof. We have been informed by the management that major portion of the fixed assets have been physically verified and no discrepancy was found.
- (ii) Factory building, Housing colony, Plant & Machinery and Railway sidings have been revalued as on 31st March 1994 on the basis of replacement value as computed by approved valuers.
- (iii) We have been explained by the management that the stock of finished goods, stores and spares and raw materials have been physically verified at reasonable intervals during the year.
- (iv) In our opinion, the procedure of physical

verification of stock followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its activities.

- (v) The discrepancies noticed on the physical verification of stores and spares taken during the year, have been properly dealt with in the Books of Account.
- (vi) In our opinion, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- (vii) In our opinion, the terms and conditions on which the loans obtained from the company listed in the register maintained under Section 301 of the Companies Act 1956 are not *prima facie* prejudicial to the interest of the Company. No Loans have been given during the year to company under same management as defined under Section 370 (1-B) of the Companies Act 1956.
- (viii) In our opinion, the terms and conditions on which the loans granted by the company listed in the register maintained under Section 301 of the Companies Act 1956 are not *prima facie* prejudicial to the interest of the Company.
- (ix) Loans & Advances given to employees and other parties during the year are being generally recovered as per stipulations.
- (x) There are reasonable internal control procedures commensurate with the size of the Company and nature of its business for the purchase of stores, raw material, spares, plant and machinery, equipments and other assets and with regard to sale of goods.
- (xi) According to the information and explanations given to us, the transaction of purchase of goods and materials and